OFFICIAL STATEMENT DATED AUGUST 15, 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. SEE "TAX MATTERS" FOR A DISCUSSION OF BOND COUNSEL'S OPINION.

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

NEW ISSUE—Book Entry Only

S&P Global Ratings (BAM Insured) .... "AA/Stable"
Moody's Investors Service, Inc. (Underlying) .... "Baa1"
See "MUNICIPAL BOND INSURANCE" and "RATINGS"

THE LAKES FRESH WATER SUPPLY DISTRICT OF DENTON COUNTY

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

$27,015,000 **UNLIMITED TAX UTILITY BONDS** **SERIES 2023**	**$27,015,000** **UNLIMITED TAX ROAD BONDS** **SERIES 2023**

Dated: September 1, 2023
Interest Accrues From: Date of Delivery **Due: September 1, as shown on inside cover**

The $27,015,000 Unlimited Tax Utility Bonds, Series 2023 (the "Utility Bonds") and the $27,015,000 Unlimited Tax Road Bonds, Series 2023 (the "Road Bonds"), are obligations of The Lakes Fresh Water Supply District of Denton County (the "District") and are not obligations of the State of Texas (the "State"); Denton County, Texas (the "County"); the City of Aubrey, Texas (the "City"); or any political subdivision or entity other than the District. The Utility Bonds and the Road Bonds are collectively referred to herein as the "Bonds." Neither the full faith and credit nor the taxing power of the State; the County; the City; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrar, initially, Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds accrues from the initial date of delivery (on or about September 20, 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 as of the Interest Payment Date and paid by the Paying Agent/Registrar to registered owners ("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 "Record 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 will, in turn, 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 each series of the Bonds when due will be guaranteed under two separate municipal bond insurance policies to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM").**

BAM
BUILD AMERICA MUTUAL

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

The Utility Bonds represent the fourth (4th) series of unlimited tax bonds for the purpose of acquiring or constructing a water, sewer, and drainage system to serve the District (the "Utility System") and the Road Bonds represent the fifth (5th) series of unlimited tax bonds for the purpose of acquiring or constructing roads and improvements in aid thereof to serve the District (the "Road System"). When issued, the Bonds will be payable from the proceeds of two (2) separate continuing direct ad valorem taxes, each without legal limit as to rate or amount, levied by the District against all taxable property within the District, as further described herein. 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. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as, and if issued by the District subject, among other things, to the approval of the Attorney General of Texas and the approval of certain legal matters by Coats Rose, P.C., Dallas, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about September 20, 2023.

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

$27,015,000 UNLIMITED TAX UTILITY BONDS, SERIES 2023

<u>$14,670,000 Serial Bonds</u>

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 51207M (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 51207M (b)
2025	$570,000	6.500%	3.800%	HG3	2035 (c)	$1,045,000	4.000%	4.100%	HS7
2026	605,000	6.500%	3.750%	HH1	2036 (c)	1,085,000	4.000%	4.150%	HT5
2027	645,000	6.500%	3.700%	HJ7	2037 (c)	1,130,000	4.000%	4.250%	HU2
2028	685,000	6.500%	3.650%	HK4	2038 (c)	1,175,000	4.000%	4.300%	HV0
2029	730,000	6.500%	3.650%	HL2	2039 (c)	1,225,000	4.125%	4.350%	HW8
2030 (c)	780,000	6.500%	3.700%	HM0	2040 (c)	1,275,000	4.250%	4.400%	HX6
****	****	****	****	****	2041 (c)	1,330,000	4.250%	4.450%	HY4
2034 (c)	1,005,000	4.000%	4.000%	HR9	2042 (c)	1,385,000	4.375%	4.500%	HZ1

<u>$12,345,000 Term Bonds</u>

$2,655,000 Term Bond due September 1, 2033 (c)(d) Interest Rate: 6.500% (Price: $114.822) (a) CUSIP No. 51207M HQ1 (b)
$2,955,000 Term Bond due September 1, 2044 (c)(d) Interest Rate: 4.375% (Price: $97.650) (a) CUSIP No. 51207M JB2 (b)
$6,735,000 Term Bond due September 1, 2048 (c)(d) Interest Rate: 4.000% (Price: $88.435) (a) CUSIP No. 51207M JF3 (b)

$27,015,000 UNLIMITED TAX ROAD BONDS, SERIES 2023

<u>$4,015,000 Serial Bonds</u>

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 51207M (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 51207M (b)
2025	$570,000	6.000%	3.800%	JG1	2028	$685,000	6.000%	3.750%	JK2
2026	605,000	6.000%	3.700%	JH9	2029	730,000	5.000%	3.800%	JL0
2027	645,000	6.000%	3.700%	JJ5	2030 (c)	780,000	5.000%	3.850%	JM8

