

OFFICIAL STATEMENT DATED MAY 10, 2023

IN THE OPINION OF BOND COUNSEL TO THE DISTRICT (HEREINAFTER DEFINED), THE BONDS ARE VALID OBLIGATIONS OF THE DISTRICT AND UNDER THE STATUTES, REGULATIONS, PUBLISHED RULINGS, AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAXATION SUBJECT TO THE MATTERS UNDER "TAX MATTERS" HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS.

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

NEW ISSUE – Book-Entry-Only
S&P Global Ratings (BAM Insured) "AA"
Moody's Investors Service, Inc. (Underlying) "Baa3"
See: "MUNICIPAL BOND INSURANCE" and "RATINGS" herein.

\$9,295,000
BELMONT FRESH WATER SUPPLY DISTRICT NO. 2 OF DENTON COUNTY
(A Political Subdivision of the State of Texas located within Denton County)

UNLIMITED TAX ROAD BONDS
SERIES 2023

Dated Date: June 1, 2023


Interest accrues from: Date of Delivery

Due: March 1, as shown on inside cover page

The \$9,295,000 Unlimited Tax Road Bonds, Series 2023 (the "Bonds"), are obligations of Belmont Fresh Water Supply District No. 2 of Denton County (the "District") and are not obligations of the State of Texas; Denton County, Texas; the Town of Argyle, Texas; or any entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Denton County, Texas; the Town of Argyle, 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 Regions Bank, an Alabama banking corporation, Houston, 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 will accrue from the date of delivery, which is expected to be on or about June 15, 2023 (the "Date of Delivery"), with interest payable March 1, 2024, and on each September 1 and March 1 thereafter until maturity or prior redemption 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 "Record Date"). The Bonds are issuable in principal denominations of \$5,000 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 to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM")**. 

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

The Bonds, when issued, will be payable from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of Payment" herein.

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

The Bonds are offered when, as, and if issued by the District and are also offered subject, among other things, to the approval of the Attorney General of Texas and of the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about June 15, 2023.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

\$9,295,000 Unlimited Tax Road Bonds, Series 2023

\$8,505,000 Serial Bonds

Maturity March 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 080376 (b)	Maturity March 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 080376 (b)
2025	\$ 220,000	6.000%	3.300%	DZ6	***	***	***	***	***
2026	235,000	6.000%	3.300%	EA0	2039 (c)	\$ 425,000	4.000%	4.050%	EP7
2027	245,000	6.000%	3.300%	EB8	2040 (c)	445,000	4.000%	4.100%	EQ5
2028	260,000	6.000%	3.300%	EC6	2041 (c)	460,000	4.000%	4.130%	ER3
2029	270,000	6.000%	3.300%	ED4	2042 (c)	485,000	4.000%	4.160%	ES1
2030 (c)	285,000	4.250%	3.350%	EE2	2043 (c)	505,000	4.000%	4.190%	ET9
2031 (c)	300,000	4.000%	3.400%	EF9	2044 (c)	525,000	4.000%	4.220%	EU6
2032 (c)	315,000	4.000%	3.450%	EG7	2045 (c)	545,000	4.000%	4.240%	EV4
2033 (c)	325,000	3.500%	3.650%	EH5	2046 (c)	400,000	4.000%	4.260%	EW2
2034 (c)	340,000	3.500%	3.750%	EJ1	2047 (c)	580,000	4.125%	4.280%	EX0
2035 (c)	360,000	3.625%	3.850%	EK8	2048 (c)	605,000	4.125%	4.300%	EY8
2036 (c)	375,000	3.750%	3.950%	EL6					

\$790,000 Term Bonds

\$790,000 Term Bond Due March 1, 2038 (c)(d), Interest Rate: 4.000% (Price: \$100.000) (a), CUSIP No. 080376 EN2 (b)

- (a) The initial reoffering yield has been provided by the Underwriter, (herein defined) and represents the initial offering price to the public of a substantial amount of the Bonds for each maturity. Such initial reoffering yield may subsequently be changed. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by 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. None of the District, Financial Advisor (herein defined), or Underwriter shall be responsible for the selection or the correctness of the CUSIP numbers.
- (c) The Bonds maturing on March 1, 2030, and thereafter, are subject to redemption prior to maturity at the option of the District, as a whole or from time to time in part, on June 1, 2029, or any date thereafter at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds – *Optional Redemption.*"
- (d) Subject to mandatory redemption by lot or other customary method of random selection on March 1 in the years and in the amounts set forth herein under "THE BONDS – Redemption of the Bonds – *Mandatory Redemption.*"

USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of the costs for duplication thereof.

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

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

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

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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 interest cost, which was tendered by SAMCO Capital Markets, Inc. (the "Underwriter") to purchase the Bonds at the interest rates shown on the inside cover page of this Official Statement at a price of 97.007071% of the par value thereof, resulting in a net effective interest rate of 4.249844%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

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

Information concerning reoffering yields or prices is the responsibility of the Underwriter. The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial reoffering prices, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2023, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$476.6 million, \$196.7 million and \$279.9 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

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

RATINGS

The Bonds will receive an insured rating of “AA” from S&P solely in reliance upon the issuance of the municipal bond insurance policy by BAM at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols “AAA” (the highest rating) through “D” (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant.

Moody’s Investors Service, Inc. (“Moody’s”) has assigned an underlying rating of “Baa3” with stable outlook to the Bonds. An explanation of the rating may be obtained from Moody’s, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. A security rating is not a recommendation to buy, sell, or hold securities. There is no assurance that the rating will continue for any given time or that it will not be revised downward or withdrawn entirely by Moody’s, if, in its judgment, circumstances so warrant. Any such revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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

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OFFICIAL STATEMENT SUMMARY

The following material is 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 Issuer Belmont Fresh Water Supply District No. 2 of Denton County (the “District”), a political subdivision of the State of Texas, is located in Denton County, Texas. See “THE DISTRICT.”

The Issue The District’s \$9,295,000 Unlimited Tax Road Bonds, Series 2023 (the “Bonds”), are dated June 1, 2023 (the “Dated Date”), and mature on March 1 in the years and in the amounts as shown on the inside cover page hereof. The Bonds will accrue interest from the date of delivery, which is expected to be on or about June 15, 2023 (the “Date of Delivery”), at the rates shown on the inside cover hereof and is payable on March 1, 2024, and on each September 1 and March 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..... *Optional Redemption:* The Bonds maturing on and after March 1, 2030, are subject to redemption prior to maturity at the option of the District, in whole or in part, on June 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 of the Bonds – *Optional Redemption.*”

Mandatory Redemption: The Bonds maturing on March 1, 2025, through March 1, 2036, both inclusive, as well as the Bonds maturing on March 1, 2039, through March 1, 2048, both inclusive, are serial bonds. The Bonds maturing on March 1 in the year 2038 are term bonds which have mandatory redemption provisions set out herein under “THE BONDS – Redemption of the Bonds – *Mandatory Redemption.*”

Source of Payment Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Denton County, Texas; the Town of Argyle, Texas; or any entity other than the District. See “THE BONDS – Source of Payment.”

Payment Record..... The Bonds represent the District’s third issuance of unlimited tax road bonds. The District has never defaulted on the timely payment of principal and interest on its prior bonded indebtedness.

Authority for Issuance..... The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and general laws of the State of Texas, including Chapters 49 and 53, Texas Water Code, as amended; an order authorizing issuance of the Bonds (the “Bond Order”) adopted by the Board of Supervisors of the District (the “Board”); and an election held within the District, as referenced below.

At an election held within the boundaries of the District on May 11, 2013, voters of the District authorized the District’s issuance of a total of \$24,240,000 principal amount of unlimited tax bonds for the purpose of constructing, acquiring, improving, maintaining, and

operating roads, and improvements in aid thereof, serving the District (the "Road System") and a total of \$36,360,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

At the election held within the boundaries of the District on May 11, 2013, voters of the District authorized the District's issuance of a total of \$25,845,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring, owning, leasing, repairing, improving, or extending a water and sanitary sewer system to serve the District (the "Utility System") and a total of \$38,765,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System. See "THE BONDS – Authority for Issuance."

At an election held within the boundaries of the District on May 7, 2022, voters of the District authorized the District's issuance of a total of \$10,620,000 principal amount of unlimited tax bonds for Utility System improvements and an additional \$10,620,000 principal amount of unlimited tax bonds to refund bonds issued for Utility System improvements.

At an election held within the boundaries of the District on November 8, 2022, voters of the District authorized the District's issuance of a total of \$32,600,000 principal amount of unlimited tax bonds for Road System improvements and an additional \$32,600,000 principal amount of unlimited tax bonds to refund bonds issued for Road System improvements. See "THE BONDS – Authority for Issuance."

The Bonds represent the third series of bonds to be issued for the purpose of constructing, acquiring, improving, maintaining, and operating the Road System. Following the issuance of the Bonds, \$39,125,000 principal amount of unlimited tax bonds will remain authorized but unissued for the purpose of constructing, acquiring, improving, maintaining, and operating the Road System. \$26,170,000 principal amount of unlimited tax bonds for the purpose of constructing, acquiring, improving, operating, and maintaining the Utility System remains authorized but unissued.

Outstanding Bonds The District has previously issued two series of bonds for the purpose of purchasing, constructing, operating, and maintaining the Road System, of which \$8,030,000 principal amount will remain outstanding as of the Date of Delivery (the "Outstanding Road Bonds").

The District has previously issued two series of bonds for the purpose of constructing, acquiring, improving, operating, and maintaining the Utility System, of which \$10,150,000 principal amount will remain outstanding as of the Date of Delivery (the "Outstanding Utility Bonds," and together with the Outstanding Road Bonds, the "Outstanding Bonds"). See "THE BONDS – Outstanding Bonds."

Use of Bond Proceeds Proceeds from sale of the Bonds will be used to reimburse the Developers for road improvements, engineering fees, land, and related costs. Additionally, proceeds of the Bonds will also be used to pay developer interest, six (6) months of capitalized interest, and

costs of issuance associated with the Bonds. See “THE BONDS – Use and Distribution of Bond Proceeds.”

- NOT Qualified Tax-Exempt ObligationsThe Bonds are not “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Not Qualified Tax-Exempt Obligations for Financial Institutions.”
- Municipal Bond InsuranceBuild America Mutual Assurance Company (“BAM”). See “MUNICIPAL BOND INSURANCE.”
- RatingsS&P Global Ratings (BAM Insured): “AA.” Moody’s Investors Service, Inc. (Underlying): “Baa3.” See “RATINGS.”
- Bond CounselMcCall, Parkhurst & Horton L.L.P., Dallas, Texas. See “THE DISTRICT – Management of the District – Bond Counsel,” “LEGAL MATTERS – Legal Opinions,” and “TAX MATTERS.”
- General CounselAllen Boone Humphries Robinson LLP, Dallas, Texas.
- Disclosure CounselOrrick, Herrington & Sutcliffe LLP, Houston, Texas.
- Financial AdvisorRobert W. Baird & Co. Incorporated, Houston, Texas.
- Paying Agent/RegistrarRegions Bank, an Alabama banking corporation, Houston, Texas.

THE DISTRICT

- Description.....The District was created by an order of the Denton County Commissioner’s Court on August 14, 2007, as a fresh water supply district pursuant to Article XVI, Section 59 and Article III, Section 52(b)(3) of the Texas Constitution and Chapter 53, Texas Water Code. On November 6, 2007, pursuant to an election within the District, the District was authorized to assume sanitary sewer and road district powers. The District is a conservation and reclamation district and political subdivision of the State of Texas and operates pursuant to Article XVI, Section 59 and Article III, Section 52 of the Constitution of the State of Texas, and Chapters 49 and 53, of the Texas Water Code. The District currently encompasses approximately 328.48 total acres of land. See “THE DISTRICT.”
- Location.....The District is located approximately 27 miles north of the central downtown business district of the City of Fort Worth, Texas and 12 miles south of the central business district of the City of Denton, and lies wholly within the extraterritorial jurisdiction of the Town of Argyle, Texas. The District is located within Argyle Independent School District. The District is situated west of I-35W, north of FM 407, and south of Robson Ranch Road. Access to the District is provided by I-35W to FM 407 to Harvest Way and east to 8th Street and 10th Street. See “THE DISTRICT” and “VICINITY MAP.”
- Status of Development.....To date, development within the District includes approximately 1,035 single-family lots on approximately 167.81 acres within the following residential subdivisions: Harvest Townside, Phases 1 and 2, Harvest Townhomes, Phase 1, and Harvest, Phases 12 and 16. Additionally, 88 lots are currently under development on approximately 11.80 acres as Harvest Townhomes, Phase 2. As of January 31, 2023, there were approximately 374 completed single-family homes within the District, (approximately 342 occupied, 29 unoccupied, and 3 model homes), approximately 196 homes under construction, and approximately 465 vacant developed lots available for new home construction. The remaining land within the

District includes approximately 11.80 acres that are planned for development as additional residential lots, approximately 59.68 acres that are planned for commercial development, and approximately 50.61 undevelopable acres associated with streets, rights-of-way, open space areas, drainage basins, and floodplain. See “DEVELOPMENT WITHIN THE DISTRICT.”

Harvest..... The District is part of the 1,250-acre, master-planned community of Harvest, which encompasses the District and Belmont Fresh Water Supply District No. 1 of Denton County (“FWSD 1”). As of March 1, 2023, approximately 959.55 total acres (3,833 single-family lots) have been developed with water, sanitary sewer and road facilities serving the master-planned community of Harvest and approximately 58.86 acres (148 single-family lots) are currently under development. As of March 1, 2023, there were 2,605 completed homes, 347 new homes under construction, and 881 vacant developed lots available for future home construction within the Harvest community. According to the Developers, there are approximately 3,980 single-family homes ultimately planned to be constructed within the Harvest community. The District makes no representation as to the likelihood of such planned development occurring within the District. See “HARVEST.”

The Developers Belmont 407, LLC, a Delaware limited liability company (“Belmont 407”) was formed for the purpose of acquiring and holding for investment and sale tracts of land, including lands in the District. Belmont 407 has determined the overall development plan for such land in the District and arranged for the construction of water, sanitary sewer, and road facilities within the District either directly or through affiliate entities. The members of Belmont 407, LLC include: H4 Belmont, L.P. (“HMM”), a Texas limited partnership, and Realty Capital Belmont, L.P. (“RCB”), a Texas limited partnership. HMM is the managing member of Belmont 407.

Realty Capital Argyle 114, LTD. (“RCA”) was formed for the purpose of acquiring and holding for investment and sale tracts of land, including lands in the District. The members of RCA include: H4 Argyle GP, LLC acting as the general partner, and H4 Belmont, LP, HVST Land, LP and RCP Argyle 114 Ltd. as limited partners. H4 Argyle GP, LLC, H4 Belmont, LP, HVST Land, LP are controlled by Hillwood. RCP Argyle 114 Ltd is controlled by Realty Capital Partners, LLC. Belmont 407 is responsible for the development of the residential portion of the District and RCA is responsible for the development of the commercial mixed-use portion of the District. Belmont 407 and RCA are collectively referred to as the “Developers.”

The Developers are managed by Hillwood Residential Services L.P., a Perot Company, a Dallas company owned by H. Ross Perot, Jr., having over 30 years of experience developing land in Texas. Hillwood Residential Services L.P. is an affiliate of Hillwood Development Company, LLC, which is a national real estate development company with development expertise and experience that encompasses diverse product types, including arena high-rise condominiums, offices, single-family residential communities, distribution centers, regional malls, mixed-use urban development,

call centers, hotels, golf courses, airports, intermodal rail yards, corporate campuses, and major air facilities.

As of March 1, 2023, the Developers and their affiliate entities own approximately 121.16 undeveloped acres, 11.80 acres currently under development as 88 lots, and 303 vacant developed lots within the District. Belmont 407 currently owns 303 single family lots, 287 of those lots are under contract for purchase by the homebuilders pursuant to a lot-sales contract. Additionally, Belmont 407 has developed Harvest, Phase 12, as a single family built to rent subdivision with 191 lots upon which 191 homes will be constructed that will be owned and managed by Harvest Build to Rent LLC as rental properties. As of January 31, 2023, there were 30 completed homes and 142 new homes under construction in Harvest, Phase 12. See "THE DEVELOPERS" and "TAX DATA - Table 7 - Principal Taxpayers."

Homebuilders Homebuilders currently building homes within the District include David Weekley Homes, Highland Homes, M/I Homes, DR Horton Homes, BB Living, Tri Pointe, Taylor Morrison and CB Jeni. The lots developed as Harvest, Phase 12 have been sold to Harvest Build to Rent LLC, to be held as rental properties. Homes being marketed in the District range in size from approximately 1,330 square feet to more than 3,000 square feet and in price from approximately \$325,000 to \$560,000. See "HOMEBUILDERS WITHIN THE DISTRICT."

