

OFFICIAL STATEMENT DATED MAY 23, 2023

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

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

NEW ISSUE—Book Entry Only

RATINGS : S&P Global Ratings (BAM Insured)..... "AA/Stable"
Moody's Investors Service (Underlying).."Baa3/Stable"
See "MUNICIPAL BOND INSURANCE" and "RATINGS" herein.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1 OF HUNT COUNTY
(A political subdivision of the State of Texas, located within Hunt County)

\$5,155,000
UNLIMITED TAX ROAD BONDS
SERIES 2023

Dated: June 1, 2023

Due: September 1, as shown on inside cover

Interest Accrues from Date of Delivery

The \$5,155,000 Unlimited Tax Road Bonds, Series 2023 (the "Bonds") are obligations solely of Caddo Mills Municipal Management District No. 1 of Hunt County (the "District") and are not obligations of the State of Texas; Hunt County, Texas (the "County"); the City of Caddo Mills, Texas (the "City"); or any political subdivision or entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; the County; the City; or any entity other than the District is pledged to the payment of the principal of or the interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrars, initially, BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds accrues from the initial date of delivery (expected to be on or about June 22, 2023) (the "Date of Delivery"), and is 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 on the Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date. The Bonds are fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof.

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

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



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

The Bonds constitute the second series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a road system to serve the District (the "Road System"), and, when issued, will constitute valid and binding obligations of the District payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See "THE BONDS—Source of Payment." Investment in the Bonds is subject to special investment considerations as described herein. Prospective purchasers should review this entire Official Statement, including particularly the section of this Official Statement entitled "INVESTMENT CONSIDERATIONS," before making an investment decision.

The Bonds are offered, when, as and if issued by the District to the winning bidder of the Bonds (the "Initial Purchaser") subject, among other things, to the approval of the Attorney General of Texas and of Coats Rose, P.C., Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about June 22, 2023.

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

\$5,155,000 UNLIMITED TAX ROAD BONDS, SERIES 2023

\$2,510,000 SERIAL BONDS

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 127258 (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 127258 (b)
2025	\$ 125,000	6.500%	4.000%	CA7	2034 (c)	\$ 185,000	4.000%	3.950%	CK5
2026	130,000	6.500%	3.850%	CB5	2035 (c)	190,000	4.000%	4.000%	CL3
2027	135,000	6.500%	3.700%	CC3	2036 (c)	200,000	4.000%	4.050%	CM1
2028	140,000	6.500%	3.550%	CD1	2037 (c)	210,000	4.000%	4.100%	CN9
****	****	****	****	****	2038 (c)	220,000	4.000%	4.150%	CP4
2031 (c)	160,000	4.250%	3.650%	CG4	2039 (c)	230,000	4.000%	4.250%	CQ2
2032 (c)	170,000	4.000%	3.750%	CH2	2040 (c)	240,000	4.000%	4.300%	CR0
2033 (c)	175,000	4.000%	3.850%	CJ8					

\$2,645,000 TERM BONDS

\$300,000 Term Bond due September 1, 2030 (c)(d) Interest Rate: 6.500% (Price: \$115.675) (a) CUSIP No. 127258 CF6 (b)

\$510,000 Term Bond due September 1, 2042 (c)(d) Interest Rate: 4.250% (Price: \$97.431) (a) CUSIP No. 127258 CT6 (b)

\$860,000 Term Bond due September 1, 2045 (c)(d) Interest Rate: 4.375% (Price: \$97.565) (a) CUSIP No. 127258 CW9 (b)

\$975,000 Term Bond due September 1, 2048 (c)(d) Interest Rate: 4.500% (Price: \$98.511) (a) CUSIP No. 127258 CZ2 (b)

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- (a) The initial reoffering yield has been provided by the Initial Purchaser (herein defined) and represents the initial offering price to the public of a substantial amount of the Bonds for each maturity. Such initial reoffering yield may be changed for subsequent purchasers. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems, Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds. None of the District, Financial Advisor (herein defined) or Initial Purchaser shall be responsible for the selection or the correctness of the CUSIP numbers.
- (c) Bonds maturing on September 1, 2029, and thereafter, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on 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 Provisions—*Optional Redemption*."
- (d) Subject to mandatory sinking fund redemption by lot or other customary method of random selection on September 1 in the years and amounts as set forth herein under "THE BONDS—Redemption Provisions—*Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Coats Rose, P.C. (“Bond Counsel”), for further information.

Build America Mutual Assurance Company (“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 the heading “MUNICIPAL BOND INSURANCE” and “APPENDIX B” to this Official Statement.

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

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

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser"). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS" on the inside cover page of this Official Statement, at a price of 97.004525% of the principal amount thereof, which resulted in a net effective interest rate of 4.575869%, 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.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial reoffering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("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 an exhibit to this Official Statement.

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of 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 the heading "MUNICIPAL BOND INSURANCE".

Additional Information Available from BAM

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

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

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit

Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content. BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

RATINGS

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

Moody’s has assigned an underlying credit rating of “Baa3/Stable” to the Bonds. An explanation of the ratings may be obtained from Moody’s, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. 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 Moody’s, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

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

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

<i>The District</i>	Caddo Mills Municipal Management District No. 1 of Hunt County (the "District"), a political subdivision of the State of Texas, located within Hunt County. See "THE DISTRICT."
<i>The Bonds</i>	The District's \$5,155,000 Unlimited Tax Road Bonds, Series 2023 (the "Bonds") are dated June 1, 2023, and mature on September 1 in the years and amounts set forth on the inside cover page. Interest on the Bonds accrues from the initial date of delivery (on or about June 22, 2023) (the "Date of Delivery"), at the rates per annum set forth on the inside cover page and is payable on March 1, 2024, and on each September 1 and March 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See "THE BONDS."
<i>Redemption Provisions</i>	<p><i>Optional Redemption:</i> Bonds maturing on and after September 1, 2029, are subject to redemption, in whole or from time to time in part, at the option of the District on June 1, 2029, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS—Redemption Provisions—<i>Optional Redemption.</i>"</p> <p><i>Mandatory Redemption:</i> Bonds maturing on September 1 in the years 2030, 2042, 2045 and 2048 are term bonds (the "Term Bonds") which have mandatory redemption provisions as set forth herein under "THE BONDS—Redemption Provisions—<i>Mandatory Redemption.</i>"</p>
<i>Source of Payment</i>	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, levied upon all taxable property within the District without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Hunt County, Texas (the "County"); the City of Caddo Mills, Texas (the "City"); or any other political subdivision or entity other than the District. See "THE BONDS—Source of Payment."
<i>Payment Record</i>	The District has never defaulted on the timely payment of principal of and interest on its bonded indebtedness. See "THE BONDS—Source of Payment."
<i>Authority for Issuance</i>	<p>Voters of the District have authorized the District's issuance of a total of \$25,361,501 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a road system to serve the District (the "Road System") and \$38,042,252 principal amount of unlimited tax bonds for the purpose of refunding such bonds.</p> <p>The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution, and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 375, Texas Local Government Code, as amended, (ii) an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District on</p>

the date of the sale of the Bonds, and (iii) an election held within the District on May 2, 2020.

- Outstanding Bonds*.....The District has previously issued one (1) series of unlimited tax bonds for the purpose of acquiring or constructing the Road System and one (1) series of unlimited tax bonds for the purpose of acquiring or constructing water, sewer, and drainage facilities to serve the District (the "Utility System"). As of April 1, 2023, \$8,890,000 principal amount of such previously issued bonds remained outstanding (the "Outstanding Bonds").
- Use of Bond Proceeds*.....Proceeds from the sale of the Bonds will be used to reimburse the Developer (as defined herein) for road improvements as provided under "THE BONDS—Use and Distribution of Bond Proceeds." In addition, proceeds from the Bonds will be used to pay developer interest, six (6) months of capitalized interest, and certain other costs associated with the issuance of the Bonds. See "THE BONDS—Use and Distribution of Bond Proceeds."
- Qualified Tax-Exempt Obligations*.....The Bonds have been designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS—Qualified Tax-Exempt Obligations."
- Municipal Bond Insurance*Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND INSURANCE."
- Ratings*.....S&P Global Ratings ("S&P") - "AA/Stable" (BAM insured), Moody's Investors Service ("Moody's") - "Baa3/Stable" (underlying). See "MUNICIPAL BOND INSURANCE" and "RATINGS."
- Bond Counsel*.....Coats Rose, P.C., Dallas, Texas.
- Disclosure Counsel*.....McCall, Parkhurst & Horton L.L.P., Houston, Texas.
- Financial Advisor*.....Robert W. Baird & Co. Incorporated, Dallas, Texas.
- Paying Agent/Registrar*.....BOKF, NA, Dallas, Texas.

THE DISTRICT

- Description*.....The District was created by the Texas Commission on Environmental Quality (the "TCEQ") on March 29, 2019, as a municipal management district. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal management districts, municipal utility district, and other types of special purpose districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 375, Texas Local Government Code, as amended, and Article XVI, Section 59, and Article III, Section 52 of the Texas Constitution. The District is subject to the continuing supervision of the TCEQ. See "THE DISTRICT."
- Location*.....The District is located in the County and includes three tracts of land that total approximately 561.98 acres. The tract of land west of Farm-to-Market 36 ("FM 36") is approximately 100.673 acres and is located south of the intersection of Highway 66 and FM 36 ("Tract 1"). The tract of land to the east of FM 36 is approximately 353.607 acres and is located north of the intersection of Farm-to-Market 679 and Interstate Highway 30 ("Tract 2"). The tract of land west of FM 36 and north of Tract 1 is approximately 107.697 acres ("Tract 3"). The District is located wholly within the city limits of the City and within the boundaries of Caddo Mills Independent School District ("CMISD").