<u>$23,000,000 Term Bonds</u>

$1,715,000 Term Bond due September 1, 2032 (c)(d) Interest Rate: 4.000% (Price: $100.000) (a) CUSIP No. 51207M JP1 (b)
$1,945,000 Term Bond due September 1, 2034 (c)(d) Interest Rate: 4.000% (Price: $99.559) (a) CUSIP No. 51207M JR7(b)
$2,130,000 Term Bond due September 1, 2036 (c)(d) Interest Rate: 4.000% (Price: $98.507) (a) CUSIP No. 51207M JT3 (b)
$2,305,000 Term Bond due September 1, 2038 (c)(d) Interest Rate: 4.125% (Price: $98.625) (a) CUSIP No. 51207M JV8 (b)
$2,500,000 Term Bond due September 1, 2040 (c)(d) Interest Rate: 4.250% (Price: $98.807) (a) CUSIP No. 51207M JX4 (b)
$2,715,000 Term Bond due September 1, 2042 (c)(d) Interest Rate: 4.250% (Price: $98.083) (a) CUSIP No. 51207M JZ9 (b)
$4,530,000 Term Bond due September 1, 2045 (c)(d) Interest Rate: 4.375% (Price: $98.265) (a) CUSIP No. 51207M KC8 (b)
$5,160,000 Term Bond due September 1, 2048 (c)(d) Interest Rate: 4.500% (Price: $98.522) (a) CUSIP No. 51207M KF1 (b)

(a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchasers (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.

(b) CUSIP numbers will be assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association, and are included solely for the convenience of the owners of the Bonds.

(c) Bonds maturing on September 1, 2030, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on September 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS—Redemption of the Bonds—*Optional Redemption*."

(d) Subject to mandatory sinking funds redemption by lot or other customary method of random selection on September 1 in the years and in the amounts as set forth under "THE BONDS—Redemption of the Bonds—*Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, 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 Bond Counsel, for further information.

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

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 as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. 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 such information actually comes to its attention, the other matters described in this Official Statement, until delivery of the Bonds to the Initial Purchasers and thereafter only as specified in "OFFICIAL STATEMENT—Updating of Official Statement."

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—Specimen Municipal Bond Insurance Policy."

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 Utility Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Utility Bonds Initial Purchaser") to purchase the Utility Bonds bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS" at a price of 97.00% of the par value thereof, which resulted in a net effective interest rate of 4.551612%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

After requesting competitive bids for the Road Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by Hilltop Securities Inc. (the "Road Bonds Initial Purchaser") to purchase the Road Bonds bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS" at a price of 97.00% of the par value thereof, which resulted in a net effective interest rate of 4.550270%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

The Utility Bonds Initial Purchaser and the Road Bonds Initial Purchaser are collectively referred to herein as the "Initial Purchasers."

Prices and Marketability

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

Information concerning reoffering yields or prices is the responsibility of the Initial Purchasers. 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 Purchasers 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 THIS OFFERING, THE INITIAL PURCHASERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of each series of the Bonds, Build America Mutual Assurance Company ("BAM") will issue a Municipal Bond Insurance Policy for each series of the Bonds (each a "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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

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 June 30, 2023 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $486.0 million, $204.5 million and $281.5 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 for each series of the Bonds by BAM at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant.

Moody's Investors Service, Inc. ("Moody's") has assigned an underlying credit rating of "Baa1" to the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. 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 judgement, 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 to the Bonds other than the ratings of S&P and Moody's.

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OFFICIAL STATEMENT SUMMARY

The following is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The summary should not be detached and should be used in conjunction with the more complete information contained herein. A full review should be made of this entire Official Statement and of the documents summarized or described herein.

THE BONDS

The District	The Lakes Fresh Water Supply District of Denton County (the "District"), a political subdivision of the State of Texas (the "State"), is located in Denton County, Texas (the "County"). See "THE DISTRICT."
The Bonds	The District's $27,015,000 Unlimited Tax Utility Bonds, Series 2023 (the "Utility Bonds") and $27,015,000 Unlimited Tax Road Bonds, Series 2023 (the "Road Bonds") are each dated September 1, 2023, and mature on September 1 in the years and in the principal amounts as set forth on the inside cover page hereof. The Utility Bonds and the Road Bonds are collectively referred to throughout this Official Statement as the "Bonds." Interest on the Bonds accrues from the initial date of delivery (on or about September 20, 2023) (the "Date of Delivery"), at the rates set forth on the inside cover page hereof, and is payable on March 1, 2024, and each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. See "THE BONDS."
Redemption of the Bonds	*Optional Redemption:* The Bonds maturing on and after September 1, 2030, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS—Redemption of the Bonds—*Optional Redemption*." *Mandatory Redemption:* The Utility Bonds maturing on September 1 in the years 2033, 2044 and 2048 are term bonds (the "Utility Term Bonds") and the Road Bonds maturing on September 1 in the years 2032, 2034, 2036, 2038, 2040, 2042, 2045 and 2048 are also term bonds (the "Road Term Bonds"). The Utility Term Bonds and the Road Term Bonds are collectively referred to herein as the "Term Bonds." The Term Bonds are subject to certain mandatory sinking fund redemption provisions as set forth herein under "THE BONDS—Redemption of the Bonds—*Mandatory Redemption.*"
Book-Entry-Only System	The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (herein defined) thereof. Principal of and interest on the Bonds will be payable by Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar"), to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS—Book-Entry-Only System."