INVESTMENT CONSIDERATIONS

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

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SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2022 Taxable Assessed Valuation.....	\$ 116,035,589	(a)
Estimated Valuation as of January 31, 2023	\$ 224,295,693	(b)
Direct Debt:		
Outstanding Bonds.....	\$ 18,180,000	
The Bonds	<u>\$ 9,295,000</u>	
Total	\$ 27,475,000	
Estimated Overlapping Debt.....	<u>\$ 10,989,205</u>	(c)
Total Direct and Estimated Overlapping Debt	\$ 38,464,205	(c)
Ratio of Direct Debt to:		
2022 Taxable Assessed Valuation.....	23.68	%
Estimated Valuation as of January 31, 2023.....	12.25	%
Ratio of Direct and Estimated Overlapping Debt to:		
2022 Taxable Assessed Valuation.....	33.15	%
Estimated Valuation as of January 31, 2023.....	17.15	%
Utility System Debt Service Fund Balance (as of April 12, 2023).....	\$ 630,802	(d)
Utility System Capital Project Fund Balance (as of April 12, 2023)	\$ 102,801	
Road System Debt Service Fund Balance (as of April 12, 2023).....	\$ 368,341	(e)
Road System Capital Project Fund Balance (as of April 12, 2023).....	\$ 250,125	
General Operating Fund Balance (as of April 12, 2023).....	\$ 897,763	
2022 Tax Rates		
Utility System Debt Service	\$ 0.37	
Road System Debt Service	\$ 0.43	
Maintenance & Operation	<u>\$ 0.20</u>	
Total.....	\$ 1.00	(f)
Combined Average Annual Debt Service Requirements (2023-2048)	\$ 1,638,753	(g)
Combined Maximum Annual Debt Service Requirement (2036).....	\$ 1,783,400	(g)
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay		
Combined Average Annual Debt Service Requirement (2023-2048) at 95% Tax Collections:		
Based Upon 2022 Taxable Assessed Valuation.....	\$ 1.49	
Based Upon Estimated Valuation as of January 31, 2023.....	\$ 0.77	
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay		
Combined Maximum Annual Debt Service Requirement (2036) at 95% Tax Collections:		
Based Upon 2022 Taxable Assessed Valuation.....	\$ 1.62	
Based Upon Estimated Valuation as of January 31, 2023.....	\$ 0.84	
Number of completed Single-Family Homes in the District as of January 31, 2023	570	(h)

-
- (a) Represents the taxable amount of the assessed value of taxable property within the District as of January 1, 2022, as provided by the Denton Central Appraisal District (the "Appraisal District") upon certification of the 2022 appraisal roll. Such value represents the estimated minimum amount of taxable value that will ultimately be approved by the Denton Central Appraisal Review Board (the "Appraisal Review Board") upon which the District will levy its tax. See "TAX DATA" and "TAXING PROCEDURES."
 - (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of January 31, 2023, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2022, to January 31, 2023. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."
 - (c) See "DISTRICT FINANCIAL DATA – Estimated Overlapping Debt Statement."
 - (d) Neither Texas law nor the Bond Order (herein defined) requires that the District maintain any particular sum in the District's debt service funds. Funds in the Utility System Debt Service Fund (herein defined) are not available to pay debt service on the bonds issued by the District for the Road System (herein defined), including the Bonds.
 - (e) Upon closing and delivery of the Bonds, six (6) months of capitalized interest will be deposited into the Road System Debt Service Fund (herein defined). Funds in the Road System Debt Service Fund are not available to pay debt service on the bonds issued by the District for the Utility System (herein defined).
 - (f) The District is authorized to levy separate debt service taxes for Utility System debt service and Road System debt service, both of which are unlimited as to rate or amount. See "TAX DATA."
 - (g) Requirement of combined debt service on the Outstanding Bonds and the Bonds. See "DISTRICT FINANCIAL DATA – Table 2 – Debt Service Requirements."
 - (h) Includes approximately 374 completed homes and 196 homes under construction.

OFFICIAL STATEMENT

\$9,295,000

BELMONT FRESH WATER SUPPLY DISTRICT NO. 2 OF DENTON COUNTY

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

UNLIMITED TAX ROAD BONDS

SERIES 2023

This Official Statement provides certain information with respect to the issuance by Belmont Fresh Water Supply District No. 2 of Denton County (the "District") of its \$9,295,000 Unlimited Tax Road Bonds, Series 2023 (the "Bonds").

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and general laws of the State of Texas, including Chapters 49 and 53, Texas Water Code, as amended; an order authorizing issuance of the Bonds (the "Bond Order") adopted by the Board of Supervisors of the District (the "Board"); and an election held within the boundaries of the District on May 11, 2013.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Order. This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument.

THE BONDS

General

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order. A copy of the Bond Order may be obtained from the District upon request to McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the District. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds are dated June 1, 2023 (the "Dated Date"), and will accrue interest from the date of delivery, which is expected to be on or about June 15, 2023 (the "Date of Delivery"), with interest payable March 1, 2024, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest calculations are based upon a thirty (30) day month and a three hundred sixty (360) day year.

The Bonds will be issued only in fully registered form in any integral multiples of \$5,000 of principal for any one maturity and will be initially registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry-only system described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by the initial paying agent/registrar, Regions Bank, an Alabama state banking corporation, Houston, Texas (the "Paying Agent/Registrar"), to Cede & Co., as registered owner. DTC will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System."

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

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

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by DTC 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 will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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 DTC Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry system, and (ii) except as described above, notices that are to be given to registered owners under the Bond Order will be given only to DTC.

Registration and Transfer

The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully registered bond will be issued for each maturity of the Bonds and will be deposited with DTC. See "THE BONDS – Book-Entry-Only System." So long as any Bonds remain outstanding, the District will maintain at least one Paying Agent/Registrar in the State of Texas for the purpose of maintaining the Register on behalf of the District.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for the replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District the new paying agent/registrar shall be required to accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar.

Any paying agent/registrant selected by the District shall be a bank, including a commercial bank, or trust company organized under a law of the State of Texas duly qualified to act as a paying agent/registrant for the Bonds.

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and the Paying Agent/Registrar of security or indemnity which they determine to be sufficient to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Authority for Issuance

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and general laws of the State of Texas, including Chapters 49 and 53, Texas Water Code, as amended; the Bond Order adopted by the Board; and an election held within the boundaries of the District on May 11, 2013.

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:

<u>Election Date</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Amount Issued</u>	<u>Authorized But Unissued</u>
May 11, 2013	Utility System	\$ 25,845,000	\$10,295,000	\$ 15,550,000
May 11, 2013	Road System	24,240,000	17,715,000 (a)	6,525,000
May 11, 2013	Utility System Refunding	38,765,000	-	38,765,000
May 11, 2013	Road System Refunding	36,360,000	-	36,360,000
May 7, 2022	Utility System	10,620,000	-	10,620,000
May 7, 2022	Utility System Refunding	10,620,000	-	10,620,000
November 8, 2022	Road System	32,600,000	-	32,600,000
November 8, 2022	Road System Refunding	32,600,000	-	32,600,000

(a) Includes the Bonds.

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

Outstanding Bonds

The District has previously issued two series of bonds for the purpose of constructing, acquiring, improving, maintaining, and operating roads, and improvements in aid thereof, serving the District (the "Road System"), of which \$8,030,000 principal amount will remain outstanding as of the Date of Delivery (the "Outstanding Road Bonds"). The District has previously issued two series of bonds for the purpose of purchasing, constructing, acquiring, owning, leasing, repairing, improving, or extending a water and sanitary sewer system to serve the District (the "Utility System"), of which \$10,150,000 principal amount will remain outstanding as of the Date of Delivery (the "Outstanding Utility Bonds," and together with the Outstanding Road Bonds, the "Outstanding Bonds").

Source of Payment

The Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Order, the District covenants to levy a sufficient tax to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection. See "TAXING PROCEDURES." The Bonds involve certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS." The Bonds are obligations solely of the District and are not obligations of the State of Texas; Denton County, Texas; the town of Argyle, Texas ("the Town"); or any political subdivision or entity other than the District.

Funds

The Bond Order confirms the District's fund for debt service on the Bonds issued for the Road System, and any additional unlimited tax bonds issued by the District for the Road System (the "Road System Debt Service Fund"). Six (6) months of capitalized interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the Road System Debt Service Fund. The Road System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds issued for the Road System, and any additional unlimited tax bonds issued by the District for the Road System, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds and any of the District's other duly authorized bonds issued for the Road System payable in whole or in part from taxes. Amounts on deposit in the Road System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds for the Road 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 Road System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Utility System.

Redemption of the Bonds

Optional Redemption

Bonds maturing on March 1, 2030, and thereafter, are subject to redemption prior to maturity at the option of the District, in whole or in part, on June 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. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If fewer than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If fewer than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such method of random selection as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mandatory Redemption

The Bonds maturing on March 1 in the year 2038 (the "Term Bonds") are also subject to mandatory sinking fund redemption by the District by lot or other customary method of random selection prior to scheduled maturity on March 1 in the years ("Mandatory Redemption Dates") and in the amounts set forth below at a redemption price of par plus accrued interest to the date of redemption.

\$790,000 Term Bond Maturing on March 1, 2038

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2037	\$ 385,000
March 1, 2038 (Maturity)	\$ 405,000

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the direction of the District, by the principal amount of any Term Bonds of the stated maturity which, at least 50 days prior to a mandatory redemption date, (1) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District with monies in the Road System Debt Service Fund at a price not exceeding the principal amount of the Term Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional

redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

Annexation

Chapter 42, Local Government Code, provides that, within the limits described therein, the unincorporated area contiguous to the corporate limits of any municipality comprises that municipality's extraterritorial jurisdiction ("ETJ"). The size of an ETJ depends in part on the municipality's population. With certain exceptions, a municipality may annex territory only within the confines of its ETJ. When a municipality annexes additional territory, the municipality's ETJ expands in conformity with such annexation.

The District lies wholly within the ETJ of the Town, a home rule municipality. The District may not be annexed for full purposes by the Town except as may be specifically authorized by Chapter 43, Local Government Code, as amended. Any authorized annexation is subject to compliance by the Town with various requirements of Chapter 43, Local Government Code. Such requirements include the requirement that the Town hold an election in the area proposed for annexation whereby the qualified voters of the area approve the proposed annexation. Further, if the voters in the area to be annexed do not own more than 50% of the land in the area, a petition signed by more than 50% of the landowners consenting to the annexation is also required. However, the described election and petition process does not apply during the term of a strategic partnership agreement between a municipality and a district specifying the procedures for full purpose annexation of all or a portion of the district. However, the District is not a party to a strategic partnership agreement with the Town. If the District is annexed for full purposes, the Town must assume the District's assets and obligations (e.g., the Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the Town is a policy-making matter within the discretion of the Mayor and Town Council of the Town, and therefore, the District makes no representation that the Town will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the Town to make debt service payments should the annexation occur.

A Second Amended and Restated Development Agreement, dated effective May 1, 2014, was executed by and among the Town, the Developer, and Realty Capital Argyle 114, Ltd. ("RCA"). Such agreement was amended by the First Amendment to the Second Amended and Restated Development Agreement, effective March 5, 2019, and Second Amendment to Second Amended and Restated Development Agreement, dated August 15, 2022. Such agreement, as amended, is herein referred to as the "Development Agreement." Pursuant to a Joinder Agreement, dated April 19, 2017, the District confirmed and adopted the applicable terms of the Second Amended and Restated Development Agreement, as such agreement may be amended from time to time. Among other terms, the Development Agreement grants the District immunity from full-purpose annexation by the Town until the earlier to occur of: (a) 15 years from October 2, 2017, the date of filing the first final plat of property within the District ("Initial Final Plat Date"); or (b) the date that construction of wastewater, drainage, roadway and other public infrastructure (other than water supply and distribution facilities) to serve 100% of the District is complete and bonds have been issued by the District for reimbursement of all eligible costs relating to such infrastructure, as well as a wastewater interceptor line. The term of the Development Agreement is 15 years from the Initial Final Plat Date, but not later than May 1, 2034, 20 years from its effective date. See "THE DISTRICT – Development Agreement."

Issuance of Additional Debt

The District intends to issue additional bonds from its voted authorization. Voters of the District have authorized the District's issuance of an aggregate \$36,465,000 principal amount of unlimited tax bonds for the purpose of constructing, acquiring, improving, maintaining, and operating the Utility System; an aggregate \$49,385,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for the Utility System; \$56,840,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring, owning, leasing, repairing, improving, or extending the Road System; and \$68,960,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System; The Bonds are the third series of bonds to be issued out of an aggregate of \$56,840,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring, owning, leasing, repairing, improving, or extending the Road System.

After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: an aggregate of \$26,170,000 for the purpose of constructing, acquiring, improving, maintaining, and operating the Utility System; an aggregate of \$49,385,000 for the refunding of bonds issued for the Utility System; \$39,125,000 for the purpose of purchasing, constructing, acquiring, owning, leasing, repairing, improving, or extending the Road System; and \$68,960,000 for the refunding of bonds issued for the Road System.

All bonds issued by the District must be approved by the Attorney General of Texas. Bonds issued to finance the acquisition and construction of the Utility System must also be approved by the Texas Commission on Environmental Quality (the "TCEQ").

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. In addition, the District has the right to issue obligations, other than bonds, including tax anticipation notes and bond anticipation notes, and to borrow money for any valid public purpose.

The District intends to submit a bond application to the TCEQ in the second quarter of 2023. The principal par amount of such bonds is expected to be \$7,850,000. Such bonds are expected to be issued in the fourth quarter of 2023.

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

Remedies in the Event of Default

Texas law and the Bond Order provide that in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Order into the Road System Debt Service Fund or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Bond Order, any Registered Owner shall be entitled at any time to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the Board to observe and perform any covenant, obligation or condition prescribed by the Bond Order. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

Other than a writ of mandamus, the Bond Order does not provide a specific remedy for a default. If the District defaults, a Registered Owner could petition for a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the District's officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Order. Such remedy might need to be enforced on a periodic basis. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity. Further, certain traditional legal remedies also may not be available. Even if a Registered Owner could obtain a judgment against the District for a default in the payment of principal or interest such judgment could not be satisfied by execution against any property of the District. See "INVESTMENT CONSIDERATIONS – Registered Owners' Remedies" and "– Bankruptcy Limitation to Registered Owners' Rights."

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.

Defeasance

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

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

Use and Distribution of Bond Proceeds

Proceeds from sale of the Bonds will be used to reimburse the Developer for the improvements, engineering fees, land, and related costs as set out below. Additionally, proceeds of the Bonds will also be used to pay developer interest, six (6) months of capitalized interest, and to pay costs of issuance associated with the Bonds. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and the Financial Advisor (defined herein). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor.

	<u>Amount</u>
Construction Costs	
A. Harvest Townside Phase 1 - Roads	\$ 1,030,835
B. Harvest Townside Phase 2 - Roads	165,269
C. Harvest Townhomes Phase 1 - Roads	298,359
D. Harvest Phase 12 - Roads	4,058,918
E. Engineering and Testing (13.3% of items A-D)	755,988
F. Right-of-Way Land Costs	<u>1,386,786</u>
Net Total Construction Costs	<u>\$ 7,696,155</u>
Non-Construction Costs	
A. Legal Fees	\$ 237,375
B. Fiscal Agent Fees	185,900
C. Interest	
1. Capitalized Interest (6 months)	196,491
2. Developer Interest	620,132
D. Bond Discount	278,193
E. Bond Issuance Expenses	45,016
F. Bond Engineering Report	26,443
G. Attorney General's Fee (0.10%)	<u>9,295</u>
Total Non-Construction Costs	\$ 1,598,845
Total Bond Issue Requirement	\$ 9,295,000

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

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**DISTRICT FINANCIAL DATA
(UNAUDITED)**

Table 1 – General

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

2022 Taxable Assessed Valuation.....	\$ 116,035,589	(a)
Estimated Valuation as of January 31, 2023	\$ 224,295,693	(b)
Direct Debt:		
Outstanding Bonds.....	\$ 18,180,000	
The Bonds	<u>\$ 9,295,000</u>	
Total	\$ 27,475,000	
Estimated Overlapping Debt.....	<u>\$ 10,989,205</u>	(c)
Total Direct and Estimated Overlapping Debt	\$ 38,464,205	(c)
Utility System Debt Service Fund Balance (as of April 12, 2023).....	\$ 630,802	(d)
Utility System Capital Project Fund Balance (as of April 12, 2023)	\$ 102,801	
Road System Debt Service Fund Balance (as of April 12, 2023).....	\$ 368,341	(e)
Road System Capital Project Fund Balance (as of April 12, 2023).....	\$ 250,125	
General Operating Fund Balance (as of April 12, 2023).....	\$ 897,763	
2022 Tax Rates		
Utility Debt Service	\$ 0.37	
Road Debt Service	\$ 0.43	
Maintenance & Operation	<u>\$ 0.20</u>	
Total.....	\$ 1.00	(f)
Combined Average Annual Debt Service Requirements (2023-2048)	\$ 1,638,753	(g)
Combined Maximum Annual Debt Service Requirement (2036)	\$ 1,783,400	(g)

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- (a) Represents the taxable amount of the assessed value of taxable property within the District as of January 1, 2022, as provided by the Appraisal District upon certification of the 2022 appraisal roll. Such value represents the estimated minimum amount of taxable value that will ultimately be approved by the Appraisal Review Board upon which the District will levy its tax. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of January 31, 2023, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2022, to January 31, 2023. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT FINANCIAL DATA – Estimated Overlapping Debt Statement."
- (d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the District's debt service funds. Funds in the Utility System Debt Service Fund are not available to pay debt service on the bonds issued by the District for the Road System, including the Bonds.
- (e) Upon closing and delivery of the Bonds, six (6) months of capitalized interest will be deposited into the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on the bonds issued by the District for the Utility System.
- (f) The District is authorized to levy separate debt service taxes for Utility System debt service and Road System debt service, both of which are unlimited as to rate or amount. See "TAX DATA."
- (g) Requirement of combined debt service on the Outstanding Bonds and the Bonds. See "DISTRICT FINANCIAL DATA – Table 2 – 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 March 31, 2023	Overlapping	
		Percent	Amount
Denton County	\$ 559,930,000	0.09%	\$ 487,363
Argyle Independent School District	324,967,774	3.23%	<u>10,501,842</u>
Total Estimated Overlapping Debt			\$ 10,989,205
Direct Debt (a)			\$ 27,475,000
Total Direct and Estimated Overlapping Debt (a)			\$ 38,464,205

(a) Includes the Outstanding Bonds and the Bonds.