Developer.....D.R. Horton-Texas, LTD, a Texas limited partnership (“D.R. Horton” or the “Developer”), is the sole developer of land within the District. See “THE DEVELOPER.”

Development within the District.....The District is being developed as the single-family residential communities of Caddo Downs, Trailstone, and Stonehaven Estates. As of April 1, 2023, approximately 1,299 single-family residential lots (378.31 acres) have been developed as the following: Caddo Downs, Phases 1 and 2 (389 lots and approximately 100.65 acres), Trailstone, Phases 1–4 (591 lots and approximately 169.96 acres), and Stonehaven Estates, Phases 1–2 (319 lots and approximately 107.70 acres). Additionally, approximately 40.66 acres (164 lots) are currently under development as Trailstone, Phase 5. The remaining land within the District is comprised of approximately 13.87 acres reserved for a school site and approximately 129.14 undeveloped but developable acres planned for future development of single-family residential lots. As of April 1, 2023, the District consisted of approximately 810 completed homes (804 occupied and 6 unoccupied), approximately 169 homes under construction, and 320 vacant developed lots. See “DEVELOPMENT OF THE DISTRICT—Status of Development within the District.”

Homebuilder.....D.R. Horton is the sole homebuilder within the District. Homes within the District range in price from approximately \$286,000 to approximately \$335,000 and in size from approximately 1,620 square feet to approximately 2,695 square feet. See “DEVELOPMENT OF THE DISTRICT—Homebuilder within the District.”

INVESTMENT CONSIDERATIONS

THE BONDS ARE 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.

**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2022 Assessed Valuation	\$ 183,476,034	(a)
2023 Preliminary Assessed Valuation.....	\$ 256,128,942	(b)
Estimate of Valuation as of April 1, 2023.....	\$ 279,419,500	(c)
Direct Debt		
The Outstanding Bonds	\$ 8,890,000	
The Bonds	<u>\$ 5,155,000</u>	
Total.....	\$ 14,045,000	
Estimated Overlapping Debt	<u>\$ 24,078,434</u>	(d)
Total Direct and Estimated Overlapping Debt.....	<u>\$ 38,123,434</u>	(d)
Direct Debt Ratios:		
As a Percentage of 2022 Assessed Valuation	7.65	%
As a Percentage of 2023 Preliminary Valuation	5.48	%
As a Percentage of Estimate of Valuation as of April 1, 2023.....	5.03	%
Direct and Estimated Overlapping Debt Ratios:		
As a Percentage of 2022 Assessed Valuation	20.78	%
As a Percentage of 2023 Preliminary Assessed Valuation	14.88	%
As a Percentage of Estimate of Valuation as of April 1, 2023.....	13.64	%
Road System Debt Service Fund Balance (as of March 22, 2023).....	\$ 384,842	(e)
Utility System Debt Service Fund Balance (as of March 22, 2023)	\$ 344,311	
General Operating Fund Balance (as of March 22, 2023)	\$ 302,678	
2022 Tax Rate		
Road System Debt Service.....	\$ 0.13	
Utility System Debt Service.....	\$ 0.12	
Maintenance and Operations	<u>\$ 0.09</u>	
Total.....	\$ 0.34	(f)
Average Annual Debt Service Requirement (2024–2046, high years).....	\$ 910,851	(g)
Maximum Annual Debt Service Requirement (2044).....	\$ 925,944	(g)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2024–2046, high years):		
Based on 2022 Assessed Valuation at 95% Tax Collections.....	\$0.53	
Based on 2023 Preliminary Assessed Valuation at 95% Tax Collections	\$0.38	
Based on Estimate of Valuation as of April 1, 2023 at 95% Tax Collections.....	\$0.35	
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2044):		
Based on 2022 Assessed Valuation at 95% Tax Collections.....	\$0.54	
Based on 2023 Preliminary Assessed Valuation at 95% Tax Collections	\$0.39	
Based on Estimate of Valuation as of April 1, 2023 at 95% Tax Collections.....	\$0.35	
Single-Family Homes (including 169 homes under construction) as of April 1, 2023	979	

- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2022, provided by the Hunt County Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."
- (b) Represents the preliminary determination of the taxable value of all taxable property within the District as of January 1, 2023, as provided by the Appraisal District. This value is subject to protest by owners of taxable property within the District. No taxes will be levied against this preliminary value. See "TAXING PROCEDURES."
- (c) Such value has been provided by the Appraisal District for informational purposes only. This amount is an estimate of the most recent value of all taxable property located within the District resulting from new construction of taxable improvements from January 1, 2022 to April 1, 2023. No taxes will be levied on this estimate. See "TAX DATA" and "TAXING PROCEDURES."
- (d) See "DISTRICT DEBT—Direct and Estimated Overlapping Debt Statement."
- (e) Six (6) months of capitalized interest will be deposited into the Road System Debt Service Fund upon closing. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are pledged only to pay the debt service on the Bonds and any other bonds issued for the purpose of acquiring or constructing the Road System (hereinafter defined). Funds in the Road System Debt Service Fund are not pledged to pay debt service on bonds issued for the purpose of acquiring or constructing the Utility System (hereinafter defined).
- (f) The District is authorized to levy separate taxes for payment of debt service on bonds issued by the District for the Road System and for payment of debt service on bonds issued for the Utility System; both such taxes are unlimited as to rate or amount See "TAX DATA—Tax Rate Calculations."
- (g) See "DISTRICT DEBT—Debt Service Requirement Schedule."

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

\$5,155,000
Unlimited Tax Road Bonds
Series 2023

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Caddo Mills Municipal Management District No. 1 of Hunt County (the “District”) of its \$5,155,000 Unlimited Tax Road Bonds, Series 2023 (the “Bonds”).

The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution, as amended, and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 375, Texas Local Government Code, as amended, (ii) an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”) on the date of the sale of the Bonds, and (iii) an election held within the District on May 2, 2020.

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

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

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 authorizing the issuance of the Bonds. Copies of the Bond Order may be obtained from the District upon request and payment of the costs for duplication thereof. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds are dated June 1, 2023. Interest on the Bonds accrues from the initial date of delivery (on or about June 22, 2023) (the “Date of Delivery”), and is payable March 1, 2024, and each September 1 and March 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption.

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

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

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

Book-Entry-Only System

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

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

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

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

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

accounts such as Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issue as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Successor Paying Agent/Registrar

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

Registration, Transfer and Exchange

In the event the Book-Entry-Only system is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the principal payment office of the Paying Agent/Registrar in Dallas, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds

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

Mutilated, Lost, Stolen or Destroyed Bonds

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

Redemption Provisions

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

Mandatory Redemption: Bonds maturing on September 1 in the years 2030, 2042, 2045 and 2048 are term bonds (the “Term Bonds”) and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Mandatory Redemption Date”), and in the principal amount set forth in the following schedule:

\$300,000 Term Bond Maturing on September 1, 2030	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2029	\$ 145,000
September 1, 2030 (Maturity)	155,000
\$510,000 Term Bond Maturing on September 1, 2042	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2041	\$ 250,000
September 1, 2042 (Maturity)	260,000

\$860,000 Term Bond Maturing on September 1, 2045

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2043	\$ 275,000
September 1, 2044	285,000
September 1, 2045 (Maturity)	300,000

\$975,000 Term Bond Maturing on September 1, 2048

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2046	\$ 310,000
September 1, 2047	325,000
September 1, 2048 (Maturity)	340,000

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

Source of Payment

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

The Bonds are obligations solely of the District and are not the obligations of the State of Texas; Hunt County, Texas (the "County"); the City of Caddo Mills, Texas (the "City"); or any entity other than the District.

Authority for Issuance

The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution, as amended, (ii) the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 375, Texas Local Government Code, as amended, (iii) the Bond Order, and (iv) an election held within the District on May 2, 2020.

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

<u>Election Date</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued To Date</u>	<u>Remaining Unissued</u>
05/02/2020	Utility System	\$58,098,501	\$4,805,000	\$53,293,501
05/02/2020	Utility System Refunding	87,147,752	-	87,147,752
05/02/2020	Road System	25,361,501	\$9,240,000 ^(a)	16,121,501
05/02/2020	Road System Refunding	38,042,252	-	38,042,252

^(a) Includes the Bonds.

Outstanding Bonds

The District has previously issued one (1) series of unlimited tax bonds for the purpose of acquiring or constructing a road system to serve the District (the "Road System") and one (1) series of unlimited tax bonds for the purpose of acquiring or constructing water, sewer, and drainage facilities to serve the District (the "Utility System"). As of April 1, 2023, \$8,890,000 principal amount of such previously issued bonds remained outstanding (the "Outstanding Bonds").

Issuance of Additional Debt

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

After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: a total of \$16,121,501 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$53,293,501 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System; \$38,042,252 principal amount for the purpose of refunding bonds issued by the District for the Road System; and \$87,147,752 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System.

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

Based on present engineering cost estimates and development plans, in the opinion of the District's Engineer, the remaining total \$16,121,501 principal amount of authorized but unissued unlimited tax bonds for purpose of acquiring or constructing the Road System will be sufficient to fully finance road facilities to serve the remaining undeveloped but developable land within the District and the remaining \$53,293,501 principal amount of authorized but unissued unlimited tax bonds for purpose of acquiring or constructing the Utility System will be sufficient to fully finance utility facilities to serve the remaining undeveloped but developable land within the District.

Following the issuance of the Bonds, the District will owe the Developer approximately \$5,936,595 for expenditures to construct the Road System and approximately \$18,446,778 for its expenditures to construct the Utility System.