Source of Payment........................ Principal of and interest on the Bonds are payable from two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State; the County; the City of Aubrey, Texas (the "City"); or any entity other than the District. See "THE BONDS—Source of Payment."

Outstanding Bonds........................ The District has previously issued three (3) series of unlimited tax bonds for the purpose of acquiring or constructing a water, sewer and drainage system to serve the District (the "Utility System") and four (4) series of unlimited tax bonds for the purpose of acquiring or constructing roads and improvements in aid thereof to serve the District (the "Road System"). As of the Date of Delivery of the Bonds, $80,945,000 in principal amount of such previously issued bonds will remain outstanding (the "Outstanding Bonds").

Use of Proceeds of the Utility Bonds........................ Proceeds from the sale of the Utility Bonds will be used to reimburse the Developers (herein defined) for the improvements and related costs as set out herein under "THE BONDS—Use and Distribution of Proceeds of the Utility Bonds." Additionally, proceeds from the sale of the Utility Bonds will be used to pay developer interest, six (6) months of capitalized interest, and certain other costs associated with the issuance of the Utility Bonds.

Use of Proceeds of the Road Bonds........................ Proceeds from the sale of the Road Bonds will be used to reimburse the Developers for the improvements and related costs set out herein under "THE BONDS—Use and Distribution of Proceeds of the Road Bonds." Additionally, proceeds from the sale of the Road Bonds will be used to pay developer interest, six (6) months of capitalized interest, and certain other costs associated with the issuance of the Road Bonds.

Payment Record........................ The District has never defaulted on the timely payment of principal and interest on its Outstanding Bonds.

Authority for Issuance........................ The Utility Bonds constitute the fourth (4th) series of bonds to be issued by the District out of an aggregate $202,454,000 of principal amount of unlimited tax bonds authorized by the District's voters for the Utility System and the Road Bonds constitute the fifth (5th) series of bonds to be issued by the District out of an aggregate $219,696,000 of principal amount of unlimited tax bonds authorized by the District's voters for the Road System. The District has also authorized an aggregate of $303,681,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System and an aggregate of $329,544,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System. Following the issuance of the Bonds, $140,814,000 principal amount of unlimited tax bonds for the Utility System, $144,296,000 principal amount of unlimited tax bonds for the Road System, and all of the unlimited tax bonds authorized for the purpose of refunding bonds issued by the District will remain authorized but unissued.

The Utility Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution and the general laws of the State, including particularly Chapters 49, 53, and 54 of the Texas Water Code, as amended; (ii) an election held within the District on November 6, 2018; (iii) an order authorizing the issuance of the Utility Bonds adopted by the Board of Directors of the District (the "Board") on the date of the sale of the Utility Bonds (the "Utility Bond Order"); and (iv) an order issued by the Texas Commission on Environmental Quality (the "TCEQ"). See "THE BONDS—Authority for Issuance."

The Road Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution and the general laws of the State, including particularly Chapters 49, 53, and 54 of the Texas Water Code, as amended; (ii) an election held within the District on November 6, 2018; and (iii) an order authorizing the issuance of the Road Bonds adopted by the Board on the date of the sale of the Road Bonds (the "Road Bond Order"). See "THE BONDS—Authority for Issuance."

Not Qualified Tax-Exempt Obligations.......... The District has **not** designated the Bonds as "qualified tax-exempt obligations". See "TAX MATTERS—Not Qualified Tax-Exempt Obligations."

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

Ratings... S&P Global Ratings (BAM insured)—"AA/Stable." Moody's Investors Service, Inc. (underlying)—"Baa1." See "MUNICIPAL BOND INSURANCE" and "RATINGS" above.

Legal Opinion.. Coats Rose, P.C., Dallas, Texas. See "LEGAL MATTERS."

Financial Advisor... Robert W. Baird & Co. Incorporated, Irving, Texas.

Disclosure Counsel.. McCall, Parkhurst & Horton L.L.P., Houston, Texas.