Debt Ratios

Ratio of Direct Debt (a) to:	
2022 Taxable Assessed Valuation.....	23.68 %
Estimated Valuation as of January 31, 2023.....	12.25 %
Ratio of Direct and Estimated Overlapping Debt (a) to:	
2022 Taxable Assessed Valuation.....	33.15 %
Estimated Valuation as of January 31, 2023.....	17.15 %

(a) Includes the Outstanding Bonds and the Bonds.

Table 2 – Debt Service Requirements

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

Calendar Year	Outstanding Combined Debt Service	Plus: The Bonds		Total Combined Debt Service
		Principal	Interest	
2023	\$ 340,876	\$ -	\$ -	\$ 340,876
2024	1,176,467	-	475,944	1,652,411
2025	1,175,327	220,000	386,381	1,781,708
2026	1,173,073	235,000	372,731	1,780,804
2027	1,165,253	245,000	358,331	1,768,584
2028	1,161,848	260,000	343,181	1,765,029
2029	1,158,935	270,000	327,281	1,756,216
2030	1,157,625	285,000	313,125	1,755,750
2031	1,161,370	300,000	301,069	1,762,439
2032	1,159,220	315,000	288,769	1,762,989
2033	1,161,245	325,000	276,781	1,763,026
2034	1,161,901	340,000	265,144	1,767,045
2035	1,160,975	360,000	252,669	1,773,644
2036	1,163,791	375,000	239,113	1,777,904
2037	1,165,016	385,000	224,381	1,774,398
2038	1,164,636	405,000	208,581	1,778,218
2039	1,162,755	425,000	191,981	1,779,736
2040	1,159,378	445,000	174,581	1,778,959
2041	1,164,555	460,000	156,481	1,781,036
2042	1,158,283	485,000	137,581	1,780,864
2043	1,160,555	505,000	117,781	1,783,336
2044	1,161,219	525,000	97,181	1,783,400
2045	1,161,751	545,000	75,781	1,782,532
2046	1,163,284	400,000	56,881	1,620,166
2047	522,113	580,000	36,919	1,139,031
2048	-	605,000	12,478	617,478
Total	\$27,621,449	\$ 9,295,000	\$ 5,691,128	\$ 42,607,577

Combined Average Annual Debt Service Requirement (2023–2047).....	\$ 1,638,753
Combined Maximum Annual Debt Service Requirement (2036).....	\$ 1,783,400

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TAXING PROCEDURES

Property Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real and tangible personal property and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District; however, no effort is expected to be made by the Appraisal District to include on the tax roll tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; certain property owned by charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind powered energy devices; inventory and warehouse goods in transit; and most individually-owned automobiles and travel trailers. In addition, the District, either by action of its Board or through a process of petition and referendum initiated by its residents, may grant exemptions for residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board. For 2023, the District has granted \$20,000 in such exemptions. see “TAX DATA – Exemptions and Special Valuations.”

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

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

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

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option.

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

Denton County, Texas may designate all or part of the area within the District as a reinvestment zone. Thereafter, either Denton County, Texas or the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdiction. To date, none of the area within the

District has been designated as a reinvestment zone, and the District has not approved any such tax abatement agreements.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year, except for certain categories of land designated for agricultural use, open space, or timberland as described below. See "Agricultural, Open Space, Timberland and Inventory Deferment." Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements on the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate.

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

The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to comply with the Property Tax Code. The District may challenge the level of appraisal of a certain category of property, the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption. The District may not, however, protest a valuation of any individual property.

The Property Tax Code establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such

property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) to five (5) years prior to the loss of the designation for agricultural, timberland or open space. See "TAX DATA – Exemptions and Special Valuations."

Notice and Hearing Procedures

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

Rollback of Operation and Maintenance Tax Rate

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

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

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 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. The District was designated as a Developing District for the 2022 tax year. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes, unless it elects to transfer the collection functions to another governmental entity. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board based upon the valuation of property within the District as of the preceding January 1 and the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations.

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

Collection of Delinquent Taxes

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

TAX DATA

General

Taxable property within the District is subject to the assessment, levy, and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds, the Outstanding Bonds, and any future tax-supported bonds which may be issued from time to time as authorized. Taxes are levied by the District each year against the District’s assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District’s tax base, its combined debt service requirements, and its available funds. In addition, the District has the power and authority to assess, levy, and collect ad valorem taxes, in an unlimited amount, for operation and maintenance purposes. The District first levied a tax in tax year 2016. For the 2022 tax year, the District has levied a total combined tax rate of \$1.00 per \$100 of assessed valuation composed of a maintenance and operations tax rate of \$0.20, a utility debt service tax rate of \$0.37, and a road debt service tax rate of \$0.43. See “Table 8 – Tax Rate Calculations” below.

Table 3 – Tax Rate Limitation

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

Table 4 – Historical Tax Collections

The following table illustrates the collection history of the District for the 2018–2022 tax years:

Tax Year	Certified Taxable Value	Tax Rate (a)	Adjusted Tax Levy	Collections Current Year	Current Year Ending 9/30	Collections 03/31/2023
2018	\$ 14,751,642	\$ 1.000	\$ 147,516	100.00%	2019	100.00%
2019	34,621,318	1.000	346,213	99.08	2020	100.00
2020	53,409,174	1.000	534,092	99.46	2021	100.00
2021	77,774,427	1.000	777,744	99.99	2022	100.00
2022	116,035,589	1.000	1,160,356	97.62 (b)	2023	97.62

(a) Tax rate per \$100 of assessed taxable value. See “Table 5 – Tax Rate Distribution” below.

(b) In process of collections.

Table 5 – Tax Rate Distribution

	2022	2021	2020	2019	2018
Utility System Debt Service	\$ 0.370	\$ 0.190	\$ 0.100	\$ 0.000	\$ 0.000
Road System Debt Service	0.430	0.450	0.420	0.000	0.000
Maintenance and Operation	<u>0.200</u>	<u>0.360</u>	<u>0.480</u>	<u>1.000</u>	<u>1.000</u>
Total	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000

Table 6 – Analysis of Tax Base

The following table illustrates the District’s total taxable assessed value for the last five years by types of property.

Type of Property	2022 Assessed Valuation	2021 Assessed Valuation	2020 Assessed Valuation	2019 Assessed Valuation	2018 Assessed Valuation
Land	\$ 46,742,949	\$ 35,360,720	\$ 20,959,166	\$ 19,294,951	\$ 17,367,797
Improvements	77,194,363	49,268,245	39,724,842	20,724,142	58,896
Personal Property	325,732	86,908	107,062	87,400	29,366
Exemptions (a)	<u>(11,351,136)</u>	<u>(6,973,699)</u>	<u>(7,381,896)</u>	<u>(5,485,175)</u>	<u>(2,704,417)</u>
Total	\$112,911,908	\$ 77,742,174	\$ 53,409,174	\$ 34,621,318	\$ 14,751,642

(a) See “Exemptions and Special Valuations” below.

Exemptions and Special Valuations

To date, the District has not granted a general residential homestead exemption. For 2023, the District has granted \$20,000 in such exemptions to persons 65 years of age or older and to certain disabled persons. According to the Appraisal District, as of January 1, 2022, approximately 70 acres of land within the District were designated for agricultural use, inventory, open space, or timberland. The majority of such land is owned by the Developers or their affiliate entities. The market value of the land according to the Appraisal District as of January 1, 2022, is \$1,100,241.

Table 7 – Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of the Appraisal District’s original certification of the 2022 tax rolls:

Taxpayer	Type of Property	Assessed Valuation 2022 Tax Roll	Percent of 2022 Tax Roll
Harvest Build to Rent LLC (a)(b)	Land & Improvement	\$ 5,552,131	4.78%
CB Jeni 2020 LLC (c)	Land & Improvement	3,310,688	2.85%
Toll Southwest LLC (c)	Land & Improvement	3,298,766	2.84%
Highland Homes Dallas LLC (c)	Land & Improvement	2,607,416	2.25%
Harvest Phase 16 LLC (a)	Land & Improvement	1,884,557	1.62%
Townhomes at Harvest Phase 2 LLC (a)	Land & Improvement	1,280,718	1.10%
Harvest Townside Phase 3 LLC (a)	Land & Improvement	752,060	0.65%
Homeowner	Land & Improvement	480,779	0.41%
Homeowner	Land & Improvement	471,306	0.41%
Homeowner	Land & Improvement	<u>465,675</u>	<u>0.40%</u>
Total		\$ 20,104,096	17.33%

(a) Entities related to the Developers. See “THE DEVELOPERS” herein. For the 2022 tax year, the Developer owned approximately 70 acres within the District that was designated as agricultural use with a taxable value of approximately \$5,271, but a market value of approximately \$1,100,241 according to the Appraisal District. See “– Exemptions and Special Valuations” above.

(b) Harvest Build to Rent LLC, owns and manages the lots developed in Harvest, Phase 12 as rental properties.

(c) See “HOMEBUILDERS WITHIN THE DISTRICT” herein.

Table 8 – Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the combined tax rates per \$100 of taxable assessed valuation that would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District occurs beyond the District’s taxable assessed valuation as of January 1, 2022 (\$116,035,589) or the estimate of value of September 1, 2022 (\$224,295,693). The following further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Combined Average Annual Debt Service Requirement (2023-2048).....	\$ 1,638,753
Tax Rate of \$1.49 on the 2022 Taxable Assessed Valuation produces.....	\$ 1,642,484
Tax Rate of \$0.77 on the Estimated Valuation as of January 31, 2023, produces.....	\$ 1,640,723
Combined Maximum Annual Debt Service Requirement (2036).....	\$ 1,783,400
Tax Rate of \$1.62 on the 2022 Taxable Assessed Valuation produces.....	\$ 1,785,788
Tax Rate of \$0.84 on the Estimated Valuation as of January 31, 2023, produces.....	\$ 1,789,880

Table 9 – Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see “DISTRICT FINANCIAL DATA – Estimated Overlapping Debt 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.

<u>Taxing Jurisdiction</u>	<u>2022 Tax Rate</u>
The District	\$ 1.000000
Denton County	0.217543
Argyle Independent School District	1.397600
Denton County Emergency Services District No. 1	0.093330
Total Tax Rate	<u>\$ 2.708473</u>

THE DISTRICT

General

The District is a conservation and reclamation district and political subdivision of the State of Texas and operates pursuant to Article XVI, Section 59 and Article III, Section 52 of the Constitution of the State of Texas, and Chapters 49 and 53, Texas Water Code.

The District was created by an order of the Denton County Commissioner’s Court on August 14, 2007, as a fresh water supply district. The creation of the District was confirmed in an election held within the District on November 6, 2007. Pursuant to an additional election held on November 6, 2007, within the District, the District was authorized to assume sanitary sewer and road district powers.

Accordingly, the District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and, the construction, operation and maintenance of macadamized, graveled or paved roads and turnpikes and improvements in aid thereof. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, subject to the approval of the TCEQ and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance parks and recreational facilities.

Other than with respect to the construction and financing of roads and improvements in aid thereof, the TCEQ exercises continuing supervisory jurisdiction over the District. Construction of the District's water and sanitary sewer system is subject to the regulatory jurisdiction of additional governmental agencies.

Location of the District

The District currently contains approximately 329 total acres and is located approximately 27 miles north of the central downtown business district of the City of Fort Worth, Texas, approximately 12 miles south of the City of Denton, Texas, and lies wholly within the extraterritorial jurisdiction of the Town. The District is located within Argyle Independent School District. The District is situated west of I-35W, north of FM 407, and south of Robson Ranch Road. Access to the District is provided by I-35W to FM 407 to Harvest Way and east to 8th Street and 10th Street.

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Management of the District

The District is governed by the Board, which consists of five (5) supervisors and has control over and management supervision of all affairs of the District. All of the present members of the Board are registered voters of the District. Supervisors are elected in even-numbered years for four-year staggered terms. The present members and officers of the Board are listed below:

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Jim Crehan	President	2026
Amber Piasta	Vice President	2024
William Staley	Secretary	2026
Vance Kemler	Treasurer/Assistant Secretary	2024
Michael Knisley	Supervisor	2026

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

Tax Assessor/Collector – The District’s Tax Assessor/Collector is Michelle French, the Denton County Tax Assessor/Collector.

Bookkeeper – The District contracts with L&S District Services, LLC, for bookkeeping services.

Auditor – The District’s financial statements for the fiscal year ended January 31, 2022, were audited by McCall Gibson Swedlund Barfoot, PLLC, a copy of which is included as “APPENDIX A.” Such firm has been engaged to audit the financial statements for the fiscal year ended January 31, 2023.

Engineer – The consulting engineer retained by the District in connection with the design and construction of the District’s utility facilities and roads is Peloton Land Solutions (the “Engineer”).

Bond Engineer – The District has retained Jones-Heroy & Associates, Inc. (“JHA”) in connection with the preparation and processing of utility bond and other applications with the TCEQ, as well as the compilation of information and documentation relating to expenses to be reimbursed and preparation of a summary of costs for each issuance of District road bonds. The fees to be paid JHA for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

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

Disclosure Counsel – The District has engaged Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel in connection with the issuance of the Bonds. The legal fees to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds.

General Counsel – The District has engaged Allen Boone Humphries Robinson LLP, Dallas, Texas, as General Counsel to the District. General Counsel also provides certain legal services in connection with the issuance of the Bonds in conjunction with Bond Counsel. A portion of the fees of General Counsel relating to the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

Financial Advisor – The District has engaged the firm of Robert W. Baird & Co. Incorporated, Houston, Texas, as financial advisor to the District. Payment to the Financial Advisor by the District is contingent upon the issuance, sale, and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

Historical Operations of the District

The following is a summary of the District's operating fund activity for the fiscal years ending January 31 for the years 2019 through 2023. The below information was obtained from the District's financial statements for such fiscal year, reference to which is hereby made. The figures for the fiscal year ended January 31, 2023 are unaudited and were obtained from the District's draft financial statements. See "APPENDIX A." The District is required by statute to have a certified public accountant prepare and file an annual audit of its financial records with the TCEQ.