No Arbitrage

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

Dissolution

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

Consolidation

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

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

Funds

The Bond Order confirms the District's fund for debt service on the Bonds 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 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.

Defeasance

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest, and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) for obligations of the District payable from revenues or from ad valorem taxes or both or with a commercial bank or trust company designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

- (a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies,

subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.

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

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

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

Registered Owners' Remedies

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

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

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Use and Distribution of Bond Proceeds

Proceeds from the sale of the Bonds will be used to reimburse the Developer for road improvements for as listed below. In addition, proceeds from the Bonds will be used to pay developer interest, six (6) months of capitalized interest, and certain other costs associated with the issuance of the Bonds.

Construction Costs	
1. Caddo Downs, Phase 1	\$ 878,706
2. Caddo Downs, Phase 2	1,176,077
3. Trailstone, Phase 3	845,775
4. Engineering & Testing (Items 1-2)	461,467
5. Engineering & Testing (Trailstone, Phase 2)	73,757
6. ROW Land Costs	<u>734,293</u>
Total Construction Costs	<u>\$ 4,170,075</u>
Non-Construction Costs	
1. Legal Fees	\$ 113,100
2. Financial Advisor Fees	103,100
3. Interest Costs	
a. Capitalized Interest	118,363
b. Developer Interest	420,501
4. Bond Discount	154,417
5. Bond Issuance Expenses	45,368
6. Bond Engineering Report	20,620
7. Attorney General Fee	5,155
8. Contingency (a)	<u>4,302</u>
Total Non-Construction Costs	<u>\$ 984,925</u>
Total Bond Issue Requirement	<u>\$ 5,155,000</u>

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

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

THE DISTRICT

General

The District is a municipal management district created by an order of the TCEQ, dated March 29, 2019. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to special districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 375, Local Texas Government Code, as amended, and Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, as amended. The District is subject to the continuing supervision of the TCEQ.

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

Description and Location

The District is located in the County and includes three tracts of land that total approximately 561.98 acres. The tract of land west of Farm-to-Market 36 ("FM 36") is approximately 100.673 acres and is located south of the intersection of Highway 66 and FM 36 ("Tract 1"). The tract of land to the east of FM 36 is approximately 353.607 acres and is located north of the intersection of Farm-to-Market 679 and Interstate Highway 30 ("Tract 2"). The tract of land west of FM 36 and north of Tract 1 is approximately 107.697 acres ("Tract 3").

The District is located wholly within the city limits of the City and within the boundaries of Caddo Mills Independent School District (“CMISD”).

Management of the District

The District is governed by the Board consisting of five directors, who have control over and management supervision of all affairs of the District. All of the Directors own property within the District. The directors serve four-year staggered terms. Directors are appointed by the governing body of the City. The current members and officers of the Board are listed below:

<u>Name</u>	<u>Position</u>	<u>Term Expires March</u>
Kristen Dye	President	2027
Matt McMahan	Vice President	2027
Jesus Rodriguez	Secretary	2027
Vacant	Assistant Secretary	2025
Victor Ling	Assistant Secretary	2025

Investment Policy

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

Consultants

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

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

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

Financial Advisor: Robert W. Baird & Co. Incorporated is engaged as financial advisor to the District in connection with the issuance of the Bonds (the “Financial Advisor”). The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

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

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

Auditor: As required by Texas Water Code, the District retains an independent auditor to audit the District’s financial statements annually, which annual audit is filed with the TCEQ. A copy of the District’s audit prepared by Mark C. Eyring, CPA, PLLC for the fiscal year ended April 30, 2022, is included as “APPENDIX A” to this Official Statement. The District has engaged Mark C. Eyring, CPA, PLLC to audit its financial statements for its fiscal year ending April 30, 2023.

Engineer: The District’s engineer is JBI Partners, Inc. (the “Engineer”).

DEVELOPMENT OF THE DISTRICT

Status of Development within the District

The District is being developed as the single-family residential communities of Caddo Downs, Trailstone, and Stonehaven Estates. As of April 1, 2023, 1,299 single-family residential lots (approximately 378.31 acres) have been developed as the following: Caddo Downs, Phases 1 and 2 (389 lots and approximately 100.65 acres), Trailstone, Phases 1–4 (591 lots and approximately 169.96 acres), and Stonehaven Estates, Phases 1–2 (319 lots and approximately 107.70 acres). Additionally, approximately 40.66 acres (164 lots) are currently under development as Trailstone, Phase 5. The remaining land within the District is comprised of approximately 13.87 acres reserved for a school site and approximately 129.14 undeveloped but developable acres planned for future development of single-family residential lots.

As of April 1, 2023, the District consisted of 810 completed homes (804 occupied and 6 unoccupied), 169 homes under construction, and 320 vacant developed lots.

The table below summarizes the status of development and land use within the District as of April 1, 2023.

Single-Family Residential	Acreage	Section Lots	Homes Completed	Homes Under Construction	Vacant Lots
Caddo Downs, Phase 1	48.27	187	187	-	-
Caddo Downs, Phase 2	52.38	202	202	-	-
Trailstone, Phase 1	52.36	155	146	-	9
Trailstone, Phase 2	35.88	157	156	-	1
Trailstone, Phase 3	28.08	116	116	-	-
Trailstone, Phase 4	53.64	163	1	100	62
Stonehaven Estates, Phase 1	42.66	133	2	69	62
Stonehaven Estates, Phase 2	65.04	186	-	-	186
Totals	378.31	1,299	810	169	320
Future School Sites	13.87				
Currently Under Development	40.66				
Remaining Developable	129.14				
Total	561.98				

Homebuilder within the District

D.R. Horton is the sole homebuilder within the District. Homes within the District range in price from approximately \$286,000 to approximately \$335,000 and in size from approximately 1,620 square feet to approximately 2,695 square feet.

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PHOTOGRAPHS TAKEN IN THE DISTRICT
(MAY 2023)



**PHOTOGRAPHS TAKEN IN THE DISTRICT
(MAY 2023)**



THE DEVELOPER

Role of the Developer

In general, the activities of a developer in a municipal utility district or other type of special purpose district, such as the District, include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be constructed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In most instances, the developer will be required to pay up to thirty percent (30%) of the cost of constructing certain of the water, wastewater, and drainage facilities in a municipal utility district municipal utility district or other type of special purpose district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of the property within a municipal utility district municipal utility district or other type of special purpose district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district municipal utility district or other type of special purpose district during the development phase of the property.

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

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

Developer

D.R. Horton-Texas, LTD, a Texas limited partnership ("D.R. Horton" or the "Developer"), is the sole developer of land within the District.

As of April 1, 2023, D.R. Horton owned approximately 40.66 acres currently under development, approximately 129.14 acres for future development, and 320 vacant developed lots within the District.

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

Certain financial information concerning D.R. Horton is included as part of the consolidated financial statements of D.R. Horton, Inc. However, D.R. Horton, Inc. is not legally obligated to provide funds for the development of the District, to provide funds to pay taxes on property in the District owned by D.R. Horton, or

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

Developer Financing

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

THE SYSTEM

General

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

Description of the Utility System

Water Supply and Distribution: The District's water service is provided by the City. The City purchases its water from the City of Greenville; therefore, the City of Greenville delivers the necessary water supply to the District's water distribution system.

The District is constructing the water distribution system, as well as necessary perimeter and offsite facilities to serve the water distribution system within the District. Once completed, the District's water distribution system will be dedicated to and owned, maintained, and operated by the City.

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

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

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

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

Floodplain

The Flood Insurance Rate Maps ("FIRMs") provided by the Federal Emergency Management Agency ("FEMA") indicates that approximately 5 acres within the District are located within the floodplain Zone "A". An onsite drainage pipe system is being designed within the District to reclaim the Zone "A" floodplain to convey onsite drainage to existing major creeks.

DISTRICT DEBT

2022 Assessed Valuation	\$ 183,476,034	(a)
2023 Preliminary Assessed Valuation.....	\$ 256,128,942	(b)
Estimate of Valuation as of April 1, 2023.....	\$ 279,419,500	(c)
Direct Debt		
The Outstanding Bonds	\$ 8,890,000	
The Bonds	<u>\$ 5,155,000</u>	
Total.....	\$ 14,045,000	
Estimated Overlapping Debt	<u>\$ 24,078,434</u>	(d)
Total Direct and Estimated Overlapping Debt.....	<u>\$ 38,123,434</u>	(d)
Direct Debt Ratios:		
As a Percentage of 2022 Assessed Valuation	7.65	%
As a Percentage of 2023 Preliminary Valuation	5.48	%
As a Percentage of Estimate of Valuation as of April 1, 2023.....	5.03	%
Direct and Estimated Overlapping Debt Ratios:		
As a Percentage of 2022 Assessed Valuation	20.78	%
As a Percentage of 2023 Preliminary Assessed Valuation	14.88	%
As a Percentage of Estimate of Valuation as of April 1, 2023.....	13.64	%
Road System Debt Service Fund Balance (as of March 22, 2023).....	\$ 384,842	(e)
Utility System Debt Service Fund Balance (as of March 22, 2023)	\$ 344,311	
General Operating Fund Balance (as of March 22, 2023)	\$ 302,678	
2022 Tax Rate		
Road System Debt Service.....	\$ 0.13	
Utility System Debt Service.....	\$ 0.12	
Maintenance and Operations	<u>\$ 0.09</u>	
Total.....	\$ 0.34	(f)
Average Annual Debt Service Requirement (2024–2046, high years).....	\$ 910,851	(g)
Maximum Annual Debt Service Requirement (2044).....	\$ 925,944	(g)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2024–2046, high years):		
Based on 2022 Assessed Valuation at 95% Tax Collections	\$0.53	
Based on 2023 Preliminary Assessed Valuation at 95% Tax Collections	\$0.38	
Based on Estimate of Valuation as of April 1, 2023 at 95% Tax Collections.....	\$0.35	
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2044):		
Based on 2022 Assessed Valuation at 95% Tax Collections.....	\$0.54	
Based on 2023 Preliminary Assessed Valuation at 95% Tax Collections	\$0.39	
Based on Estimate of Valuation as of April 1, 2023 at 95% Tax Collections.....	\$0.35	
Single-Family Homes (including 169 homes under construction) as of April 1, 2023	979	

- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2022, provided by the Appraisal District. See “TAX DATA” and “TAXING PROCEDURES.”
- (b) Represents the preliminary determination of the taxable value of all taxable property within the District as of January 1, 2023, as provided by the Appraisal District. This value is subject to protest by owners of taxable property within the District. No taxes will be levied against this preliminary value. See “TAXING PROCEDURES.”
- (c) Such value has been provided by the Appraisal District for informational purposes only. This amount is an estimate of the most recent value of all taxable property located within the District resulting from new construction of taxable improvements from January 1, 2022 to April 1, 2023. No taxes will be levied on this estimate. See “TAX DATA” and “TAXING PROCEDURES.”
- (d) See “DISTRICT DEBT—Direct and Estimated Overlapping Debt Statement.”
- (e) Six (6) months of capitalized interest will be deposited into the Road System Debt Service Fund upon closing. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are pledged only to pay the debt service on the Bonds and any other bonds issued for the purpose of acquiring or constructing the Road System. Funds in the Road System Debt Service Fund are not pledged to pay debt service on bonds issued for the purpose of acquiring or constructing the Utility System.
- (f) The District is authorized to levy separate taxes for payment of debt service on bonds issued by the District for the Road System and for payment of debt service on bonds issued for the Utility System; both such taxes are unlimited as to rate or amount See “TAX DATA—Tax Rate Calculations.”
- (g) See “DISTRICT DEBT—Debt Service Requirement Schedule.”

Debt Service Requirement Schedule

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

Year Ending 12/31	Outstanding Debt Service	Plus: The Bonds		Total Debt Service
		Principal	Interest	
2023	\$ 279,931	\$ -	\$ -	\$ 279,931
2024	567,563	-	282,097	849,660
2025	562,363	125,000	236,725	924,088
2026	561,838	130,000	228,600	920,438
2027	560,888	135,000	220,150	916,038
2028	559,513	140,000	211,375	910,888
2029	557,713	145,000	202,275	904,988
2030	560,313	155,000	192,850	908,163
2031	556,975	160,000	182,775	899,750
2032	553,200	170,000	175,975	899,175
2033	558,113	175,000	169,175	902,288
2034	557,513	185,000	162,175	904,688
2035	561,188	190,000	154,775	905,963
2036	559,338	200,000	147,175	906,513
2037	562,163	210,000	139,175	911,338
2038	564,463	220,000	130,775	915,238
2039	566,238	230,000	121,975	918,213
2040	567,013	240,000	112,775	919,788
2041	566,738	250,000	103,175	919,913
2042	565,900	260,000	92,550	918,450
2043	563,975	275,000	81,500	920,475
2044	571,475	285,000	69,469	925,944
2045	568,038	300,000	57,000	925,038
2046	568,669	310,000	43,875	922,544
2047	323,563	325,000	29,925	678,488
2048	-	340,000	15,300	355,300
	<u>\$13,544,675</u>	<u>\$5,155,000</u>	<u>\$3,563,616</u>	<u>\$22,263,291</u>

Average Annual Debt Service Requirements (2024–2046, high years) \$910,851
 Maximum Annual Debt Service Requirements (2044)..... \$925,944

[Remainder of this page intentionally left blank.]

Direct and Estimated Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt 04/30/2023	Overlapping	
		Percent	Amount
City of Caddo Mills	\$ 13,325,000	43.95 %	\$ 5,856,596
Caddo Mills Independent School District	112,161,463	15.56%	17,456,614
Hunt County	10,190,000	1.70 %	173,623
Hunt Memorial Hospital District	34,490,000	1.72 %	<u>591,601</u>
Total Estimated Overlapping Debt			\$ 24,078,434
Direct Debt (a)			<u>\$ 14,045,000</u>
Total Direct and Estimated Overlapping Debt (a)			<u>\$ 38,123,434</u>

(a) Includes the Bonds.

Debt Ratios

Direct Debt Ratios (a):

As a Percentage of 2022 Assessed Valuation	7.65 %
As a Percentage of 2023 Preliminary Assessed Valuation	5.48 %
As a Percentage of Estimate of Valuation as of April 1, 2023	5.03 %

Direct and Estimated Overlapping Debt Ratios (a):

As a Percentage of 2022 Assessed Valuation	20.78 %
As a Percentage of 2023 Preliminary Assessed Valuation	14.88 %
As a Percentage of Estimate of Valuation as of April 1, 2023	13.64 %

(a) Includes the Bonds.

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TAXING PROCEDURES

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

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully above under "THE BONDS—Source of Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and for the payment of certain contractual obligations. In 2022, the District levied a total tax rate of \$0.34 per \$100 of assessed valuation composed of \$0.09 per \$100 of assessed valuation for maintenance and operations purposes, \$0.12 per \$100 of assessed valuation for Utility System debt service purposes, and \$0.13 per \$100 of assessed valuation for Road System debt service purposes. See "TAX DATA—Tax Rate Limitation."

Property Tax Code and County-Wide Appraisal District

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

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. Prior to such appeal or any tax delinquency date, however, the property owner must pay the tax due on the value of that portion of the property involved that is not in dispute or the amount of tax imposed in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. In such event, the value of the property in question will be determined by the court, or by a jury, if requested by any party. In addition, taxing units, such as the District, are entitled to challenge certain matters before the appraisal review board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records of the granting in whole or in part of certain exemptions. A taxing unit may not, however, challenge the valuation of individual properties.

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

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

Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. 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.

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

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

categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into 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, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in 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. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

Disaster Exemption

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

Tax Abatement

The County may designate all or part of the area within the District as a reinvestment zone. The District, at the option and discretion of the District, and the County 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. None of the area within the District has been designated as a reinvestment zone to date, and the District has not approved any such tax abatement agreements.

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) years prior to the loss of the designation for agricultural, timberland or open space land. See "TAX DATA—Analysis of Tax Base" and "THE DEVELOPER."

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. See "—Rollback of Operation and Maintenance Tax Rate" below.

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 timely petition for review in district court. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

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

Levy and Collection of Taxes

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

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real

property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two (2) years for residential and agricultural property and six (6) months for commercial property and all other types of property after the purchasers deed at the foreclosure sale is filed in the county records.

TAX DATA

General

Taxable property within the District is subject to the assessment, levy, and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements, and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an unlimited amount, for operation and maintenance purposes. In 2022, the District levied a total tax rate of \$0.34 per \$100 of assessed valuation composed of \$0.09 per \$100 of assessed valuation for maintenance and operations purposes, \$0.12 per \$100 of assessed valuation for Utility System debt service purposes, and \$0.13 per \$100 of assessed valuation for Road System debt service purposes.

Tax Rate Limitation

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance and Operations: \$1.00 per \$100 assessed taxable valuation.

Debt Service Taxes

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. In 2022, the District levied \$0.12 per \$100 of assessed valuation for Utility System debt service purposes and \$0.13 per \$100 of assessed valuation for Road System debt service purposes.

Upon closing and delivery of the Bonds, six (6) months of capitalized interest on the Bonds will be deposited into the Road System Debt Service Fund.

Maintenance and Operations Taxes

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. The Board is authorized by the District's voters to levy such maintenance tax in an amount not to exceed \$1.00 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. In 2022, the District levied a total tax rate of \$0.09 per \$100 of assessed valuation for maintenance and operations purposes. See "—Tax Rate Distribution" below.

Tax Exemption

As discussed in the section entitled "TAXING PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation.

Additional Penalties

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

(for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Property Tax Code.

Historical Tax Collections

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

<u>Tax Year</u>	<u>Certified Taxable Value</u>	<u>Tax Rate</u>	<u>Adjusted Tax Levy</u>	<u>Collections Current Year</u>	<u>Current Year Ending 09/30</u>	<u>Collections 3/31/2023</u>
2020 (a)	\$ 16,608,111	\$ 0.34	\$ 56,468	100.00%	2021	100.00%
2021	72,843,537	0.34	246,390	99.94%	2022	100.00%
2022	183,476,034	0.34	619,682	99.40% (b)	2023	99.40%

(a) The District levied its first tax rate for the 2020 tax year.

(b) Collections as of March 31, 2023.

Tax Rate Distribution

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Road System Debt Service	\$0.1300	\$0.1000	\$0.0000
Utility System Debt Service	0.1200	0.0000	0.0000
Maintenance & Operations	<u>0.0900</u>	<u>0.2400</u>	<u>0.3400</u>
Total	\$0.3400	\$0.3400	\$0.3400

Analysis of Tax Base

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

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

Principal Taxpayers

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

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

(a) See “THE DEVELOPER.”