	1/31/2023 (a)	1/31/2022	1/31/2021	1/31/2020	1/31/2019
Revenues:					
Property Taxes	\$ 227,740	\$ 291,734	\$ 251,354	\$ 353,583	\$ 123,733
Permit Fees	432,400	211,000	68,000	169,600	267,800
Franchise Fees	17,752	10,262	-0-	-0-	-0-
Miscellaneous Revenues	25,538	2,807	1,184	599	25
Total Revenues	\$ 703,430	\$ 515,803	\$ 320,538	\$ 523,782	\$ 391,558
Expenditures:					
Professional Fees	\$ 335,626	\$ 195,273	\$ 123,200	\$ 232,125	\$ 103,828
Contracted Services	70,809	42,281	20,120	8,423	8,521
Repairs and Maintenance	19,318	1,660	1,330	570	7,070
Inspection Services	104,021	43,400	15,400	68,100	84,100
Other	40,800	29,749	14,692	22,247	17,910
Capital Outlay	-0-	-0-	-0-	-0-	162,803
Total Expenditures	\$ 570,574	\$ 312,363	\$ 174,742	\$ 331,465	\$ 384,232
Excess (Deficiency) of Revenues	\$ 132,856	\$ 203,440	\$ 145,796	\$ 192,317	\$ 7,326
Transfers In (Out)	\$ 0	\$ 0	\$ 50,000	\$ 162,804	\$ -0-
Developer Advances	\$ 0	\$ 0	\$ -0-	\$ -0-	\$ 12,870
Net Change In Fund Balance	\$ 132,856	\$ 203,440	\$ 195,796	\$ 355,121	\$ 20,196
Beginning Fund Balance	\$ 840,467	\$ 637,027	\$ 441,231	\$ 86,110	\$ 65,914
Ending Fund Balance	\$ 973,323	\$ 840,467	\$ 637,027	\$ 441,231	\$ 86,110

(a) Unaudited.

Development Agreement

The Developer, RCA, and the Town entered into a Second Amended and Restated Development Agreement, effective May 1, 2014. Such agreement was amended by a First Amendment to the Second Amended and Restated Development Agreement, effective March 5, 2019, and Second Amendment to Second Amended and Restated Development Agreement, dated August 15, 2022. Pursuant to a Joinder Agreement, dated April 19, 2017, the District confirmed and adopted the applicable terms of the Second Amended and Restated Development Agreement, as such agreement may be amended from time to time.

The Development Agreement establishes permitted land uses and development densities for the area within the District; establishes platting process and fees, building codes and standards, and inspection and permitting procedures and fees; provides immunity from full-purpose annexation by the Town, until certain conditions are met; recognizes the Town as the exclusive retail sewer service provider; establishes road and utility infrastructure to be constructed by the District for the area within its boundaries; allocates wastewater capacities to the District; provides for the District's phased conveyance to the Town of the sewer infrastructure constructed by the District; provides for the Town's delivery of wastewater collection and treatment service to the area within the District; establishes requirements for payment of certain Trinity River Authority ("TRA") flow charges by the District; provides for construction of the TRA sanitary sewer interceptor line ("Interceptor

Line”) serving the area within the District; provides for the conveyance of school sites by the Developer; and provides requirements for the provision of police services to the area within the District.

The Town will be the sole provider of retail wastewater service to residential and commercial customers in the District at the same rates as provided to other customers within the Town. The term of the Development Agreement is 15 years from October 2, 2017, the Initial Final Plat Date, but not later than May 1, 2034, 20 years from its effective date.

DEVELOPMENT WITHIN THE DISTRICT

To date, development within the District includes approximately 1,035 single-family lots on approximately 167.81 acres within the following residential subdivisions: Harvest Townside, Phases 1 and 2, Harvest Townhomes, Phase 1, and Harvest, Phases 12 and 16. Additionally, 88 lots are currently under development on approximately 11.80 acres as Harvest Townhomes, Phase 2. As of January 31, 2023, there were approximately 374 completed single-family homes within the District, (approximately 342 occupied, 29 unoccupied, and 3 model homes), approximately 196 homes under construction, and approximately 465 vacant developed lots available for new home construction.

The remaining land within the District includes approximately 11.80 acres that are planned for development as additional residential lots, approximately 59.68 acres that are planned for commercial development, and approximately 50.61 undevelopable acres associated with streets, rights-of-way, open space areas, drainage basins, and floodplain.

The table below summarizes the development within the District as of January 31, 2023.

	<u>Platted Acreage</u>	<u>Section Lots</u>	<u>Homes Completed</u>	<u>Homes Under Construction</u>	<u>Vacant Lots</u>
Harvest Townside, Phase 1	45.11	210	198	4	8
Harvest Townside, Phase 2	22.62	102	84	11	7
Harvest Townhomes, Phase 1	16.11	120	62	39	19
Harvest Phase 12 (a)	20.00	191	30	142	19
Harvest Phase 16	<u>63.97</u>	<u>412</u>	<u>0</u>	<u>0</u>	<u>412</u>
Totals	167.81	1,035	374	196	465
Residential Developed	167.81				
Residential Under Development	11.80				
Remaining Developable Residential	38.41				
Remaining Developable Commercial	59.86				
Undevelopable	<u>50.61</u>				
District Total	328.48				

(a) Harvest, Phase 12, was developed as a single-family home for rent subdivision that will be managed by Harvest Build to Rent, LLC. See “THE DEVELOPERS” and “TAX DATA – Table 7 – Principal Taxpayers”

HARVEST

The District is part of the 1,250-acre, master-planned community of Harvest, which encompasses the District and Belmont Fresh Water Supply District No. 1 of Denton County (“FWSD 1”). As of March 1, 2023, approximately 959.55 total acres (3,833 single-family lots) have been developed with water, sanitary sewer and road facilities serving the master-planned community of Harvest and approximately 58.86 acres (148 single-family lots) are currently under development. As of March 1, 2023, there were 2,605 completed homes, 347 new homes under construction, and 881 vacant developed lots available for future home construction within the Harvest community. According to the Developers, there are approximately 3,980 single-family homes ultimately planned to be constructed within the Harvest community. The District makes no representation as to the likelihood of such planned development occurring within the District.

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(August 2022)

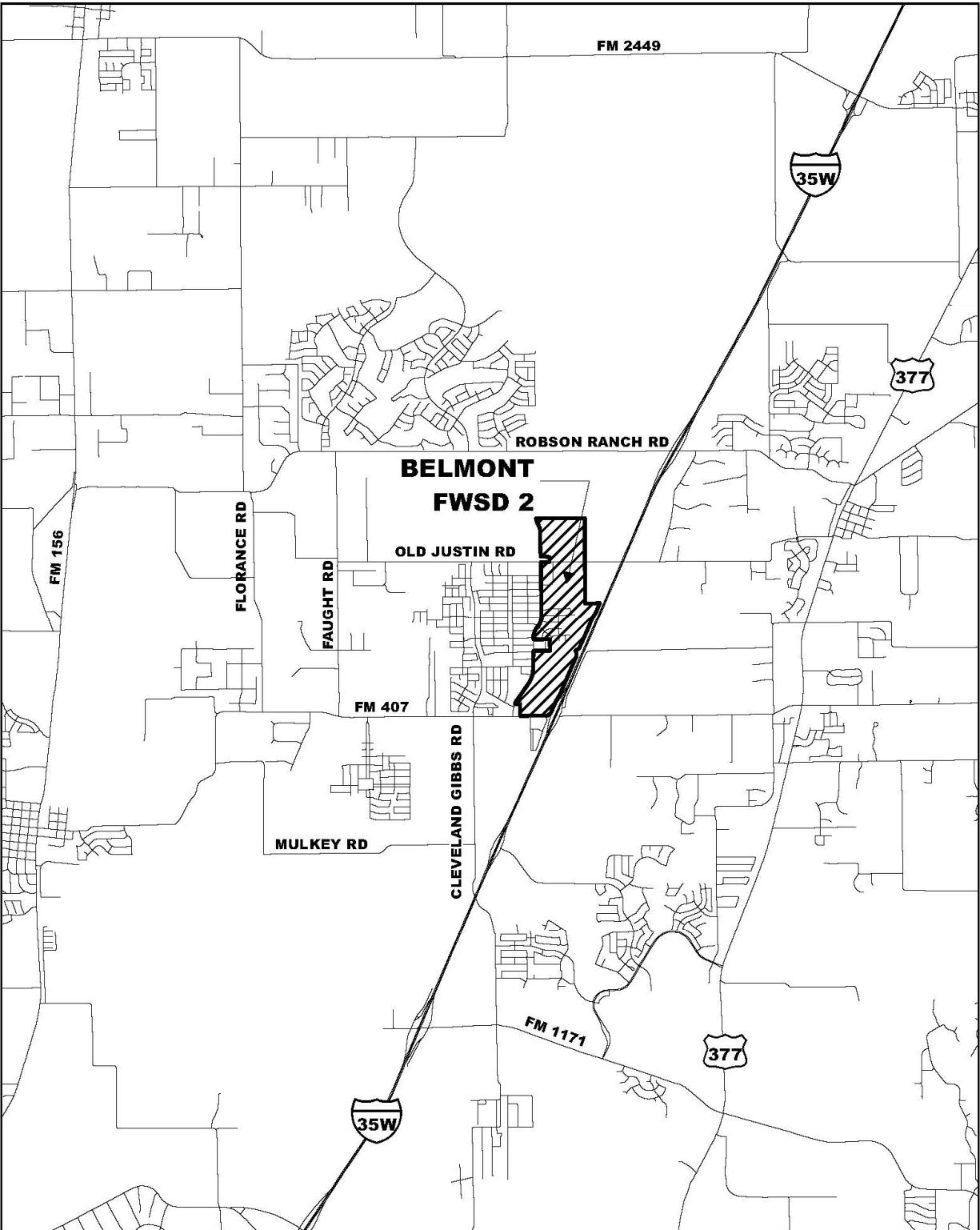


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VICINITY MAP



THE DEVELOPERS

The Role of a Developer

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

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

None of the Developers, or any affiliate entities, is obligated to pay principal of or interest on the Bonds. Furthermore, none of the Developers or their affiliate entities have a binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developers or its affiliate entities should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the District's boundaries.

The Developers

Belmont 407, LLC, a Delaware limited liability company ("Belmont 407") was formed for the purpose of acquiring and holding for investment and sale tracts of land, including lands in the District. Belmont 407 has determined the overall development plan for such land in the District and arranged for the construction of water, sanitary sewer, and road facilities within the District either directly or through affiliate entities. The members of Belmont 407, LLC include: H4 Belmont, L.P. ("HMM"), a Texas limited partnership, and Realty Capital Belmont, L.P. ("RCB"), a Texas limited partnership. HMM is the managing member of Belmont 407.

Realty Capital Argyle 114, LTD. ("RCA") was formed for the purpose of acquiring and holding for investment and sale tracts of land, including lands in the District. The members of RCA include: H4 Argyle GP, LLC acting as the general partner, and H4 Belmont, LP, HVST Land, LP and RCP Argyle 114 Ltd. as limited partners. H4 Argyle GP, LLC, H4 Belmont, LP, HVST Land, LP are controlled by Hillwood. RCP Argyle 114 Ltd is controlled by Realty Capital Partners, LLC. Belmont 407 is responsible for the development of the residential portion of the District and RCA is responsible for the development of the commercial mixed-use portion of the District. Belmont 407 and RCA are collectively referred to as the "Developers."

The Developers are managed by Hillwood Residential Services L.P., a Perot Company, a Dallas company owned by H. Ross Perot, Jr., having over 30 years of experience developing land in Texas. Hillwood Residential Services L.P. is an affiliate of Hillwood Development Company, LLC, which is a national real estate development company with development expertise and experience that encompasses diverse product types, including arena high-rise condominiums, offices, single-family residential communities, distribution centers, regional malls, mixed-use urban development, call centers, hotels, golf courses, airports, intermodal rail yards, corporate campuses, and major air facilities.

As of March 1, 2023, the Developers and their affiliate entities own approximately 121.16 undeveloped acres, 11.80 acres currently under development as 88 lots, and 303 vacant developed lots within the District. Belmont 407 currently owns 303 single family lots, 287 of those lots are under contract for purchase by the homebuilders pursuant to a lot-sales contract. Additionally, Belmont 407 has developed Harvest, Phase 12, as

a single family built to rent subdivision with 191 lots upon which 191 homes will be constructed that will be owned and managed by Harvest Build to Rent LLC as rental properties. As of January 31, 2023, there were 30 completed homes and 142 new homes under construction in Harvest, Phase 12. See “TAX DATA – Table 7 – Principal Taxpayers.”

Development Financing

Belmont 407 financed the development of Harvest with a line of credit from Texas Capital Bank in the amount of \$20,000,000 with an interest rate of 30-day SOFR + 3.00%. Such line of credit matures on July 31, 2025, and is secured by the land and the reimbursements Belmont 407 expects to receive from bond proceeds from the bond sales of the District. As of April 1, 2023, the balance on such line of credit was \$3,906,182. According to Belmont 407, it is in compliance with all material terms of such loan.

RCA financed the development of commercial and mixed-use properties with a line of credit from Dallas Capital Bank in the amount of \$15,157,240 with an interest rate of Prime + 0.50%. Such line of credit matures on December 31, 2024, and is secured by the land within the District. As of April 1, 2023, the balance on such line of credit was \$2,209,547. According to RCB, it is in compliance with all material terms of such loan.

Lot-Sales Contracts

Belmont 407, through its subsidiary entities, has entered into lot sales contracts with each of David Weekley Homes, Highland Homes, DR Horton Homes, M/I Homes, CB JENI Lifestyle Homes, BB Living, Tri Pointe Homes, and Taylor Morrison. The lots in Harvest Townside, Phase 2 have been purchased by Highland Homes and M/I Homes. 120 lots in Harvest Townhomes, Phase 1 are under contract to be purchased by CB Jeni Lifestyle Homes. The contracts for the sale of lots between Belmont 407 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. Belmont 407’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, currently, approximately \$5,102,970.

According to Belmont 407, each of the builders is in compliance with their respective lot sale contracts. As of April 1, 2023, the total number of lots contracted and purchased by each builder is listed below:

Builder	Total Lots Contracted	Total Lots Purchased
David Weekley Homes	133	67
Highland Homes	64	64
DR Horton Homes	141	141
M/I Homes	55	55
CB JENI Lifestyle Homes	208	115
BB Living	191	191
Tri Pointe Homes	224	67
Taylor Morrison	91	32
Totals	1,107	732

HOMEBUILDERS WITHIN THE DISTRICT

Homebuilders currently building homes within Harvest Townside, Phase 1 of the District include David Weekley Homes and DR Horton Homes. Highland Homes has completed their building program within Harvest Townside, Phase 1. The homes being marketed in the District range in size from approximately 1,330 to 3,000 square feet and in price from approximately \$325,000 to \$560,000.

The lots constructed as Harvest Townside, Phase 1 are under contract to be purchased by David Weekly Homes and DR Horton Homes. The lots constructed as Harvest Townside Phase 2 are under contract to be purchased by Highland Homes and M/I Homes. The lots constructed as Harvest Townhomes, Phase 1 are under contract to be purchased by CB Jeni Lifestyle Homes. The lots developed as Harvest, Phase 12 have been sold to Harvest Build to Rent LLC, to be held as rental properties. The lots under construction as Harvest, Phase 16 are under contract to be purchased by David Weekley Homes, Tri Pointe, and Taylor Morrison.

THE ROAD SYSTEM

The District's Road System will be funded with advances from the Developers, proceeds of the Bonds, the Outstanding Road Bonds, and future road bonds issued by the District. See "INVESTMENT CONSIDERATIONS – Future Debt" and "THE BONDS – Issuance of Additional Debt." Construction of the District's roads is subject to certain regulations by the Town and Denton County, Texas. The roads in the District are constructed with reinforced concrete pavement with curbs on cement or lime stabilized subgrade. Remaining streets provide local interior service within the District. The Road System also includes sidewalks, streetlights, and right-of-way landscaping. Public utilities such as water, wastewater, storm drainage, and non-builder sidewalks are typically located within street rights-of-way. Unlike the Utility System, the Road System is owned and maintained by the District.

Joint Road Contracts

On November 1, 2014, the District entered into a joint road construction contract with FWSD 1. This contract was amended on January 20, 2016, and January 17, 2018. Under the terms of the contract, the districts will acquire and construct certain joint road facilities, including Harvest Way, in phases by segments. Each district agrees to pay its proportionate share of acquisition, construction, operation, and maintenance costs of the joint road facilities. Each district will own its proportionate share of each segment of the joint road facilities that are constructed. The term of this agreement is 50 years.

On January 20, 2016, the District and FWSD 1 entered into a Contract for Joint Drainage Improvements in Aid of Roads. This contract was amended on January 18, 2017. The contract provides for both districts to share in the costs and expenses related to the construction, ownership, operation, and maintenance of certain drainage improvements as part of the respective road system that will serve each district, based on the relative benefit received. The term of this agreement is 50 years.

THE UTILITY SYSTEM

The District's Utility System will be funded with advances from the Developers, proceeds of the Outstanding Utility Bonds, the Bonds, and future utility bonds issued by the District. See "INVESTMENT CONSIDERATIONS – Future Debt" and "THE BONDS – Issuance of Additional Debt."

Regulation

According to the Engineer, the Utility System has 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 Town, Argyle Water Supply Corporation ("WSC"), and Denton County, Texas. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies and inspected by the TCEQ.