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed taxable valuation that would be required to meet certain debt service requirements on the Bonds if no growth in the District’s tax base occurs beyond the 2022 Assessed Valuation (\$183,476,034), the 2023 Preliminary Valuation (\$256,128,942), or the Estimate of Valuation as of April 1, 2023 (\$279,419,500). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirement on the Bonds (2024–2046, high years).....	\$910,851
Debt Service Tax Rate of \$0.53 on the 2022 Assessed Valuation produces.....	\$923,802
Debt Service Tax Rate of \$0.38 on the 2023 Preliminary Assessed Valuation Produces.....	\$924,625
Debt Service Tax Rate of \$0.35 on the Estimate of Valuation as of April 1, 2023 produces	\$929,070
Maximum Annual Debt Service Requirement on the Bonds (2044)	\$925,944
Debt Service Tax Rate of \$0.54 on the 2022 Assessed Valuation produces.....	\$941,232
Debt Service Tax Rate of \$0.39 on the 2023 Preliminary Assessed Valuation Produces.....	\$948,958
Debt Service Tax Rate of \$0.35 on the Estimate of Valuation as of April 1, 2023 produces	\$929,070

Estimated Overlapping Taxes

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

Set forth below is an estimation of all 2022 taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

<u>Taxing Jurisdiction</u>	<u>2022 Tax Rate</u>
City of Caddo Mills	\$0.500000
Caddo Mills Independent School District	1.442900
Hunt County	0.361194
Hunt Memorial Hospital District	0.208956
The District	<u>0.340000</u>
Total	\$2.853050

INVESTMENT CONSIDERATIONS

General

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

Factors Affecting Taxable Values and Tax Payments

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

Developer: There is no commitment by, or legal requirement of, the Developer, or any other landowner in the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any homebuilder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "DEVELOPMENT OF THE DISTRICT," "THE DEVELOPER," and "TAX DATA—Principal Taxpayers."

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

Maximum Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2022 Assessed Valuation of property located within the District is \$183,476,034, the 2023 Preliminary Assessed Valuation is \$256,128,942, and the Estimate of Valuation as of April 1, 2023 is \$279,419,500. See "TAX DATA."

After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds and the Bonds will be \$925,944 (2044) and the average annual debt service requirement on the Outstanding Bonds and the Bonds will be \$910,851 (2024–2046, high years). Assuming no decrease to the 2022 Assessed Valuation, tax rates of \$0.54 and \$0.53 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no decrease from the 2023 Preliminary Assessed Valuation, tax rates of \$0.39 and \$0.38 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no decrease from the Estimate of Valuation as of April 1, 2023, tax rates of \$0.35 and \$0.35 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively.

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

Vacant Developed Lots: As of April 1, 2023, approximately 320 developed lots within the District remained available for construction. Failure of D.R. Horton to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of the District issued in the future. Future increases in value will result primarily from the construction of homes by D.R. Horton. The District makes no representation that the lot sales and building program will be successful.

Competitive Nature of Residential Housing Market

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

Tax Collection Limitations

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

Registered Owners' Remedies

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

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

Bankruptcy Limitation to Registered Owners' Rights

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas law; (2) is insolvent or unable to meet its debts as they mature; (3) desired to effect a plan

to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must also obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial conditions of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

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

The District may not be placed into bankruptcy involuntarily.

Marketability

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

Future Debt

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

The Bonds represent the second series of bonds issued by the District for the purpose of acquiring or constructing the Road System. Additionally, the District has previously issued one (1) series of bonds for the purpose of acquiring or constructing the Utility System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: a total of \$16,121,501 for the purpose of acquiring or constructing the Road System; \$53,293,501 for the purpose of acquiring or constructing the Utility System; \$38,042,252 for the purpose of refunding bonds issued by the District for the Road System; and \$87,147,752 for the purpose of refunding bonds issued by the District for the Utility System. The District may also issue any additional bonds as may hereafter be approved by both the Board of Directors and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Order. See "THE BONDS—Issuance of Additional Debt."

The District's issuance of unlimited tax bonds authorized for the Utility System shall be subject to approval by the TCEQ.

Following the issuance of the Bonds, the District will owe the Developer approximately \$5,936,595 for expenditures to construct the Road System and approximately \$18,446,778 for its expenditures to construct the Utility System. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-to-property-valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Continuing Compliance with Certain Covenants

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

Approval of the Bonds

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

Environmental Regulations

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

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

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

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

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

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

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

associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the 2008 and 2015 DFW Areas to reach attainment with the ozone standards by the EPA's attainment deadlines. These additional controls could have a negative impact on the area's economic growth and development.

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

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

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

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

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

In 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule ("CWR") aimed at redefining "waters of the United States" over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal officially became final on December 23, 2019, but the repeal itself became the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule ("NWPR"), which contained a new definition of "waters of the United States." The NWPR became effective June 22, 2020, and is the subject of ongoing litigation.

On June 9, 2021, the EPA and USACE announced plans to further revise the definition of "waters of the United States." On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE made plans to replace it. On November 18, 2021, the EPA and USACE issued a Notice of Proposed Rulemaking to put back into place the pre-2015 definition of "waters of the United States," and on December 7, 2021, the proposed rule was published in the Federal Register, with the public comment period closing on February 7, 2022. On December 30, 2022, the EPA and USACE finalized the proposed rule, effective as of March 20, 2023, which vacates and remands the NWPR released in 2020 and interprets "waters of the United States" consistent with the pre-2015 regulatory regime. The adoption of the new rule is the subject of litigation, including a suit filed in the United States District Court for the Southern District of Texas. Due to this existing and possible future litigation and regulatory action, there remains

uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

Potential Impact of Natural Disaster

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

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

Future and Proposed Legislation

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

2023 Legislative Session

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

Bond Insurance Risk Factors

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

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

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Insurance Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect

to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

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

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

Neither the District nor the Initial Purchaser have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal of and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" and "RATINGS" herein for further information provided by the Bond Insurer and the Insurance Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

LEGAL MATTERS

Legal Opinions

The District will furnish to the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The District will also furnish the approving legal opinion of Coats Rose, P.C., Dallas, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See "TAX MATTERS" below. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. Bond Counsel's opinion will also address the matters described below.

In addition to serving as Bond Counsel, Coats Rose, P.C., also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, Disclosure Counsel.

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

Legal Review

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

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

Opinion

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

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

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

Bond Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel’s opinion is not a guarantee of a result. Existing Law is subject to change by Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing

Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

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

Qualified Tax-Exempt Obligations

Section 265 of the Code provides, in general, that interest expense incurred to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner thereof. In addition, interest expense incurred by certain owners that are “financial institutions” within the meaning of such section and which is allocable to tax-exempt obligations acquired after August 7, 1986, is completely disallowed as a deduction for taxable years beginning after December 31, 1986. Section 265(b) of the Code provides an exception to this rule for interest expense incurred by financial institutions and allocable to tax-exempt obligations (other than private activity bonds) which are designated by an issuer, such as the District, as “qualified tax-exempt obligations.” An issue may be designated as “qualified tax-exempt obligations” only where the amount of such issue, when added to all other tax-exempt obligations (other than private activity bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000.

The District has, pursuant to the Bond Order, designated the Bonds as “qualified tax-exempt obligations” and certify its expectation that the above-described \$10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions that purchase the Bonds will not be subject to the 100 percent disallowance of interest expense allocable to interest on the Bonds under Section 265(b) of the Code. However, 20 percent of the interest expense incurred by a financial institution which is allocable to the interest on the Bonds would not be deductible pursuant to Section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following covenants for the benefit of the holders of the Bonds. The District is required to observe these covenants for so long as it remains obligated to pay the Bonds. Under the covenants, 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 will provide certain updated financial information and operating data to the EMMA annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “DISTRICT DEBT”

(excluding the subsection titled “Direct and Estimated Overlapping Debt Statement”), “TAX DATA,” and “APPENDIX A.” The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2023.

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

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of SEC Rule 15c2-12 or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the SEC Rule 15c2-12, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of SEC Rule 15c2-12, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of SEC Rule 15c2-12, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of SEC Rule 15c2-12, any of which reflect financial difficulties. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the MSRB consistent with SEC Rule 15c2-12. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from EMMA

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance with Prior Undertaking

During the last five years, the District has complied in all material respects with its previous continuing disclosure undertakings pursuant to SEC Rule 15c2-12.

OFFICIAL STATEMENT

General

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

The District's audited financial statements for the year ended April 30, 2022, were prepared by Mark C. Eyring, CPA, PLLC and have been included herein as "APPENDIX A." Mark C. Eyring, CPA, PLLC has consented to the publication of such financial statements in this Official Statement.

Experts

The information contained in this Official Statement relating to engineering and to the description of the Road System and the Utility System, and, in particular, that engineering information included in the sections entitled "THE BONDS—Use and Distribution of Bond Proceeds," "THE DISTRICT—Description," "DEVELOPMENT OF THE DISTRICT—Status of Development within the District," and "THE SYSTEM" has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as an expert in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned

“TAX DATA” and “DISTRICT DEBT” was provided by the Tax Assessor/Collector and the Appraisal District. Such information has been included herein in reliance upon the Tax Assessor/Collector’s authority as an expert in the field of tax collection and the Appraisal District’s authority as an expert in the field of property appraisal.

Certification as to Official Statement

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

Updating of Official Statement

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

CONCLUDING STATEMENT

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

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

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

ATTEST:

/s/ Jesus Rodriguez
Secretary, Board of Directors
Caddo Mills Municipal Management District No. 1
of Hunt County

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

CADDO MILLS MUNICIPAL
MANAGEMENT DISTRICT NO. 1
HUNT COUNTY, TEXAS
ANNUAL AUDIT REPORT
APRIL 30, 2022

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Mark C. Eyring, CPA, PLLC

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September 28, 2022

INDEPENDENT AUDITOR'S REPORT

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

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Caddo Mills Municipal Management District No. 1 as of and for the year ended April 30, 2022, and the related notes to the financial statements, which collectively comprise Caddo Mills Municipal Management District No. 1's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Caddo Mills Municipal Management District No. 1, as of April 30, 2022, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Caddo Mills Municipal Management District No. 1, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Caddo Mills Municipal Management District No. 1'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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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. I 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 Caddo Mills Municipal Management District No. 1's internal control. Accordingly, no such opinion is expressed. I 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. I conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Caddo Mills Municipal Management District No. 1's ability to continue as a going concern for a reasonable period of time.