Description of the Utility System

- Water Supply -

The area within the District lies wholly within the water certificate of convenience and necessity ("CCN") number 10199 held by WSC. Under that Non-Standard Water Service Contract, dated effective February 17, 2017, entered into by the District, Belmont 407, LLC, Realty Capital Argyle 114, Ltd, Harvest Townside Phase 1, LLC, and WSC, and that First Amendment to Non-Standard Water Service Contract dated effective December 11, 2018, made by and between the same parties (collectively, the "Water Contract No. 1"), WSC agreed to provide retail water service to 525 equivalent single-family connections ("esfcs") in the District for Harvest Townside Phase 1 and Phase 2, and Harvest Townhomes Phase 1 and Phase 2.

Pursuant to Water Contract No. 1, on behalf of the District, the Developer funded construction of a 12-inch waterline that extended the WSC system to the District boundary, as well as the internal water distribution lines serving the four aforementioned phases. The Developer also advanced funds on behalf of the District for payment of 50% of the \$4,557 capital recovery fee established by WSC for providing service to each esfc within those phases, with the builder being responsible for payment of the balance as a request for service to an esfc is made.

Pursuant to that Non-Standard Water Service Contract No. 2, effective October 15, 2020 (“Water Contract No. 2,” and along with Water Contract No. 1, the “Water Contracts”), among WSC, District, Developer, and others, WSC agreed to provide water service to 1,372 esfcs for the remainder of the District area. Pursuant to Water Contract No. 2, the Developer funded construction of a 16-inch waterline that extended the WSC system to the District’s eastern boundary, and is currently funding internal lines for Harvest Phases, 12 and 16. The Developer has also agreed to advance on behalf of the District the WSC \$4,557 capital recovery fee for each esfc within the remainder of the District, as the District is responsible for payment of 100% of such fee.

Upon completion of a phase of water distribution facilities by or on behalf of the District, the District conveys such facilities to the WSC. Such conveyance is made in consideration of various agreements made by the WSC in the Water Contracts, including the agreement to allocate and reserve capacity in such facilities for use by and benefit of the area within the District and assumption of all operation and maintenance responsibilities for such facilities after the expiration of the maintenance bond. The source of water is treated surface water delivered to a Point of Delivery located on the east side of the District adjacent to I-35W on the south side of the Devon natural gas wellsite, and a second Point of Delivery located where Old Justin Road enters the District on its eastern boundary.

As of March 1, 2023, the District has approximately 396 active esfcs. According to representatives of WSC, WSC has sufficient capacity to serve the approximate 1,869 total esfcs within the four aforementioned phases served pursuant to Water Contract No. 1.

- Wastewater Treatment -

The area within the District lies wholly within the wastewater CCN number 20286 held by the Town. The Town is the provider of retail wastewater service to the users within the District. The Trinity River Authority, Towns of Argyle, Flower Mound, and Northlake entered into a four-party agreement for the design and construction of a regional sanitary sewer conveyance system, including the Interceptor Line. Pursuant to such four-party agreement, the Town has total capacity of 4.339 million gallons per day (“mgd”) peak flow in the Interceptor Line. Pursuant to the Development Agreement, the Town has agreed it has adequate sanitary sewer capacity available and reserved to serve full development of the property within the District.

Upon completion of a phase of wastewater distribution facilities by or on behalf of the District, the District conveys such facilities to the Town. Such conveyance is made in consideration of various agreements made by the Town in the Development Agreement, including the agreement to allocate and reserve capacity in such facilities for use by and benefit of the area within the District and assumption of all operation and maintenance responsibilities for such facilities after the expiration of the maintenance bond.

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations of the District and are not obligations of the State of Texas; Denton County, Texas; the Town; or any political subdivision other than the District. The Bonds are secured by the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon on all taxable property located within the District. See “THE BONDS – Source of Payment.” The ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representation that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below.

Infectious Disease Outlook (COVID-19)

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus (“COVID-19”) to be a public health emergency. On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in the State of Texas because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in

the State of Texas and pursuant to Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

Since such time, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including the State) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment. 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.

With the easing or removal of COVID-19 associated governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

Economic Factors Affecting Taxable Values and Tax Payment

The rate of development within the District is directly related to the vitality of the single-family housing and commercial market in the Dallas-Fort Worth, Texas and Denton, Texas metropolitan areas. New single-family residential and commercial construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of single-family residential and commercial construction would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District. See "DEVELOPMENT WITHIN THE DISTRICT."

Dependence on Major Taxpayers and the Developers: The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. As illustrated in this Official Statement under the caption "TAX DATA – Table 7 – Principal Taxpayers," for the 2022 tax year, the District's top ten principal taxpayers owned property located within the District the aggregate assessed valuation of which comprised approximately 17.33% of the District's total taxable assessed valuation. Harvest Build to Rent, LLC., the District's top taxpayer for the 2022 tax year, owned taxable property representing approximately 4.78% of the District's total taxable assessed valuation and entities related to the Developers (herein defined) owned taxable property for the 2022 tax year representing approximately 8.15% of the District's total taxable assessed valuation. If these principal taxpayers were to default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds would be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its debt service fund. See "Tax Collections and Foreclosure Remedies" in this section, "TAX DATA – Table 7 – Principal Taxpayers," "THE DEVELOPERS" and "TAXING PROCEDURES – Levy and Collection of Taxes."

Developers and Principal Landowner's Obligations to the District: There is no commitment by or legal requirement of the Developers, 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 or commercial builder to proceed at any particular pace with construction 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 profitability 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 or commercial sites would restrict the rate of

growth of taxable values in the District and result in higher tax rates. See “DEVELOPMENT WITHIN THE DISTRICT,” “THE DEVELOPERS,” and “HOMEBUILDERS WITHIN THE DISTRICT.”

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

Location and Access: The District is located in an outlying area of the Denton, Texas metropolitan area, approximately 27 miles north from the central business district of the City of Fort Worth, Texas, and approximately 12 miles south of the City of Denton, Texas. The District is located wholly within the extraterritorial jurisdiction of the Town. Many of the single-family developments with which the District competes are in a more developed state and have lower total overlapping tax rates. As a result, particularly during times of increased competition, the Developers within the District may be at a competitive disadvantage to the developers in other single-family projects located closer to major urban centers or in a more developed state. See “THE DISTRICT” and “DEVELOPMENT WITHIN THE DISTRICT.”

Maximum Impact on District Tax Rate: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The taxable assessed valuation of property within the District as of January 1, 2022, is \$116,035,589 and the estimate of taxable value as of January 31, 2023, is \$224,295,693. See “DISTRICT FINANCIAL DATA.” After issuance of the Bonds, the combined maximum annual debt service requirement of the Outstanding Bonds and the Bonds is \$1,783,400 (2036), and the combined average annual debt service requirement of the Outstanding Bonds and the Bonds is \$1,638,753 (2023-2048). See “DISTRICT FINANCIAL DATA – Table 2 – Debt Service Requirements.” Assuming no increase to or decrease from the taxable assessed valuation as of January 1, 2022, combined debt service tax rates of \$1.62 and \$1.49 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the combined maximum annual debt service requirement and the combined average annual debt service requirement, respectively. Assuming no increase to or decrease from the estimate of value as of January 31, 2023, combined debt service tax rates of \$0.84 and \$0.77 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the combined maximum annual debt service requirement and the combined average annual debt service requirement, respectively.

For the 2022 tax year, the District has levied a total combined tax rate of \$1.00 per \$100 of assessed taxable value composed of a tax rate of \$0.20 per \$100 of assessed taxable value for maintenance and operations, a tax rate of \$0.37 per \$100 of assessed taxable value for utility debt service, and a tax rate of \$0.43 per \$100 of assessed taxable value for road debt service. Upon closing and delivery of the Bonds, six (6) months of capitalized interest on the Bonds will be deposited into the District’s Road System Debt Service Fund. See “THE BONDS – Source of Payment.”

Tax Collections and Foreclosure Remedies

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

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

Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "TAX DATA – Table 9 – Estimated Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property after foreclosure). Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against the collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

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.

Registered Owners' Remedies

Remedies available to registered owners of Bonds (the "Registered Owners") in the event of a default by the District under the Bond Order are limited. Although the Bond Order provides that the Registered Owners may obtain a writ of mandamus requiring performance by the District, such remedy must be exercised upon each default and may prove time-consuming, costly and difficult to enforce. The Bond Order does not provide for acceleration of maturity of the Bonds, appointment of a trustee to protect the interests of the Registered Owners or any other additional remedy in the event of a default by the District. 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. The Bonds are not secured by an interest in the improvements financed with the Bonds, or any other property of the District. No judgment against the District is enforceable by execution of a levy against the District's public purpose property. Further, the Registered Owners themselves cannot foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The rights of the Registered Owners and the enforceability of the Bonds may also be delayed, reduced or otherwise affected by a State of Texas statute reasonably required to allow an important public purpose or by proceedings under the Federal Bankruptcy Code or other laws affecting the enforcement of creditors' rights generally.

Future Debt

At an election held within the boundaries of the District on May 11, 2013, voters of the District authorized the District's issuance of a total of \$24,240,000 principal amount of unlimited tax bonds for the purpose of constructing, acquiring, improving, maintaining, and operating the Road System and a total of \$36,360,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

At the election held within the boundaries of the District on May 11, 2013, voters of the District authorized the District's issuance of a total of \$25,845,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring, owning, leasing, repairing, improving, or extending the Utility System and a total of \$38,765,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System.

At an election held within the boundaries of the District on May 7, 2022, voters of the District authorized the District's issuance of a total of \$10,620,000 principal amount of unlimited tax bonds for Utility System improvements and an additional \$10,620,000 principal amount of unlimited tax bonds to refund bonds issued for Utility System improvements.

At an election held within the boundaries of the District on November 8, 2022, voters of the District authorized the District's issuance of a total of \$32,600,000 principal amount of unlimited tax bonds for Road System improvements and an additional \$32,600,000 principal amount of unlimited tax bonds to refund bonds issued for Road System improvements.

The Bonds represent the third series of bonds to be issued for the purpose of constructing, acquiring, improving, maintaining, and operating the Road System. Following the issuance of the Bonds, \$39,125,000 principal amount of unlimited tax bonds will remain authorized but unissued for the purpose of constructing, acquiring, improving, maintaining, and operating the Road System. \$26,170,000 principal amount of unlimited tax bonds for the purpose of constructing, acquiring, improving, operating, and maintaining the Utility System remains authorized but unissued.

The District reserves in the Bond Order the right to issue the remaining authorized but unissued bonds plus such additional bonds as may hereafter be authorized by voters in the District. In addition, the District has the right to issue obligations, other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow money for any valid public purpose. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for and the investment quality and value of the Bonds.

All bonds issued by the District must be approved by the Attorney General of Texas. Bonds issued to finance the acquisition and construction of the Utility System must also be approved by the TCEQ.

Generally, this District expects to issue bonds annually as growth within the District allows and the reimbursement owed warrants those sales.

The District intends to submit a bond application to the TCEQ in the second quarter of 2023. The principal par amount of such bonds is expected to be \$7,850,000. Such bonds are expected to be issued in the fourth quarter of 2023.

Based on present engineering cost estimates, an addition of land to the District, and revised development plans, in the opinion of the District's engineer, Peloton Land Solutions, Inc. (the "Engineer"), following the issuance of the Bonds, the remaining \$26,170,000 principal amount of authorized but unissued unlimited tax bonds for the Utility System, will be sufficient to fully finance such utility facilities to serve the remaining undeveloped but developable land within the District. The remaining \$39,125,000 principal amount of authorized but unissued unlimited tax bonds for the Road System will be sufficient to fully finance such road improvements to serve the remaining undeveloped but developable land within the District.

Following the issuance of the Bonds, the District will still owe the Developers approximately \$5,850,000 for the reimbursable expenditures advanced to develop land, including the Road System and the Utility System improvements within the District on behalf of the District. See "THE UTILITY SYSTEM," "THE ROAD SYSTEM," and "DEVELOPMENT WITHIN THE DISTRICT."

Environmental Regulations

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

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
- Restricting the manner in which wastes are treated and released into the air, water, and soils;

- Restricting or regulating the use of wetlands or other properties; and
- Requiring remedial action to prevent or mitigate pollution.

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

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

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

On October 7, 2022, the EPA published final notice reclassifying the DFW Area from “serious” to “severe” under the 2008 Ozone Standard, effective November 7, 2022. As the DFW Area is now designated a “severe” nonattainment area, it must meet the attainment date of July 20, 2027 with an attainment year of 2026. The “severe” nonattainment classification 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.

On October 7, 2022, the EPA published final notice reclassifying the DFW Area from “marginal” to “moderate” under the 2015 Ozone Standard, effective November 7, 2022. The attainment deadline for the DFW Area under the 2015 Ozone Standard is August 3, 2024, with an attainment year of 2023.

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the DFW Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the DFW Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the DFW Area to reach attainment with the ozone standards by the EPA’s attainment deadlines. These additional controls could have a negative impact on the DFW Area’s economic growth and development. As a result of the DFW Area’s reclassification, the TCEQ must submit revisions of the SIP to the EPA no later than January 1, 2023, addressing the “moderate” nonattainment classification and by May 2024 addressing the “severe” nonattainment classification.

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

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

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

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

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

In 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule (“CWR”) aimed at redefining “waters of the United States” over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. 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. It is expected that there will be litigation challenging the validity and implementation of the rule. Due to existing and possible future litigation and regulatory action, there remains uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

Marketability of the Bonds

The District has no understanding with the Underwriter (as defined on page 3 hereof) regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers, since such bonds are more generally bought, sold and traded in the secondary market.

Bankruptcy Limitation to Registered Owners' Rights

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

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

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

A district, such as the District, may not be forced into bankruptcy involuntary.

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 – Opinion."

Approval of the Bonds

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

Future and Proposed Legislation

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

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives, or litigation. The disclosures and opinions expressed herein are based upon existing

legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

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.

2023 Legislative Session

The 88th Texas Legislature commenced on January 10, 2023. The Legislature meets in regular session in odd-numbered years, for 140 days. When the Legislature is not in session, the Governor of Texas may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During a special session, the Legislature may enact laws that materially change current law as it relates to the District.

During the 88th Texas Legislative Session, the Legislature may consider legislation affecting ad valorem taxation procedures. The District can make no representations or predictions regarding the scope of legislation that may be considered during the 88th Legislative Session or the potential impact of such legislation at this time.

Bond Insurance Risk Factors

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

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

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

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

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

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

LEGAL MATTERS

Legal Opinions

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

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

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

Legal Review

In its capacity as Bond Counsel, McCall, Parkhurst & Horton L.L.P., has reviewed the information appearing in this Official Statement under the captioned sections “THE BONDS (except for information under the subheadings “Book-Entry-Only System,” “Annexation” and “Use and Distribution of Bond Proceeds”),” “THE DISTRICT – Management of the District – Bond Counsel,” “TAXING PROCEDURES,” “LEGAL MATTERS – Legal Opinions,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION (except for information under the subheading “Compliance with Prior Undertakings”)” solely to determine whether such information fairly summarizes the documents, laws and procedures referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm’s limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

In its capacity as General Counsel, Allen Boone Humphries Robinson LLP, has reviewed the information appearing in this Official Statement under the headings “THE BONDS – Authority for Issuance,” “ – Annexation,” “THE DISTRICT – General,” “ – Management of the District – General Counsel,” and “ – Development Agreement,” “THE ROAD SYSTEM – Joint Road Contracts,” and “THE UTILITY SYSTEM – Description of the Utility System” solely to determine whether such information fairly summarizes the agreements, law, and legal procedures referred to therein. Such firm has not independently verified factual information contained in this Official

Statement, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

McCall, Parkhurst & Horton L.L.P., Dallas, Texas, serves as Bond Counsel to the District, and Allen Boone Humphries Robinson LLP, Dallas, Texas, serves as General Counsel to the District, and provides certain legal services in connection with the issuance of the Bonds in conjunction with Bond Counsel. Orrick, Herrington & Sutcliffe LLP, Houston, Texas, serves as Disclosure Counsel.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District, 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.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds is less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated

redemption price at maturity” means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

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

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

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Not Qualified Tax-Exempt Obligations for Financial Institutions

The District did **not** designate the Bonds as “qualified tax-exempt obligations” for financial institutions.

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President and Secretary of the Board will, on behalf of the District, execute and deliver to the Underwriter a certificate dated as of the date of delivery, to the effect that no litigation of any nature has been filed or is pending against the District, to restrain or enjoin the issuance or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance of the Bonds; affecting, the corporate existence or boundaries of the District or the authority of the officers of the District to execute, sign, and deliver the Bonds.

NO MATERIAL ADVERSE CHANGE

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe these agreements 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, as well as timely notice of specified events, to the Municipal Securities Rulemaking Board or any successor to its function as a repository (the “MSRB”), through its Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The District shall provide annually to the MSRB, (1) within six months after the end of each fiscal year of the District, financial information and operating data with respect to the District of the general type included in the final Official Statement in the Table 1 through 9 and (2) if not provided as part such financial information and operating data, audited financial statements of the District, within 12 months after the end of each fiscal year of the District. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in "APPENDIX A" hereto or such other accounting principles as the District may be required to employ, from time to time, by State law or regulation, and (ii) audited, if the District commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR §240.15c2-12 (the "Rule" or "SEC Rule 15c2-12"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. Neither the Bonds or the Bond Order make any provision for debt service reserve or a trustee.

For the purposes of event (12) in the immediately preceding paragraph, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. For the purposes of events (15) and (16), the term "Financial Obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument;

provided that “Financial Obligation” shall not include municipal securities as to which a final official statement (as defined in Securities and Exchange Commission Rule 15c2-12 (the “Rule”) has been provided to the MSRB consistent with the Rule.

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

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The information will be available to holders of Bonds at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if by only (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any qualified professional unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided. The District may also amend or repeal its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of such rule are invalid, and the District also may amend its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings

The District has complied in all material respects with its previous undertakings pursuant to SEC Rule 15c2-12 in connection with the Outstanding Bonds.

OFFICIAL STATEMENT

General

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

The District's audited financial statements for the year ended January 31, 2022, were prepared by McCall Gibson Swedlund Barfoot, PLLC, and have been included herein as "APPENDIX A." McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountant, has consented to the publication of such financial statements in this Official Statement.

Experts

The information contained in this Official Statement relating to development and the status of development within the District generally and, in particular, the information in the section captioned "THE DEVELOPERS" (with exception of the information under the subheading "General") has been provided by the Developers and has been included herein in reliance upon the authority and knowledge of each such party concerning the matters described therein.

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

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

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

Certification as to Official Statement

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

Updating the Official Statement

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

sold to ultimate customers, the Underwriter agrees to notify the District in writing following the occurrence of the "end of the underwriting period" as defined in SEC Rule 15c2-12.

CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Supervisors of Belmont Fresh Water Supply District No. 2 of Denton County as of the date specified on the first page hereof.

/s/ Jim Crehan
President, Board of Supervisors
Belmont Fresh Water Supply District No. 2 of Denton County

ATTEST:

/s/ William Staley
Secretary, Board of Supervisors
Belmont Fresh Water Supply District No. 2 of Denton County

APPENDIX A
Financial Statements of the District

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY**

DENTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JANUARY 31, 2022

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY**

DENTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JANUARY 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Belmont Fresh Water Supply District No. 2
of Denton County
Denton County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Belmont Fresh Water Supply District No. 2 of Denton County (the "District") as of and for the year ended January 31, 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 January 31, 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 Supervisors
Belmont Fresh Water Supply District No. 2 of Denton County

Supplementary Information

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

June 13, 2022

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JANUARY 31, 2022**

Management’s discussion and analysis of the financial performance of Belmont Fresh Water Supply District No. 2 of Denton County (the “District”) provides an overview of the District’s financial activities for the year ended January 31, 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 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 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 property taxes, franchise fees, and permit fees, as well as general and administrative costs. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JANUARY 31, 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 statement and accompanying notes, this report also represents 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 and deferred inflows of resources exceeded assets by \$2,830,316 as of January 31, 2022. The following is a comparative analysis of government-wide changes in the Statement of Net Position as of January 31, 2022, and January 31, 2021.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JANUARY 31, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2022	2021	Change Positive (Negative)
Current and Other Assets	\$ 2,168,041	\$ 1,372,527	\$ 795,514
Capital and Intangible Assets (Net of Accumulated Depreciation/Amortization)	9,887,007	7,352,736	2,534,271
Total Assets	<u>\$ 12,055,048</u>	<u>\$ 8,725,263</u>	<u>\$ 3,329,785</u>
Due to Developers	\$ 3,188,963	\$ 3,188,963	\$
Bonds Payable	11,048,627	7,606,006	(3,442,621)
Other Liabilities	150,224	136,688	(13,536)
Total Liabilities	<u>\$ 14,387,814</u>	<u>\$ 10,931,657</u>	<u>\$ (3,456,157)</u>
Deferred Inflows of Resources	\$ 497,550	\$ 272,100	\$ (225,450)
Net Position:			
Net Investment in Capital Assets	\$ (3,622,732)	\$ (2,916,881)	\$ (705,851)
Restricted	262,311	112,058	150,253
Unrestricted	530,105	326,329	203,776
Total Net Position	<u>\$ (2,830,316)</u>	<u>\$ (2,478,494)</u>	<u>\$ (351,822)</u>

The following table is a summary of the District's operations for the years ended January 31, 2022, and January 31, 2021.

	Summary of Changes in the Statement of Activities		
	2022	2021	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 577,385	\$ 241,559	\$ 335,826
Permit Income	211,000	68,000	143,000
Other Revenues	13,168	1,833	11,335
Total Revenues	<u>\$ 801,553</u>	<u>\$ 311,392</u>	<u>\$ 490,161</u>
Total Expenses	<u>1,153,375</u>	<u>1,000,519</u>	<u>(152,856)</u>
Change in Net Position	\$ (351,822)	\$ (689,127)	\$ 337,305
Net Position, Beginning of Year	<u>(2,478,494)</u>	<u>(1,789,367)</u>	<u>(689,127)</u>
Net Position, End of Year	<u>\$ (2,830,316)</u>	<u>\$ (2,478,494)</u>	<u>\$ (351,822)</u>

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JANUARY 31, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of January 31, 2022, were \$1,598,807, an increase of \$549,051 from the prior year.

The District's General Fund fund balance increased by \$203,440, primarily due to property tax and permit revenues which exceeded general and administrative costs.

The District's Debt Service Fund fund balance increased by \$143,112, primarily due to the structure of the District's debt service requirements and Series 2021 Road Bonds capitalized interest deposited in the current fiscal year.

The District's Capital Projects Fund fund balance increased by \$202,499. The District sold its Series 2021 Road Bonds and used the proceeds to reimburse developers for costs paid on behalf of the District.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Supervisors adopted an unappropriated budget for the current year. Actual revenues were \$227,418 more than budgeted revenues and actual expenditures were \$82,599 more than budgeted expenditures. This resulted in a positive variance of \$144,819. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of January 31, 2022, total \$6,559,994 (net of accumulated depreciation). These capital assets include land, roads, paving, and the drainage system. The District retains ownership and maintenance responsibility for the roads and related drainage infrastructure that serve the area within its boundaries.

Capital Assets At Year-End			
	2022	2021	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 516,274	\$ 516,274	\$
Capital Assets, Subject to Depreciation:			
Roads and Paving	5,121,675	2,902,434	2,219,241
Drainage System	1,309,398	796,560	512,838
Less Accumulated Depreciation	(387,353)	(274,685)	(112,668)
Total Net Capital Assets	\$ 6,559,994	\$ 3,940,583	\$ 2,619,411

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JANUARY 31, 2022**

INTANGIBLE ASSETS

The District conveys completed water utility infrastructure to the Argyle Water Supply Corporation and conveys completed wastewater utility infrastructure to the Town of Argyle for ownership and maintenance in return for each entity’s commitment to use such utilities to provide service to residents of the District. The District recognizes intangible assets for the costs of the utilities conveyed which have a January 31, 2022, balance (net of accumulated amortization) of \$3,327,013.

LONG-TERM DEBT ACTIVITY

As of January 31, 2022, the District had total bond debt payable of \$11,080,000. The changes in the debt position of the District during the fiscal year ended January 31, 2022, are summarized as follows:

Bond Debt Payable, February 1, 2021	\$ 7,650,000
Add: Bond Sale - Series 2021 Road Bonds	<u>3,430,000</u>
Bond Debt Payable, January 31, 2022	<u>\$ 11,080,000</u>

The Series 2019 Road Bonds, Series 2020 Bonds and Series 2021 Road Bonds do not carry underlying ratings. The Series 2021 Road Bonds carry an insured rating of “AA” by virtue of bond insurance issued by Assured Guaranty Municipal Corporation.

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 Belmont Fresh Water Supply District No. 2 of Denton County, c/o Crawford & Jordan, LLP, 3100 McKinnon Street, Suite 1100, Dallas, TX 75201.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
JANUARY 31, 2022**

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 1,339,152	\$ 356,166
Property Taxes Receivable	22,548	40,084
Due from Other Funds	15,150	468,498
Land		
Intangible Assets (Net of Accumulated Amortization)		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 1,376,850	\$ 864,748
LIABILITIES		
Accounts Payable	\$ 45,337	\$
Accrued Interest Payable		
Due to Developers		
Due to Other Funds	468,498	
Accrued Interest at Time of Sale		3,799
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 513,835	\$ 3,799
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 22,548	\$ 497,550
FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		363,399
Unassigned	840,467	
TOTAL FUND BALANCES	\$ 840,467	\$ 363,399
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,376,850	\$ 864,748
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
\$ 410,091	\$ 2,105,409	\$	\$ 2,105,409
	62,632		62,632
	483,648	(483,648)	
		516,274	516,274
		3,327,013	3,327,013
		6,043,720	6,043,720
<u>\$ 410,091</u>	<u>\$ 2,651,689</u>	<u>\$ 9,403,359</u>	<u>\$ 12,055,048</u>
\$	\$ 45,337	\$	\$ 45,337
		104,887	104,887
		3,188,963	3,188,963
15,150	483,648	(483,648)	
	3,799	(3,799)	
		215,000	215,000
		10,833,627	10,833,627
<u>\$ 15,150</u>	<u>\$ 532,784</u>	<u>\$ 13,855,030</u>	<u>\$ 14,387,814</u>
<u>\$ - 0 -</u>	<u>\$ 520,098</u>	<u>\$ (22,548)</u>	<u>\$ 497,550</u>
\$ 394,941	\$ 394,941	\$ (394,941)	\$
	363,399	(363,399)	
	840,467	(840,467)	
<u>\$ 394,941</u>	<u>\$ 1,598,807</u>	<u>\$ (1,598,807)</u>	<u>\$ - 0 -</u>
<u>\$ 410,091</u>	<u>\$ 2,651,689</u>		
		\$ (3,622,732)	\$ (3,622,732)
		262,311	262,311
		530,105	530,105
		<u>\$ (2,830,316)</u>	<u>\$ (2,830,316)</u>

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

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JANUARY 31, 2022**

Total Fund Balances - Governmental Funds	\$	1,598,807
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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.		9,887,007
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Deferred inflows of resources related to property tax revenues for the 2021 maintenance tax levy became part of recognized revenue in the governmental activities of the District.		22,548
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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	\$ (3,188,963)	
Accrued Interest Payable	(101,088)	
Bonds Payable	<u>(11,048,627)</u>	<u>(14,338,678)</u>
Total Net Position - Governmental Activities	\$	<u><u>(2,830,316)</u></u>

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

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**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JANUARY 31, 2022**

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Property Taxes	\$ 291,734	\$ 285,315
Permit Fees	211,000	
Franchise Fees	10,262	
Investment and Miscellaneous Revenues	2,807	76
TOTAL REVENUES	<u>\$ 515,803</u>	<u>\$ 285,391</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 195,273	\$
Contracted Services	42,281	1,631
Inspection Services	43,400	
Repairs and Maintenance	1,660	
Amortization and Depreciation		
Other	29,749	352
Developer Interest		
Capital Outlay		
Debt Service:		
Bond Interest		245,508
Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	<u>\$ 312,363</u>	<u>\$ 247,491</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	<u>\$ 203,440</u>	<u>\$ 37,900</u>
OTHER FINANCING SOURCES (USES)		
Proceeds From Issuance of Long-Term Debt	\$	\$ 105,212
Bond Discount		
Bond Premium		
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ -0-</u>	<u>\$ 105,212</u>
NET CHANGE IN FUND BALANCES	\$ 203,440	\$ 143,112
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - FEBRUARY 1, 2021	<u>637,027</u>	<u>220,287</u>
FUND BALANCES/NET POSITION - JANUARY 31, 2022	<u>\$ 840,467</u>	<u>\$ 363,399</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 577,049	\$ 336	\$ 577,385
	211,000		211,000
	10,262		10,262
23	2,906		2,906
<u>\$ 23</u>	<u>\$ 801,217</u>	<u>\$ 336</u>	<u>\$ 801,553</u>
\$	\$ 195,273	\$	\$ 195,273
	43,912		43,912
	43,400		43,400
	1,660		1,660
		197,808	197,808
310	30,411		30,411
94,763	94,763		94,763
2,732,078	2,732,078	(2,732,078)	
	245,508	(5,339)	240,169
305,979	305,979		305,979
<u>\$ 3,133,130</u>	<u>\$ 3,692,984</u>	<u>\$ (2,539,609)</u>	<u>\$ 1,153,375</u>
<u>\$ (3,133,107)</u>	<u>\$ (2,891,767)</u>	<u>\$ 2,539,945</u>	<u>\$ (351,822)</u>
\$ 3,324,788	\$ 3,430,000	\$ (3,430,000)	\$
(116,695)	(116,695)	116,695	
127,513	127,513	(127,513)	
<u>\$ 3,335,606</u>	<u>\$ 3,440,818</u>	<u>\$ (3,440,818)</u>	<u>\$ -0-</u>
\$ 202,499	\$ 549,051	\$ (549,051)	\$
		(351,822)	(351,822)
192,442	1,049,756	(3,528,250)	(2,478,494)
<u>\$ 394,941</u>	<u>\$ 1,598,807</u>	<u>\$ (4,429,123)</u>	<u>\$ (2,830,316)</u>

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

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JANUARY 31, 2022**

Net Change in Fund Balances - Governmental Funds	\$	549,051
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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.		336
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Governmental funds do not account for amortization and depreciation. However, in governmental activities, capital assets and intangible assets are depreciated and amortized over the estimated useful lives or contract duration.		(197,808)
--	--	-----------

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 intangible assets are increased by assets constructed by the District and conveyed to other entities for ownership.		2,732,078
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Governmental funds report bond discounts and bond premiums as other financing uses and sources when bonds are sold. However, in the Statement of Net Position, 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.		(10,818)
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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.		5,339
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Governmental funds report bond proceeds as other financing sources. However, issued bonds increase long-term liabilities in the Statement of Net Position.		<u>(3,430,000)</u>
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Change in Net Position - Governmental Activities	\$	<u>(351,822)</u>
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The accompanying notes to the financial statements are an integral part of this report.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2022**

NOTE 1. CREATION OF DISTRICT

Belmont Fresh Water Supply District No. 2 of Denton County (the “District”) was created on August 14, 2007 by an Order of the Commissioner’s Court of Denton County as a fresh water supply district. The District was created for the purposes and with the powers set out under Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution and Chapters 49 and 53, Texas Water Code, as amended. The District was created to conserve, transport, and distribute fresh water from any sources for domestic and commercial purposes inside and/or outside the boundaries of the District. Pursuant to an election held on November 6, 2007, within the District, the District subsequently assumed sanitary sewer powers and road district powers. The District is authorized to purchase, construct, acquire, own, operate, repair, improve, and extend sanitary sewer systems to control wastes, and exercise the rights, authority, privileges, and functions of a road district, including those under Chapter 257, Transportation Code. The District is located wholly within Denton County and the extraterritorial jurisdiction of the Town of Argyle and is under the continuing supervision of the Texas Commission on Environmental Quality (the “Commission”).

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:

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2022**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 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 taxes and permit fees as well as general and administrative costs.

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

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction 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. As of January 31, 2022, the General Fund owed the Debt Service Fund \$468,498 for property tax collections and the Capital Projects Fund owed the General Fund \$15,150 for bond issuance costs. The interfund liabilities are timing differences that were eliminated shortly after year end.

Capital Assets

Capital assets, which include land, roads and drainage assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2022**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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 2 years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation over periods ranging from 30 to 45 years for each class of assets.

Intangible Assets

Certain infrastructure constructed by the District with funds provided by developers for the purposes of providing water service and wastewater service to District residents is conveyed to other entities for ownership and maintenance. These costs are recorded as intangible assets and amortized using the straight-line method over a period of 45 years.

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Supervisors. 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 original budget 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 Supervisors are considered "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. 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.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2022**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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. The District does not have any nonspendable fund balances.

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

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Supervisors. 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 and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2022**

NOTE 3. LONG-TERM DEBT

The following is a summary of transactions regarding bonds payable for the year ended January 31, 2022.