I am 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 I 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 budgetary comparison information 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITOR'S REPORT (Continued)**Supplementary Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Caddo Mills Municipal Management District No. 1's basic financial statements. The supplementary information on Pages 20 to 31 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

A handwritten signature in black ink, appearing to read "M. A. J.", is located in the lower right quadrant of the page.

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Caddo Mills Municipal Management District No. 1 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended April 30, 2022.

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

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

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

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

Financial Analysis of the District as a Whole

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

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

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

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

Summary of Net Position

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Current and other assets	\$ 426,910	\$ 60,470	\$ 366,440
Capital assets	33,819,869	17,518,629	16,301,240
Total assets	<u>34,246,779</u>	<u>17,579,099</u>	<u>16,667,680</u>
Long-term liabilities	37,900,764	17,578,791	20,321,973
Other liabilities	25,570	7,158	18,412
Total liabilities	<u>37,926,334</u>	<u>17,585,949</u>	<u>20,340,385</u>
Net position:			
Invested in capital assets, net of related debt	(3,901,148)		(3,901,148)
Restricted	117,566		117,566
Unrestricted	104,027	(6,850)	110,877
Total net position	<u>\$ (3,679,555)</u>	<u>\$ (6,850)</u>	<u>\$ (3,672,705)</u>

Summary of Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 246,892	\$ 56,240	\$ 190,652
Other revenues	19		19
Total revenues	<u>246,911</u>	<u>56,240</u>	<u>190,671</u>
Expenses:			
Service operations	3,467,629	29,891	3,437,738
Debt service	451,987		451,987
Total expenses	<u>3,919,616</u>	<u>29,891</u>	<u>3,889,725</u>
Change in net position	(3,672,705)	26,349	(3,699,054)
Net position, beginning of year	<u>(6,850)</u>	<u>(33,199)</u>	<u>26,349</u>
Net position, end of year	<u>\$ (3,679,555)</u>	<u>\$ (6,850)</u>	<u>\$ (3,672,705)</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended April 30, 2022, were \$411,062, an increase of \$359,126 from the prior year.

The General Fund balance increased by \$127,486, as revenues and developer operating advances of \$16,596 exceeded expenditures

The Debt Service Fund balance increased by \$168,984, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by \$62,656, as proceeds from the District's Series 2021 unlimited tax road bonds exceeded authorized expenditures.

General Fund Budgetary Highlights

The Board of Directors amended the budget during the fiscal year. The original budget adopted by the Board of Directors anticipated no increase or decrease in the fund balance during the year. During the fiscal year, the Board of Directors adopted an amended budget which anticipated an increase of \$64,105 in the fund balance during the year. The change from the original budget to the final budget was due to the addition of property tax revenues.

The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 19 of this report. The budgetary fund balance as of April 30, 2022, was expected to be \$116,041 and the actual end of year fund balance was negative \$179,422.

Capital Asset and Debt Administration

Capital Assets

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

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2022</u>	<u>2021</u>	<u>Change</u>
Construction in progress	<u>\$ 33,819,869</u>	<u>\$ 17,518,629</u>	<u>\$ 16,301,240</u>

Changes to capital assets during the fiscal year ended April 30, 2022, are summarized as follows:

Additions:		
Utilities and roads constructed by developer		19,704,643
Decreases:		
Assets transferred to City of Caddo Mills		<u>(3,403,403)</u>
Net change to capital assets		<u>\$ 16,301,240</u>

Debt

Changes in the bonded debt position of the District during the fiscal year ended April 30, 2022, are summarized as follows:

Bonded debt payable, beginning of year	\$ 0
Bonds sold	<u>4,085,000</u>
Bonded debt payable, end of year	<u>\$ 4,085,000</u>

The District's Series 2021 road bonds are not rated or insured.

At April 30, 2022, the District had \$58,098,501 of bonds authorized but unissued for the purposes of acquiring, constructing and improving a water, sanitary sewer and drainage system within the District and \$21,276,501 for road purposes authorized but unissued

As further described in Note 5 of the notes to the financial statements, the developer within the District has advanced funds to the District to cover initial operating deficits. As of April 30, 2022, the cumulative amount of developer advances for this purpose was \$76,758.

As further described in Note 5 of the notes to the financial statements, the developer within the District is constructing water, sewer and drainage facilities and road improvements on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality as applicable. At April 30, 2022, the estimated amount due to the developer was \$33,819,869.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base increased approximately \$55,940,000 for the 2021 tax year, primarily due to the addition of new property to the tax base.

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

Relationship to the City of Caddo Mills

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

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

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

APRIL 30, 2022

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
ASSETS						
Cash, including interest-bearing accounts, Note 7	\$ 187,619	\$ 169,754	\$ 67,606	\$ 424,979	\$	\$ 424,979
Receivables:						
Property taxes	1,363	568		1,931		1,931
Capital assets, Note 4:				0	33,819,869	33,819,869
Total assets	<u>\$ 188,982</u>	<u>\$ 170,322</u>	<u>\$ 67,606</u>	<u>\$ 426,910</u>	<u>33,819,869</u>	<u>34,246,779</u>
LIABILITIES						
Accounts payable	\$ 8,197	\$ 770	\$ 4,950	\$ 13,917		13,917
Accrued interest payable				0	17,239	17,239
Long-term liabilities, Note 5:						
Due within one year				0	(5,586)	(5,586)
Due in more than one year				0	37,900,764	37,900,764
Total liabilities	<u>8,197</u>	<u>770</u>	<u>4,950</u>	<u>13,917</u>	<u>37,912,417</u>	<u>37,926,334</u>
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	<u>1,363</u>	<u>568</u>	<u>0</u>	<u>1,931</u>	<u>(1,931)</u>	<u>0</u>
FUND BALANCES / NET POSITION						
Fund balances:						
Restricted for bond interest, Note 5		97,403		97,403	(97,403)	0
Assigned to:						
Debt service		71,581		71,581	(71,581)	0
Capital projects			62,656	62,656	(62,656)	0
Unassigned	<u>179,422</u>			<u>179,422</u>	<u>(179,422)</u>	<u>0</u>
Total fund balances	<u>179,422</u>	<u>168,984</u>	<u>62,656</u>	<u>411,062</u>	<u>(411,062)</u>	<u>0</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 188,982</u>	<u>\$ 170,322</u>	<u>\$ 67,606</u>	<u>\$ 426,910</u>		
Net position:						
Invested in capital assets, net of related debt, Note 4					(3,901,148)	(3,901,148)
Restricted for debt service					54,910	54,910
Restricted for capital projects					62,656	62,656
Unrestricted, Note 5					<u>104,027</u>	<u>104,027</u>
Total net position					<u>\$ (3,679,555)</u>	<u>\$ (3,679,555)</u>

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

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1

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

FOR THE YEAR ENDED APRIL 30, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	\$ 173,935	\$ 71,900	\$	\$ 245,835	\$ 555	\$ 246,390
Penalty and interest	502			502		502
Accrued interest on bonds received at date of sale		2,586		2,586	(2,586)	0
Interest on deposits	13	6		19		19
Total revenues	174,450	74,492	0	248,942	(2,031)	246,911
EXPENDITURES / EXPENSES						
Service operations:						
Professional fees	49,018			49,018		49,018
Contracted services	9,953			9,953		9,953
Administrative expenditures	4,589	325	340	5,254		5,254
Capital outlay / non-capital outlay			3,403,404	3,403,404		3,403,404
Interest on developer construction			152,867	152,867		152,867
Debt service:						
Bond issuance expenditures			220,869	220,869		220,869
Interest and fees		60,339		60,339	17,912	78,251
Total expenditures / expenses	63,560	60,664	3,777,480	3,901,704	17,912	3,919,616
Excess (deficiency) of revenues over expenditures	110,890	13,828	(3,777,480)	(3,652,762)	(19,943)	(3,672,705)
OTHER FINANCING SOURCES (USES)						
Bonds issued, Note 5		244,864	3,840,136	4,085,000	(4,085,000)	0
Bond issuance discounts, Note 5		(89,708)		(89,708)	89,708	0
Developer advances, Note 5	16,596			16,596	(16,596)	0
Total other financing sources (uses)	16,596	155,156	3,840,136	4,011,888	(4,011,888)	0
Net change in fund balances / net position	127,486	168,984	62,656	359,126	(4,031,831)	(3,672,705)
Beginning of year	51,936	0	0	51,936	(58,786)	(6,850)
End of year	\$ 179,422	\$ 168,984	\$ 62,656	\$ 411,062	\$ (4,090,617)	\$ (3,679,555)

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

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1NOTES TO THE FINANCIAL STATEMENTSAPRIL 30, 2022

NOTE 1: REPORTING ENTITY

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

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may also provide solid waste collection and disposal service and operate and maintain recreational facilities. In addition, the District is authorized to construct, acquire, improve, maintain or operate roads located within its boundaries.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

Basic Financial Statements

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

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

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

Interfund Activity

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

Receivables

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

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

Long-term Liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 411,062
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		33,819,869
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (4,085,000)	
Deferred charge on refunding (to be amortized as interest expense)	86,449	
Due to developers for operating advances	(76,758)	
Due to developers for construction	<u>(33,819,869)</u>	(37,895,178)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Uncollected property taxes		1,931
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(17,239)</u>
Net position, end of year		<u>\$ (3,679,555)</u>