	February 1, 2021	Additions	Retirements	January 31, 2022
Bonds Payable	\$ 7,650,000	\$ 3,430,000	\$	\$ 11,080,000
Unamortized Discounts	(43,994)	(116,695)	(2,502)	(158,187)
Unamortized Premiums		127,513	699	126,814
Bonds Payable, Net	<u>\$ 7,606,006</u>	<u>\$ 3,440,818</u>	<u>\$ (1,803)</u>	<u>\$ 11,048,627</u>
			Amount Due Within One Year	\$ 215,000
			Amount Due After One Year	<u>10,833,627</u>
			Bonds Payable, Net	<u>\$ 11,048,627</u>

As of January 31, 2022, the District had authorized but unissued bonds in the amount of \$23,185,000 for the purchase or construction of utility facilities, \$15,820,000 for the purchase or construction of roads, \$38,765,000 for purposes of refunding utility system bonds and \$36,360,000 for the purposes of refunding road bonds.

	Road Series 2019	Series 2020	Road Series 2021
Amount Outstanding – January 31, 2022	\$ 4,990,000	\$ 2,660,000	\$ 3,430,000
Interest Rates	2.00% - 3.375%	2.00% - 3.70%	2.375% - 4.875%
Maturity Dates – Serially Beginning/Ending	March 1, 2022/2044	March 1, 2022/2045	March 1, 2023/2046
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2024*	March 1, 2025*	March 1, 2026*

* Or any date thereafter at a price of par plus unpaid accrued interest to the date fixed for redemption. The Series 2019 Road term bonds maturing on March 1, 2031, 2036, 2039, and 2044 are subject to mandatory redemption beginning March 1, 2030, 2035, 2037, and 2040, respectively. The Series 2020 term bonds maturing on March 1, 2045 are subject to mandatory redemption beginning March 1, 2043. The Series 2021 Road term bonds maturing on March 1, 2028, 2030, 2032, 2034, 2037, 2040, 2044, and 2046 are subject to mandatory redemption beginning March 1, 2027, 2029, 2031, 2033, 2035, 2038, 2041, and 2045, respectively.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2022**

NOTE 3. LONG-TERM DEBT (Continued)

As of January 31, 2022, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 215,000	\$ 281,783	\$ 496,783
2024	320,000	331,362	651,362
2025	325,000	321,799	646,799
2026	335,000	311,758	646,758
2027	345,000	301,204	646,204
2028-2032	1,875,000	1,343,408	3,218,408
2033-2037	2,160,000	1,042,312	3,202,312
2038-2042	2,530,000	666,107	3,196,107
2043-2047	2,975,000	215,129	3,190,129
	<u>\$ 11,080,000</u>	<u>\$ 4,814,862</u>	<u>\$ 15,894,862</u>

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District without legal limit as to rate or amount. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

During the current year, the District levied an ad valorem debt service tax rate of \$0.64 (\$0.19 for utilities and \$0.45 for roads) per \$100 of assessed valuation, which resulted in a tax levy of \$497,550 on the adjusted taxable valuation of \$77,742,174 for the 2021 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

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

NOTE 4. SIGNIFICANT BOND 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 minimum requirement for determination of the rebatable amount is on the five-year anniversary of each issue.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2022**

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

The bond orders require that the District 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.

During the current fiscal year, Series 2021 Road Bond proceeds of \$105,212 were deposited into the Debt Service Fund and restricted for the payment of bond interest.

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 \$2,105,409 and the bank balance was \$2,136,165. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at January 31, 2022, as listed below:

	Cash
GENERAL FUND	\$ 1,339,152
DEBT SERVICE FUND	356,166
CAPITAL PROJECTS FUND	410,091
TOTAL DEPOSITS	\$ 2,105,409

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2022**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

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 Supervisors.

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 January 31, 2022, the District had no investments.

Restrictions

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

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2022**

NOTE 6. CAPITAL ASSETS AND INTANGIBLE ASSETS

Capital asset activity for the year ended January 31, 2022, is as follows:

	February 1, 2021	Increases	Decreases	January 31, 2022
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 516,274	\$ - 0 -	\$ - 0 -	\$ 516,274
Capital Assets Subject to Depreciation				
Roads and Paving	\$ 2,902,434	\$ 2,219,241	\$	\$ 5,121,675
Drainage System	796,560	512,838		1,309,398
Total Capital Assets Subject to Depreciation	<u>\$ 3,698,994</u>	<u>\$ 2,732,079</u>	<u>\$ - 0 -</u>	<u>\$ 6,431,073</u>
Accumulated Depreciation				
Roads and Paving	\$ 213,579	\$ 84,843	\$	\$ 298,422
Drainage System	61,106	27,825		88,931
Total Accumulated Depreciation	<u>\$ 274,685</u>	<u>\$ 112,668</u>	<u>\$ - 0 -</u>	<u>\$ 387,353</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 3,424,309</u>	<u>\$ 2,619,411</u>	<u>\$ - 0 -</u>	<u>\$ 6,043,720</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 3,940,583</u>	<u>\$ 2,619,411</u>	<u>\$ - 0 -</u>	<u>\$ 6,559,994</u>

Certain infrastructure constructed by the District with funds provided by developers for the purposes of providing water service and wastewater service to District residents is conveyed to other entities for ownership and maintenance. These costs are recorded as intangible assets and amortized using the straight-line method over a period of 45 years.

	February 1, 2021	Increases	Decreases	January 31, 2022
Intangible Assets Subject to Amortization				
Water and Sewer Infrastructure	\$ 3,831,306	\$ - 0 -	\$ - 0 -	\$ 3,831,306
Less Accumulated Amortization				
Water and Sewer Infrastructure	\$ 419,153	\$ 85,140	\$ - 0 -	\$ 504,293
Total Amortizable Intangible Assets, Net of Accumulated Amortization	<u>\$ 3,412,153</u>	<u>\$ (85,140)</u>	<u>\$ - 0 -</u>	<u>\$ 3,327,013</u>

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2022**

NOTE 7. MAINTENANCE TAX

On May 11, 2013, the voters of the District approved the levy and collection of a maintenance tax in an unlimited amount per \$100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to pay any lawfully authorized operating and administrative expenditures of the District. During the year ended January 31, 2022, the District levied an ad valorem maintenance tax rate of \$0.36 per \$100 of assessed valuation, which resulted in a tax levy of \$279,872 on the adjusted taxable valuation of \$77,742,174 for the 2021 tax year.

NOTE 8. UNREIMBURSED COSTS

The District executed financing agreements with Developers within the District. Pursuant to these Agreements, the Developers have made payments on behalf of the District for construction of water, sanitary sewer, and road infrastructure as well as operating advances. The District has an obligation to reimburse the Developers for these costs from future bond issues to the extent permitted by applicable law or rules, the Commission or from other available funds. The actual amounts owed, including developer interest, will be calculated at the time debt is issued to reimburse the Developers.

Those agreements that relate to currently unreimbursed costs are as follows: Assignment Confirmation and Amended and Restated Operating Costs and Facilities Reimbursement Agreement among Realty Capital Belmont, Ltd., Belmont 407, LLC and Realty Capital Argyle 114, Ltd. dated December 27, 2011; Partial Assignment of Reimbursement Rights and Obligations (Harvest Townside Phase 1) among Belmont 407, LLC and Harvest Townside Phase 1, LLC effective December 16, 2016; Partial Assignment of Reimbursement Rights and Obligations (Harvest Townside Phase 2), between Belmont 407, LLC and Harvest Townside Phase 2, LLC effective May 20, 2020; and Partial Assignment of Reimbursement Rights and Obligations (Harvest Townhomes Phase 1), between Belmont 407, LLC and Harvest Townhomes Phase 1, effective May 20, 2020.

The following table summarizes current year activity:

Due to Developer, beginning of year	\$ 3,188,963
Plus: Current year additions	2,732,078
Less: Current year reimbursements	<u>(2,732,078)</u>
Due to Developer, end of year	<u>\$ 3,188,963</u>

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2022**

NOTE 9. RISK MANAGEMENT

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

NOTE 10. DEVELOPMENT AGREEMENT

Belmont 407, LLC, Realty Capital Argyle 114, Ltd., and the Town entered into a Second Amended and Restated Development Agreement, effective May 1, 2014. Such agreement was amended by a First Amendment to the Second Amended and Restated Development Agreement, effective March 5, 2019. Pursuant to a Joinder Agreement, dated April 19, 2017, the District confirmed and adopted the applicable terms of the Second Amended and Restated Development Agreement, as such agreement may be amended from time to time.

The Development Agreement establishes permitted land uses and development densities for the area within the District; establishes platting process and fees, building codes and standards, and inspection and permitting procedures and fees; provides immunity from full-purpose annexation by the Town, until certain conditions are met; recognizes the Town as the exclusive retail sewer service provider; establishes road and utility infrastructure to be constructed by the District for the area within its boundaries; allocates wastewater capacities to the District; provides for the Town's delivery of wastewater collection and treatment service to the area within the District; establishes requirements for payment of certain Trinity River Authority ("TRA") flow charges by the District; provides for the reimbursement by the Town to District developers for funds advanced for construction of the TRA sewer interceptor line ("Interceptor Line") serving the area within the Town, as well as the District; provides for the donation of school sites by the Developer; and provides a process for the provision of police services to the area within the District. The Town will be the sole provider of retail wastewater service to residential and commercial customers in the District at the same rates as provided to other customers within the Town. The term of the Development Agreement is 15 years from October 2, 2017, the Initial Final Plat Date.

The area within the District lies wholly within the wastewater CCN number 20286 held by the Town. The Town is the provider of retail wastewater service to the users within the District. The TRA, Towns of Argyle, Flower Mound, and Northlake entered into a four-party agreement for the design and construction of a regional sanitary sewer conveyance system, including the Interceptor Line. Pursuant to such four-party agreement, the Town has total capacity of 4.339 million gallons per day ("mgd") peak flow in the Interceptor Line. Pursuant to the Development Agreement, the Town has assigned 1.314 mgd peak flow of the Town's total capacity in the Interceptor Line to the Developer for the development of the District.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2022**

NOTE 10. DEVELOPMENT AGREEMENT (Continued)

Pursuant to the First Amendment to the Development Agreement, the parties agreed that the District capacity in the Interceptor Line would be increased in an amount sufficient to provide an additional 63,000 gallons per day in average daily flow. Such allocation was made in consideration for Developer's advancing funds to the Town on behalf of the District for construction of the Interceptor Line. The Developer will be reimbursed by the District for such amount from the proceeds of District bonds. Pursuant to the First Amendment, the parties agreed that the outstanding TRA Flow Charges were estimated to be \$283,729; and all outstanding charges were subsequently paid.

Upon completion of a phase of internal wastewater collection facilities by or on behalf of the District, the District conveys such facilities to the Town. Such conveyance is made in consideration of various agreements made by the Town in the Development Agreement, including the agreement to allocate and reserve capacity in such facilities for use by and benefit of the area within the District and assumption of all operation and maintenance responsibilities for such facilities after the expiration of the maintenance bond.

NOTE 11. WATER SERVICE CONTRACT

The area within the District lies wholly within the water certificate of convenience and necessity ("CCN") number 10199 held by Argyle Water Supply Corporation ("WSC"). Under that Non-Standard Water Service Contract, as amended, dated effective February 8, 2017, entered into by the District, Belmont 407, LLC, Realty Capital Argyle 114, Ltd, Harvest Townside Phase 1, LLC, and WSC, and that First Amendment to Non-Standard Water Service Contract, dated effective December 11, 2018, made by and between the same parties (collectively, the "Water Contract No. 1"), WSC agreed to provide retail water service to 525 equivalent single-family connections ("esfcs") in the District for 45.11 acres comprising Harvest Townside Phase 1, 22.62 acres comprising Harvest Townside, Phase 2, and approximately 14.40 acres comprising Harvest Townhomes Phase 1.

Pursuant to Water Contract No. 1, on behalf of the District, the Developer funded construction of a waterline that extended the WSC system to the District boundary, as well as the internal water distribution lines serving Townside Phase 1. The Developer will also advance funds on behalf of the District for payment of 50% of the \$4,557 capital recovery fee established by WSC for providing service to each lot within the three aforementioned phases, with the builder being responsible for payment of the balance as a request for service to a lot is made.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2022**

NOTE 11. WATER SERVICE CONTRACT (Continued)

Under the Non-Standard Water Service Contract No. 2, dated effective September 14, 2020, made by and between the same parties (“Water Contract No. 2”, and along with Water Contract No. 1, the “Water Contracts”), the District has requested retail water service from WSC sufficient to serve the remaining District area. Pursuant to Water Contract No. 2, on behalf of the District, the Developer has funded construction of a second waterline that extended the WSC system to the boundary of the District. The Developer will advance funds on behalf of the District for payment of 100% of the Capital Recovery Fees due for a phase of the Water Contract No. 2 service area at the date of award of a contract for construction of the internal water distribution facilities to serve that phase.

Upon completion of a phase of water distribution facilities by or on behalf of the District, the District conveys such facilities to the WSC. Such conveyance is made in consideration of various agreements made by the WSC in the Water Contracts, including the agreement to allocate and reserve capacity in such facilities for use by and benefit of the area within the District and assumption of all operation and maintenance responsibilities for such facilities after the expiration of the maintenance bond.

NOTE 12. JOINT CONTRACTS

On November 1, 2014, the District entered into a joint road construction contract with Belmont Fresh Water Supply District No. 1 of Denton County (“District No. 1”). The Amended and Restated Joint Road Contract and the First Amendment to Amended and Restated Joint Road Contract were entered into on January 20, 2016, and January 17, 2018, respectively. The districts will acquire and construct joint road facilities in phases by segments. Each district agrees to pay its proportionate share of acquisition/construction, operation and maintenance costs of the joint road facilities. Each district will own its proportionate share of each segment of the joint road facilities that are constructed. The term of this agreement is 50 years.

On January 20, 2016, the District and District No. 1 entered into a Contract for Joint Drainage Improvements in Aid of Roads. This contract was amended on January 18, 2017. The contract provides for both districts to share in the costs and expenses related to the construction, ownership, operation and maintenance of certain drainage improvements as part of the respective road system that will serve each district, based on the relative benefit received. The term of this agreement is 50 years.

On September 19, 2018, the District and District No. 1 entered into an agreement with Denton County to provide general maintenance, as well as design and construction associated with widening improvements to approximately 6,780 linear feet of Old Justin Road in phases. The term of the agreement begins on October 1, 2018 and expires on November 30, 2023, unless sooner terminated.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2022**

NOTE 13. LAW ENFORCEMENT AGREEMENT

Effective August 1, 2020 through September 30, 2020, the District entered into an Interlocal Cooperation Agreement for Law Enforcement Services with the Town. Under the Agreement, the Town agrees to provide law enforcement and protection services to the area within the District. In consideration for such services, the District agreed to compensate the Town in the amount of \$3,950. Effective October 1, 2020, the District entered into an Interlocal Cooperation Agreement for Law Enforcement Services with the Town. Under the Agreement, the Town agrees to provide law enforcement and protection services to the area within the District. In consideration for such services, the District agreed to make quarterly payments to the Town based on the Town's estimated costs to provide services on a per single family residential unit basis (the "Annual Cost").

By June 30 of each year during the term of the Agreement, the Town is to submit to the District a calculation of the Annual Cost for the following year. Beginning January 1 of the following year, the District will make quarterly payments based upon (i) the number of completed single family residential units as of the first day of the quarter, (ii) multiplied by the Annual Cost then in effect, and (iii) with the product divided by four.

The quarterly payments due for the initial year of the Agreement shall be no less than \$25,000. The initial term of the Agreement is three years; and the Agreement will be automatically renewed for additional three year terms, unless otherwise terminated by a party.

NOTE 14 FRANCHISE AGREEMENTS

The District constructs, owns, maintains, and repairs the public streets and alleys and associated rights-of-way within its boundaries, as well as certain portions of Old Justin Road. In order to defray the cost of maintaining and repairing these streets, alleys, and associated rights-of-way, the District has entered into agreements with several local utility providers, including Atmos Energy Corporation, effective April 17, 2013, CoServ Electric, effective July 21, 2021, and Republic Waste, effective April 30, 2018, pursuant to which such utilities make periodic payments to the District for certain rights regarding use of District streets, alleys, and rights-of-way. The Atmos agreement has a 15-year term; the CoServ agreement has a 10-year term; and the Republic agreement has an initial 3-year term with automatic 3-year extensions in term.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2022**

NOTE 15. BOND SALE

On December 14, 2021, the District closed on the sale of its \$3,430,000 Series 2021 Unlimited Tax Road Bonds. Proceeds from the bonds were used to reimburse the Developer for the construction, engineering and land costs for road improvements serving Harvest Townhomes, Phase 1 and Harvest Townside, Phase 2. The District also used bond proceeds to pay for bond issuance costs and fund capitalized interest and Developer interest.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY**

REQUIRED SUPPLEMENTARY INFORMATION

JANUARY 31, 2022

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JANUARY 31, 2022**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 262,385	\$ 291,734	\$ 29,349
Permit Fees	26,000	211,000	185,000
Franchise Fees		10,262	10,262
Investment and Miscellaneous Revenues		<u>2,807</u>	<u>2,807</u>
TOTAL REVENUES	<u>\$ 288,385</u>	<u>\$ 515,803</u>	<u>\$ 227,418</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 123,000	\$ 195,273	\$ (72,273)
Contracted Services	35,275	42,281	(7,006)
Inspection Services	9,500	43,400	(33,900)
Repairs and Maintenance/Capital Outlay	40,000	1,660	38,340
Other	<u>21,989</u>	<u>29,749</u>	<u>(7,760)</u>
TOTAL EXPENDITURES	<u>\$ 229,764</u>	<u>\$ 312,363</u>	<u>\$ (82,599)</u>
NET CHANGE IN FUND BALANCE	\$ 58,621	\$ 203,440	\$ 144,819
FUND BALANCE - FEBRUARY 1, 2021	<u>637,027</u>	<u>637,027</u>	
FUND BALANCE - JANUARY 31, 2022	<u>\$ 695,648</u>	<u>\$ 840,467</u>	<u>\$ 144,819</u>

See accompanying independent auditor's report.

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**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY**

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

JANUARY 31, 2022

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
SERVICES AND RATES
FOR THE YEAR ENDED JANUARY 31, 2022**

1. SERVICES PROVIDED BY THE DISTRICT DURING THE 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> X </u>	Parks/Recreation	<u> </u>	Fire Protection	<u> X </u>	Security
<u> X </u>	Solid Waste/Garbage	<u> </u>	Flood Control	<u> X </u>	Roads
<u> </u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u> </u>	Other:				

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 X No

County in which District is located - Denton County, 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 – Town of Argyle, Texas

Are Board Members appointed by an office outside the District?

Yes No X

See accompanying independent auditor's report.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JANUARY 31, 2022**

PROFESSIONAL FEES:	
Auditing	\$ 13,000
Engineering	76,041
Legal	<u>106,232</u>
TOTAL PROFESSIONAL FEES	<u>\$ 195,273</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 6,224
Security	31,531
Tax Collector/Appraisal District	<u>4,526</u>
TOTAL CONTRACTED SERVICES	<u>\$ 42,281</u>
REPAIRS AND MAINTENANCE	<u>\$ 1,660</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 7,589
Insurance	3,195
Website	17,742
Legal Notices and Other	<u>1,223</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 29,749</u>
INSPECTION FEES	<u>\$ 43,400</u>
TOTAL EXPENDITURES	<u>\$ 312,363</u>

See accompanying independent auditor's report.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JANUARY 31, 2022**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
FEBRUARY 1, 2021	\$	22,212	\$	21,402
Adjustments to Beginning				
Balance		<u>12,198</u>	\$	<u>13,214</u>
		\$	34,410	\$
			34,616	
Original 2021 Tax Levy	\$	272,635	\$	484,684
Adjustment to 2021 Tax Levy		<u>7,237</u>	<u>279,872</u>	<u>12,866</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	314,282	\$
				532,166
TAX COLLECTIONS:				
Prior Years	\$	34,410	\$	34,616
Current Year		<u>257,324</u>	<u>291,734</u>	<u>457,466</u>
TAXES RECEIVABLE -				
JANUARY 31, 2022		<u>\$</u>	<u>22,548</u>	<u>\$</u>
				<u>40,084</u>
TAXES RECEIVABLE BY				
YEAR:				
2021		<u>\$</u>	<u>22,548</u>	<u>\$</u>
				<u>40,084</u>

See accompanying independent auditor's report.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JANUARY 31, 2022**

	2021	2020	2019	2018
PROPERTY VALUATIONS:				
Land	\$ 35,360,720	\$ 17,347,132	\$ 20,097,388	\$ 17,367,797
Improvements	49,268,245	39,285,699	20,724,142	58,896
Personal Property	86,908	107,062	87,400	29,366
Exemptions	<u>(6,973,699)</u>	<u>(4,412,906)</u>	<u>(5,472,836)</u>	<u>(2,704,417)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 77,742,174</u>	<u>\$ 52,326,987</u>	<u>\$ 35,436,094</u>	<u>\$ 14,751,642</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.64	\$ 0.52	\$ 0.00	\$ 0.00
Maintenance	<u>0.36</u>	<u>0.48</u>	<u>1.00</u>	<u>1.00</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>
ADJUSTED TAX LEVY*	<u>\$ 777,422</u>	<u>\$ 523,269</u>	<u>\$ 354,311</u>	<u>\$ 354,361</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>91.94 %</u>	<u>100.00 %</u>	<u>100.00 %</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 an unlimited amount per \$100 of assessed valuation approved by voters on May 11, 2013.

See accompanying independent auditor's report.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JANUARY 31, 2022**

SERIES - 2019 ROAD

Due During Fiscal Years Ending January 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2023	\$ 145,000	\$ 150,622	\$ 295,622
2024	150,000	147,597	297,597
2025	155,000	144,278	299,278
2026	160,000	140,614	300,614
2027	165,000	136,631	301,631
2028	170,000	132,358	302,358
2029	175,000	127,786	302,786
2030	185,000	122,834	307,834
2031	190,000	117,394	307,394
2032	195,000	111,619	306,619
2033	205,000	105,619	310,619
2034	210,000	99,394	309,394
2035	220,000	92,806	312,806
2036	225,000	85,712	310,712
2037	235,000	78,237	313,237
2038	245,000	70,284	315,284
2039	250,000	61,931	311,931
2040	260,000	53,325	313,325
2041	270,000	44,381	314,381
2042	280,000	35,099	315,099
2043	290,000	25,481	315,481
2044	300,000	15,525	315,525
2045	310,000	5,231	315,231
2046			
2047			
	<u>\$ 4,990,000</u>	<u>\$ 2,104,758</u>	<u>\$ 7,094,758</u>

See accompanying independent auditor's report.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JANUARY 31, 2022**

S E R I E S - 2 0 2 0

Due During Fiscal Years Ending January 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2023	\$ 70,000	\$ 82,354	\$ 152,354
2024	75,000	80,868	155,868
2025	75,000	79,255	154,255
2026	80,000	77,510	157,510
2027	85,000	75,570	160,570
2028	85,000	73,487	158,487
2029	90,000	71,255	161,255
2030	90,000	68,871	158,871
2031	95,000	66,324	161,324
2032	100,000	63,545	163,545
2033	105,000	60,520	165,520
2034	105,000	57,370	162,370
2035	110,000	54,145	164,145
2036	115,000	50,713	165,713
2037	120,000	47,010	167,010
2038	120,000	43,110	163,110
2039	125,000	39,005	164,005
2040	130,000	34,605	164,605
2041	135,000	29,934	164,934
2042	140,000	25,018	165,018
2043	145,000	19,851	164,851
2044	150,000	14,430	164,430
2045	155,000	8,787	163,787
2046	160,000	2,960	162,960
2047			
	<u>\$ 2,660,000</u>	<u>\$ 1,226,497</u>	<u>\$ 3,886,497</u>

See accompanying independent auditor's report.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JANUARY 31, 2022**

SERIES - 2021 ROAD

Due During Fiscal Years Ending January 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2023	\$	\$ 48,807	\$ 48,807
2024	95,000	102,897	197,897
2025	95,000	98,266	193,266
2026	95,000	93,634	188,634
2027	95,000	89,003	184,003
2028	100,000	84,687	184,687
2029	100,000	80,687	180,687
2030	100,000	77,187	177,187
2031	100,000	74,187	174,187
2032	100,000	71,187	171,187
2033	95,000	68,262	163,262
2034	105,000	65,262	170,262
2035	100,000	62,187	162,187
2036	105,000	59,112	164,112
2037	105,000	55,963	160,963
2038	110,000	52,738	162,738
2039	115,000	49,363	164,363
2040	115,000	45,913	160,913
2041	115,000	42,463	157,463
2042	120,000	38,938	158,938
2043	120,000	35,338	155,338
2044	125,000	31,663	156,663
2045	130,000	27,838	157,838
2046	455,000	20,484	475,484
2047	635,000	7,541	
	<u>\$ 3,430,000</u>	<u>\$ 1,483,607</u>	<u>\$ 4,271,066</u>

See accompanying independent auditor's report.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JANUARY 31, 2022**

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending January 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2023	\$ 215,000	\$ 281,783	\$ 496,783
2024	320,000	331,362	651,362
2025	325,000	321,799	646,799
2026	335,000	311,758	646,758
2027	345,000	301,204	646,204
2028	355,000	290,532	645,532
2029	365,000	279,728	644,728
2030	375,000	268,892	643,892
2031	385,000	257,905	642,905
2032	395,000	246,351	641,351
2033	405,000	234,401	639,401
2034	420,000	222,026	642,026
2035	430,000	209,138	639,138
2036	445,000	195,537	640,537
2037	460,000	181,210	641,210
2038	475,000	166,132	641,132
2039	490,000	150,299	640,299
2040	505,000	133,843	638,843
2041	520,000	116,778	636,778
2042	540,000	99,055	639,055
2043	555,000	80,670	635,670
2044	575,000	61,618	636,618
2045	595,000	41,856	636,856
2046	615,000	23,444	638,444
2047	635,000	7,541	642,541
	<u>\$ 11,080,000</u>	<u>\$ 4,814,862</u>	<u>\$ 15,894,862</u>

See accompanying independent auditor's report.

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**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JANUARY 31, 2022**

Description	Original Bonds Issued	Bonds Outstanding February 1, 2021
Belmont Fresh Water Supply District No. 2 of Denton County Unlimited Tax Road Bonds - Series 2019	\$ 4,990,000	\$ 4,990,000
Belmont Fresh Water Supply District No. 2 of Denton County Unlimited Tax Bonds - Series 2020	2,660,000	2,660,000
Belmont Fresh Water Supply District No. 2 of Denton County Unlimited Tax Road Bonds - Series 2021	<u>3,430,000</u>	
TOTAL	<u>\$ 11,080,000</u>	<u>\$ 7,650,000</u>

Bond Authority:	<u>Utility Bonds</u>	<u>Road Bonds</u>	<u>Utility Refunding Bonds</u>	<u>Road Refunding Bonds</u>
Amount Authorized by Voters	\$ 25,845,000	\$ 24,240,000	\$ 38,765,000	\$ 36,360,000
Amount Issued	<u>2,660,000</u>	<u>8,420,000</u>		
Remaining to be Issued	<u>\$ 23,185,000</u>	<u>\$ 15,820,000</u>	<u>\$ 38,765,000</u>	<u>\$ 36,360,000</u>

Debt Service Fund cash balance as of January 31, 2022: \$ 356,166

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 635,794

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding January 31, 2022</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$	\$ 152,071	\$ 4,990,000	Regions Bank Houston, TX
		93,437	2,660,000	Regions Bank Houston, TX
<u>3,430,000</u>			<u>3,430,000</u>	Regions Bank Houston, TX
<u>\$ 3,430,000</u>	<u>\$ - 0 -</u>	<u>\$ 245,508</u>	<u>\$ 11,080,000</u>	

See accompanying independent auditor's report.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FOUR YEARS**

	Amounts	
	2022	2021
REVENUES		
Property Taxes	\$ 291,734	\$ 251,354
Permit Fees	211,000	68,000
Franchise Fees	10,262	
Investment and Miscellaneous Revenues	2,807	1,184
TOTAL REVENUES	\$ 515,803	\$ 320,538
EXPENDITURES		
Professional Fees	\$ 195,273	\$ 123,200
Contracted Services	42,281	20,120
Repairs and Maintenance	1,660	1,330
Inspection Services	43,400	15,400
Other	29,749	14,692
Capital Outlay		
TOTAL EXPENDITURES	\$ 312,363	\$ 174,742
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 203,440	\$ 145,796
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$	\$ 50,000
Developer Advances		
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ 50,000
NET CHANGE IN FUND BALANCE	\$ 203,440	\$ 195,796
BEGINNING FUND BALANCE	637,027	441,231
ENDING FUND BALANCE	\$ 840,467	\$ 637,027

See accompanying independent auditor's report.

		Percentage of Total Revenues			
2020	2019	2022	2021	2020	2019
\$ 353,583	\$ 123,733	56.6 %	78.4 %	67.5 %	31.6 %
169,600	267,800	40.9	21.2	32.4	68.4
599	25	2.0			
<u>523,782</u>	<u>391,558</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 232,125	\$ 103,828	37.9 %	38.4 %	44.3 %	26.5 %
8,423	8,521	8.2	6.3	1.6	2.2
570	7,070	0.3	0.4	0.1	1.8
68,100	84,100	8.4	4.8	13.0	21.5
22,247	17,910	5.8	4.6	4.2	4.6
	162,803				41.6
<u>331,465</u>	<u>384,232</u>	<u>60.6 %</u>	<u>54.5 %</u>	<u>63.2 %</u>	<u>98.2 %</u>
\$ 192,317	\$ 7,326	<u>39.4 %</u>	<u>45.5 %</u>	<u>36.8 %</u>	<u>1.8 %</u>
\$ 162,804	\$				
	12,870				
<u>162,804</u>	<u>12,870</u>				
\$ 355,121	\$ 20,196				
86,110	65,914				
<u>441,231</u>	<u>86,110</u>				

See accompanying independent auditor's report.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FOUR YEARS**

	Amounts	
	2022	2021
REVENUES		
Property Taxes	\$ 285,315	\$
Investment and Miscellaneous Revenues	76	513
TOTAL REVENUES	\$ 285,391	\$ 513
EXPENDITURES		
Other	\$ 352	\$ 119
Debt Service Interest and Fees	247,139	133,446
TOTAL EXPENDITURES	\$ 247,491	\$ 133,565
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 37,900	\$ (133,052)
OTHER FINANCING SOURCES (USES)		
Proceeds From Issuance of Long-Term Debt	\$ 105,212	\$ 124,583
NET CHANGE IN FUND BALANCE	\$ 143,112	\$ (8,469)
BEGINNING FUND BALANCE	220,287	228,756
ENDING FUND BALANCE	\$ 363,399	\$ 220,287
TOTAL ACTIVE RETAIL WATER CONNECTIONS	N/A	N/A
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	N/A	N/A

See accompanying independent auditor's report.

		Percentage of Total Revenues			
2020	2019	2022	2021	2020	2019
\$ 689	\$ - 0 -	100.0 %	100.0 %	100.0 %	
\$ 689	\$ - 0 -	100.0 %	100.0 %	100.0 %	N/A %
\$ 40	\$ - 0 -	0.1 %	23.2 %	5.8 %	
\$ 40	\$ - 0 -	86.6 %	26,012.9 %	5.8 %	N/A %
\$ 649	\$ - 0 -	13.3 %	(25,936.1) %	94.2 %	N/A %
\$ 228,107	\$ - 0 -				
\$ 228,756	\$ - 0 -				
\$ 228,756	\$ - 0 -				
N/A	N/A				
N/A	N/A				

See accompanying independent auditor's report.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JANUARY 31, 2022**

District Mailing Address - Belmont Fresh Water Supply District No. 2
of Denton County
c/o Crawford & Jordan LLP
3100 McKinnon Street, Suite 1100
Dallas, TX 75201

District Telephone Number - (214) 981-9090

Supervisors:	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>January 31, 2022</u>	Expense Reimbursements for the year ended <u>January 31, 2022</u>	<u>Title</u>
Tahmie Smith Garcia	05/2018 05/2022 (Elected)	\$ 1,350	\$ 9	President
Amber Piasta	05/2020 05/2024 (Elected)	\$ 1,800	\$ 10	Vice President
Harris Mangic	09/2021 05/2024 (Appointed)	\$ 600	\$ -0-	Treasurer/ Assistant Secretary
Elizabeth Martin	09/2020 05/2022 (Appointed)	\$ 1,800	\$ -0-	Secretary
William Staley	02/22 05/22 (Appointed)	\$ -0-	\$ -0-	Supervisor

Notes: No Supervisor 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: May 25, 2022

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

See accompanying independent auditor's report.

**BELMONT FRESH WATER SUPPLY DISTRICT NO. 2
OF DENTON COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JANUARY 31, 2022**

Consultants:	<u>Date Hired</u>	<u>Fees / Compensation for the year ended January 31, 2022</u>	<u>Title</u>
Crawford & Jordan, LLP	08/23/07	\$ 105,482	General Counsel
McCall Parkhurst & Horton L.L.P.	08/30/07	\$ 94,180	Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	01/16/19	\$ 13,000	Auditor
		\$ 14,250	Bond Related
L & S District Services, LLC	04/18/18	\$ 7,124	Bookkeeper
Jones & Carter, Inc.	08/30/07	\$ 76,041	Engineer
Robert W. Baird & Co. Incorporated	01/18/16	\$ 71,780	Financial Advisor
Debra Loggins		\$ -0-	Investment Officer

See accompanying independent auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner’s rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. “Due for Payment” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “Nonpayment” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “Owner” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

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

Telecopy:

212-962-1524 (attention: Claims)

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