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

Total net change in fund balances		\$ 359,126
The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:		
Bonds issued		(4,085,000)
The funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:		
Issuance discount		86,449
The receipt of developer advances provides current financial resources to the funds, while the repayment of such advances consume the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:		
Developer advances		(16,596)
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:		
Uncollected property taxes		555
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:		
Accrued interest		<u>(17,239)</u>
Change in net position		<u>\$ (3,672,705)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4: CAPITAL ASSETS

At April 30, 2022, "Invested in capital assets, net of related debt" was \$(3,901,148). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. The District lies wholly within the corporate limits of the City of Caddo Mills (the "City") and obtains water, sewer and drainage service from the City. In consideration of the District's acquiring and constructing these systems on behalf of the City, the City will own, operate and maintain such systems. The District transfers the ownership of certain capital assets constructed by the District to the City. The District is to pay for construction of a water distribution system, a sanitary sewer collection system, a drainage system and roads to serve the District. The District shall be the owner of each phase of the systems until such phase is completed and approved by the City, at which time ownership of such phase shall be transferred to the City. However, the District shall have a security interest therein until all bonds issued by the District pursuant to the respective agreement are retired.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	\$ 17,518,629	\$ 19,704,643	\$ 3,403,403	\$ 33,819,869
Total capital assets not being depreciated	<u>17,518,629</u>	<u>19,704,643</u>	<u>3,403,403</u>	<u>33,819,869</u>
 Total capital assets, net	 <u>\$ 17,518,629</u>	 <u>\$ 19,704,643</u>	 <u>\$ 3,403,403</u>	 <u>\$ 33,819,869</u>
Changes to capital assets:				
Increase in liability to developer for construction		\$ 19,704,643	\$	
Capital outlay paid (decrease in liability) to developer		(3,403,403)		
Assets transferred to City		<u>3,403,403</u>	<u>3,403,403</u>	
Net increases / decreases to capital assets		<u>\$ 19,704,643</u>	<u>\$ 3,403,403</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended April 30, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$	\$ 4,085,000	\$	\$ 4,085,000	\$ 0
Less deferred amounts:					
For issuance premiums (discounts)	<u> </u>	<u>(89,708)</u>	<u>(3,259)</u>	<u>(86,449)</u>	<u>(5,586)</u>
Total bonds payable	<u>0</u>	<u>3,995,292</u>	<u>(3,259)</u>	<u>3,998,551</u>	<u>(5,586)</u>
Due to developers for operating advances (see below)	60,162	16,596		76,758	-----
Due to developers for construction (see below)	<u>17,518,629</u>	<u>19,704,643</u>	<u>3,403,403</u>	<u>33,819,869</u>	<u>-----</u>
Total due to developers	<u>17,578,791</u>	<u>19,721,239</u>	<u>3,403,403</u>	<u>33,896,627</u>	<u>0</u>
Total long-term liabilities	<u>\$ 17,578,791</u>	<u>\$ 23,716,531</u>	<u>\$ 3,400,144</u>	<u>\$ 37,895,178</u>	<u>\$ (5,586)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Fiscal Year	Principal	Interest	Total
2023	\$	\$ 103,437	\$ 103,437
2024	115,000	102,288	217,288
2025	120,000	99,938	219,938
2026	120,000	97,537	217,537
2027	125,000	95,088	220,088
2028 - 2032	700,000	434,019	1,134,019
2033 - 2037	825,000	347,455	1,172,455
2038 - 2042	960,000	234,870	1,194,870
2043 - 2047	<u>1,120,000</u>	<u>86,250</u>	<u>1,206,250</u>
	<u>\$ 4,085,000</u>	<u>\$ 1,600,882</u>	<u>\$ 5,685,882</u>

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

The bond issues payable at April 30, 2022, were as follows:

	<u>Series 2021 Road</u>
Amounts outstanding, April 30, 2022	\$4,085,000
Interest rates	2.00% to 3.00%
Maturity dates, serially beginning/ending	September 1, 2024/2047
Interest payment dates	September 1/March 1
Callable dates	September 1, 2026*

*Or any date thereafter, callable at par plus accrued interest in whole or in part at the option of the District.

Water, sewer and drainage bonds voted	\$ 58,098,501
Water, sewer and drainage bonds approved for sale and sold	0
Water, sewer and drainage bonds voted and not issued	58,098,501
Road bonds voted	25,361,501
Road bonds approved for sale and sold	4,085,000
Road bonds voted and not issued	21,276,501
Refunding bonds voted	One and one-half times the amount of unlimited tax bonds previously issued

NOTES TO THE FINANCIAL STATEMENTS (Continued)

In accordance with the Series 2021 road Bond Orders, a portion of the bond proceeds was deposited into the debt service fund and reserved for the payment of bond interest. This bond interest reserve is reduced as the interest is paid. Transactions for the current year are summarized as follows:

18 months' interest from sale of Series 2021 road bonds	\$ 155,156	
Accrued interest received at date of sale	<u>2,586</u>	\$ 157,742
Deduct appropriation for bond interest paid		<u>(60,339)</u>
Bond interest reserve, end of year		<u>\$ 97,403</u>

Developer Construction Commitments, Liabilities and Advances

The developer within the District is constructing certain facilities within the District's boundaries. The District has agreed to reimburse the developer for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality as applicable. The District's engineer stated that cost of the construction in progress at April 30, 2022, was \$33,819,869. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

The developer within the District has advanced funds to the District to cover initial operating deficits. At April 30, 2022, the cumulative amount of unreimbursed developer advances was \$76,758. These amounts have been recorded in the government-wide financial statements and in the schedules in Note 5. This amount has been recorded as a decrease in "Unrestricted net position" in the government-wide financial statements. Without this decrease, "Unrestricted net position" would have a balance of \$180,785.

NOTE 6: PROPERTY TAXES

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

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

On September 13, 2021, the District levied the following ad valorem taxes for the 2021 tax year on the adjusted taxable valuation of \$72,467,623:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.1000	\$ 72,468
Maintenance	<u>0.2400</u>	<u>173,922</u>
	<u>\$ 0.3400</u>	<u>\$ 246,390</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)Concentration of Tax Base

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

NOTE 7: DEPOSITS

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

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

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

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At April 30, 2022, the District had comprehensive general liability coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general aggregate and consultant's crime coverage of \$10,000.

NOTE 9: TOWN OF CADDO MILLS

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

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$	\$ 117,600	\$ 173,935	\$ 56,335
Penalty and other			502	502
Interest on deposits			13	13
TOTAL REVENUES	0	117,600	174,450	56,850
EXPENDITURES				
Service operations:				
Professional fees	45,000	45,000	49,018	4,018
Contracted services	5,600	5,600	9,953	4,353
Administrative expenditures	2,895	2,895	4,589	1,694
TOTAL EXPENDITURES	53,495	53,495	63,560	10,065
EXCESS REVENUES (EXPENDITURES)	(53,495)	64,105	110,890	46,785
OTHER FINANCING SOURCES (USES)				
Operating advances by developer	53,495	0	16,596	16,596
TOTAL OTHER FINANCIAL SOURCES (USES)	53,495	0	16,596	16,596
EXCESS SOURCES (USES)	0	64,105	127,486	63,381
FUND BALANCE, BEGINNING OF YEAR	51,936	51,936	51,936	0
FUND BALANCE, END OF YEAR	\$ 51,936	\$ 116,041	\$ 179,422	\$ 63,381

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

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

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

APRIL 30, 2022

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

- TSI-1. Services and Rates
- TSI-2. General Fund Expenditures
- TSI-3. Temporary Investments
Not Applicable. None at April 30, 2022.
- TSI-4. Taxes Levied and Receivable
- TSI-5. Long-Term Debt Service Requirements by Years
- TSI-6. Changes in Long-Term Bonded Debt
- TSI-7. Comparative Schedule of Revenues and Expenditures -
General Fund and Debt Service Fund - Five Year
- TSI-8. Board Members, Key Personnel and Consultants

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1

SCHEDULE OF SERVICES AND RATES

APRIL 30, 2022

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

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

2. Retail Service Providers

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

Contact the City of Caddo Mills.

b. Water and Wastewater Retail Connections:

Contact the City of Caddo Mills.

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

Contact the City of Caddo Mills.

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

Does the District have Debt Service standby fees? Yes No

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

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

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

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1EXPENDITURESFOR THE YEAR ENDED APRIL 30, 2022

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Professional fees:				
Auditing	\$ 4,500	\$	\$	4,500
Legal	27,922			27,922
Engineering	16,596			16,596
	<u>49,018</u>	<u>0</u>	<u>0</u>	<u>49,018</u>
Contracted services:				
Bookkeeping	8,817			8,817
Tax assessor-collector	830			830
Appraisal district	306			306
	<u>9,953</u>	<u>0</u>	<u>0</u>	<u>9,953</u>
Administrative expenditures:				
Director's fees				0
Insurance	4,310			4,310
Other	279	325	340	944
	<u>4,589</u>	<u>325</u>	<u>340</u>	<u>5,254</u>
CAPITAL OUTLAY				
Authorized expenditures	<u>0</u>	<u>0</u>	<u>3,403,404</u>	<u>3,403,404</u>
Interest on developer construction	<u>0</u>	<u>0</u>	<u>152,867</u>	<u>152,867</u>
DEBT SERVICE				
Bond issuance expenditures	<u>0</u>	<u>0</u>	<u>220,869</u>	<u>220,869</u>
Bond interest	<u>0</u>	<u>60,339</u>	<u>0</u>	<u>60,339</u>
TOTAL EXPENDITURES	<u>\$ 63,560</u>	<u>\$ 60,664</u>	<u>\$ 3,777,480</u>	<u>\$ 3,901,704</u>

See accompanying independent auditor's report.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1ANALYSIS OF CHANGES IN DEPOSITS
ALL GOVERNMENTAL FUND TYPESFOR THE YEAR ENDED APRIL 30, 2022

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS				
Cash receipts from revenues excluding maintenance taxes	\$ 515	\$ 74,492	\$	\$ 75,007
Maintenance tax receipts		173,935		173,935
Transfer of maintenance taxes	173,165			173,165
Proceeds from bonds		155,156	3,840,136	3,995,292
Developer advances	<u>16,596</u>	<u> </u>	<u> </u>	<u>16,596</u>
TOTAL DEPOSITS PROVIDED	<u>190,276</u>	<u>403,583</u>	<u>3,840,136</u>	<u>4,433,995</u>
APPLICATIONS OF DEPOSITS				
Cash disbursements for:				
Current expenditures	61,751	325	340	62,416
Capital outlay			3,556,271	3,556,271
Debt service		60,339	215,919	276,258
Transfer of maintenance taxes	<u> </u>	<u>173,165</u>	<u> </u>	<u>173,165</u>
TOTAL DEPOSITS APPLIED	<u>61,751</u>	<u>233,829</u>	<u>3,772,530</u>	<u>4,068,110</u>
INCREASE (DECREASE) IN DEPOSITS	128,525	169,754	67,606	365,885
DEPOSITS BALANCES, BEGINNING OF YEAR	<u>59,094</u>	<u>0</u>	<u>0</u>	<u>59,094</u>
DEPOSITS BALANCES, END OF YEAR	<u>\$ 187,619</u>	<u>\$ 169,754</u>	<u>\$ 67,606</u>	<u>\$ 424,979</u>

See accompanying independent auditor's report.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1TAXES LEVIED AND RECEIVABLEFOR THE YEAR ENDED APRIL 30, 2022

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 1,376	\$ 0
2021 ADJUSTED TAX ROLL	<u>173,922</u>	<u>72,468</u>
Total to be accounted for	175,298	72,468
Tax collections: Current tax year	(172,559)	(71,900)
Prior tax years	<u>(1,376)</u>	<u>0</u>
RECEIVABLE, END OF YEAR	<u>\$ 1,363</u>	<u>\$ 568</u>
RECEIVABLE, BY TAX YEAR		
2021	<u>\$ 1,363</u>	<u>\$ 568</u>
RECEIVABLE, END OF YEAR	<u>\$ 1,363</u>	<u>\$ 568</u>

See accompanying independent auditor's report.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1TAXES LEVIED AND RECEIVABLE (Continued)FOR THE YEAR ENDED APRIL 30, 2022

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2021</u>	<u>2020**</u>
Land	\$ 29,655,060	\$ 17,185,290
Improvements	44,188,110	203,680
Personal property	154,000	0
Less exemptions	<u>(1,529,547)</u>	<u>(860,758)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 72,467,623</u>	 <u>\$ 16,528,212</u>
 Debt service tax rates	 \$ 0.10000	 \$ 0.00000
Maintenance tax rates*	<u>0.24000</u>	<u>0.34000</u>
 TOTAL TAX RATES PER \$100 VALUATION	 <u>\$ 0.34000</u>	 <u>\$ 0.34000</u>
 TAX ROLLS	 <u>\$ 246,390</u>	 <u>\$ 56,196</u>
 PERCENT OF TAXES COLLECTED TO TAXES LEVIED	 <u>99.5 %</u>	 <u>100 %</u>

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

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

See accompanying independent auditor's report.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
FOR THE YEAR ENDED APRIL 30, 2022

<u>Due During Fiscal Years Ending April 30</u>	<u>Series 2021</u>		
	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2023	\$	\$ 103,437	\$ 103,437
2024	115,000	102,288	217,288
2025	120,000	99,938	219,938
2026	120,000	97,537	217,537
2027	125,000	95,088	220,088
2028	130,000	92,537	222,537
2029	135,000	89,888	224,888
2030	140,000	87,050	227,050
2031	145,000	83,931	228,931
2032	150,000	80,613	230,613
2033	155,000	77,181	232,181
2034	160,000	73,637	233,637
2035	165,000	69,775	234,775
2036	170,000	65,587	235,587
2037	175,000	61,275	236,275
2038	180,000	56,838	236,838
2039	185,000	52,275	237,275
2040	190,000	47,350	237,350
2041	200,000	41,988	241,988
2042	205,000	36,419	241,419
2043	210,000	30,450	240,450
2044	215,000	24,075	239,075
2045	225,000	17,475	242,475
2046	230,000	10,650	240,650
2047	240,000	3,600	243,600
TOTALS	<u>\$ 4,085,000</u>	<u>\$ 1,600,882</u>	<u>\$ 5,685,882</u>

See accompanying independent auditor's report.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT
FOR THE YEAR ENDED APRIL 30, 2022

Bond Series:	2021
Interest Rate:	2.00% to 3.00%
Dates Interest Payable:	September 1/ March 1
Maturity Dates:	September 1, 2023/2046
Bonds Outstanding at Beginning of Current Year	\$ 0
Add Bonds Sold	4,085,000
Less Retirements	<u>0</u>
Bonds Outstanding at End of Current Year	<u>\$ 4,085,000</u>
Current Year Interest Paid	<u>\$ 60,339</u>

Bond Descriptions and Original Amount of Issue

Caddo Mills Municipal Management District No. 1 Unlimited Tax Road Bonds, Series 2021 (\$4,085,000)

Paying Agent/Registrar

BOKF, N.A., Dallas, Texas

<u>Bond Authority</u>	<u>Utility Bonds</u>	<u>Road Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 58,098,501	\$ 25,361,501	See Note 5
Amount Issued:	0	4,085,000	
Remaining to be Issued:	58,098,501	21,276,501	

Net Debt Service Fund deposits and investments balances as of April 30, 2022:	\$ 168,984
Average annual debt service payment for remaining term of all debt:	227,435

See accompanying independent auditor's report.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND
FOR YEARS ENDED APRIL 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2022	2021	2020*	2019**	2018	2022	2021	2020	2019	2018
REVENUES										
Property taxes	\$ 173,935	\$ 54,820	\$	\$	\$	99.7 %	99.9 %	%	%	%
Penalty and other	502					0.3	0.0			
Interest on deposits	13	44				0.0	0.1			
TOTAL REVENUES	174,450	54,864	0	0	0	100.0	100.0	N/A	N/A	N/A
EXPENDITURES										
Service operations:										
Professional fees	49,018	25,702	20,406	6,911		28.1	46.8			
Contracted services	9,953	2,394	925			5.7	4.4			
Administrative expenditures	4,589	1,795	3,162	1,795		2.6	3.3			
TOTAL EXPENDITURES	63,560	29,891	24,493	8,706	0	36.4	54.5	N/A	N/A	N/A
EXCESS REVENUES (EXPENDITURES)	\$ 110,890	\$ 24,973	\$ (24,493)	\$ (8,706)	\$ 0	63.6 %	45.5 %	N/A %	N/A %	N/A %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	N/A	N/A	N/A	N/A	N/A					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	N/A	N/A	N/A	N/A	N/A					

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

**First year of financial activity.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND
FOR YEARS ENDED APRIL 30

	AMOUNT	PERCENT OF TOTAL REVENUES
	2022*	2022
REVENUES		
Property taxes	\$ 71,900	96.5 %
Accrued interest on bonds received at date of sale	2,586	3.5
Interest on deposits	6	0.0
TOTAL REVENUES	74,492	100.0
EXPENDITURES		
Current:		
Professional fees	0	0.0
Contracted services	0	0.0
Other expenditures	325	0.4
Debt service:		
Principal retirement	0	0.0
Interest and fees	60,339	81.0
TOTAL EXPENDITURES	60,664	81.4
EXCESS REVENUES (EXPENDITURES)	\$ 13,828	18.6 %

*First year of financial activity.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSAPRIL 30, 2022

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

District Business Telephone No.: 972-982-8450

Submission date of the most recent District Registration Form: April 5, 2022

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

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Kristen Dye c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 77524	Appointed 4/15/19- 5/04/24	\$ 0	\$ 51	President
Matt McMahan c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 77524	Appointed 4/15/19- 5/04/24	0	0	Vice President
Jacob Courville c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 77524	Appointed 4/12/21- 5/07/22	0	0	Assistant Secretary
Victor Ling c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 77524	Appointed 4/12/21- 5/07/22	0	18	Assistant Secretary

Four Directors at April 30, 2022

See accompanying independent auditor's report.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)APRIL 30, 2022CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 77524	4/15/19	\$ 27,843 95,689 Bonds	Attorney
L & S District Services, LLC P.O. Box 170 Tomball, Texas 77377	4/15/19	8,817 900 Bonds	Bookkeeper
JBI Partners, Inc. 2121 Midway Road, Suite 300 Carrollton, Texas 75006	4/15/19	16,596	Engineer
Hunt County Tax Assessor Collector P.O. Box 1042 2500 Stonewall Street Greenville, Texas 75403-1042	5/5/20	830	Tax Assessor- Collector
Hunt Central Appraisal District P.O. Box 1339 Greenville, Texas 75403-1339	Legislative Action	306	Central Appraisal District
Robert W. Baird & Co. 1331 Lamar, Suite 1360 Houston, Texas 77010	4/15/19	84,644 Bonds	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	4/12/21	4,500 4,950 Bonds	Independent Auditor

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

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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