THE DISTRICT

Description... The District is located approximately 35 miles north of the central business district of the City of Dallas, Texas, and approximately 4 miles south of the City of Aubrey, Texas. The District lies entirely within the extraterritorial jurisdiction of the City of Aubrey, Texas. The District was created on June 18, 2005, by special act of the 79th Texas Legislature. The District was created and operates pursuant to Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution and Chapter 8125, Texas Special District Local Laws Code. The District operates under Chapters 49, 53, and 54 of the Texas Water Code, as amended. The District consists of approximately 1,855.56 total acres. See "THE DISTRICT."

Development within the District....................... To-date, approximately 1,073.26 acres (3,664 lots) have been developed as the single-family residential subdivisions known as Silverado East, Phases 1–7; Silverado West, Phases 1–9; Aspen Meadows, Phases 1–2; and High Country, Phase 1. Such developed platted acreage includes approximately 4 acres of commercial reserve, approximately 15 acres for a school site, approximately 2 acres for a fire station, approximately 10 acres for an amenity center, approximately 27 acres of undevelopable floodplain, approximately 42 acres for a detention pond, and approximately 21 acres of open space. As of July 1, 2023, the District included 2,667 completed homes (approximately 2,556 occupied and 111 unoccupied homes); 303 homes under construction; and 694 vacant developed lots. See "DEVELOPMENT OF THE DISTRICT—Status of Development within the District."

In addition, approximately 80.60 acres (413 lots) are currently under development as the single-family subdivisions of High Country, Phases 2–3 and approximately 11.90 acres are currently under development as a dog park within the District.

The remaining land within the District consists of approximately 499.80 acres of undeveloped land available for future development and approximately 190 undevelopable acres consisting of the Upper Trinity Regional Water District lake, detention ponds, floodplain and planned greenbelts and open space. See "THE DEVELOPERS AND PRINCIPAL LANDOWNERS," "DEVELOPMENT OF THE DISTRICT," and "THE DISTRICT."

Developers and Principal Landowners.......... Currently, D.R. Horton-Texas, LTD., a Texas limited partnership ("D.R. Horton"), is developing the single-family residential subdivisions of Silverado and High Country, and Aspen 2931, LLC, a Texas limited liability company ("Aspen 2931"), an affiliate of Huffines Management Partners, LP, a Texas limited partnership, and part of a group of entities doing business under the name "Huffines Communities," developed the land within the District known as the single-family residential subdivision of "Aspen Meadows." Huffines Communities is controlled by Don and Phillip Huffines. D.R. Horton and Aspen 2931 are referred to herein as the "Developers." See "THE DEVELOPERS AND PRINCIPAL LANDOWNERS" and "DEVELOPMENT OF THE DISTRICT."

Homebuilders within the District..................... D.R. Horton is currently constructing new homes in the District within Silverado and High Country. New homes in Silverado and High Country range in price from approximately $304,990 to $466,990 and in size from approximately 1,266 to 3,382 square feet. Impression Homes, LLC, and Lennar Homes of Texas Land and Construction, Ltd. are currently constructing new homes in the District within Aspen Meadows. New homes in Aspen Meadows range in price from approximately $285,000 to $425,000 and in size from approximately 1,442 to 3,050 square feet. See "DEVELOPMENT OF THE DISTRICT—Homebuilders 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)

2023 Taxable Assessed Valuation	$ 933,748,965	(a)
Estimate of Value as of June 1, 2023	$1,124,791,750	(b)
Direct Debt:		
Outstanding Bonds (as of the Date of Delivery of the Bonds)	$ 80,945,000	
The Utility Bonds	27,015,000	
The Road Bonds	27,015,000	
Total	$ 134,975,000	
Estimated Overlapping Debt	$ 98,897,757	(c)
Total Direct and Estimated Overlapping Debt	$ 233,872,757	(c)
Direct Debt Ratios:		
As a percentage of the 2023 Taxable Assessed Valuation	14.46	%
As a percentage of the Estimate of Value as of June 1, 2023	12.00	%
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of the 2023 Taxable Assessed Valuation	25.05	%
As a percentage of the Estimate of Value as of June 1, 2023	20.79	%
Utility System Debt Service Fund Balance (as of June 13, 2023)	$ 1,999,671	(d)
Road System Debt Service Fund Balance (as of June 13, 2023)	$ 2,862,701	(e)
Utility System Capital Project Fund Balance (as of June 13, 2023)	$ 6,256	
Road System Capital Project Fund Balance (as of June 13, 2023)	$ 2,206,739	
General Operating Fund Balance (as of June 13, 2023)	$ 1,952,576	
2022 Tax Rate per $100 of Taxable Assessed Valuation		
Utility System Debt Service	$0.340	(f)
Road System Debt Service	$0.445	(f)
Maintenance and Operation	$0.195	
Total	$0.980	(g)
Average Annual Debt Service Requirement (2024–2047, high years)	$ 8,582,185	(h)
Maximum Annual Debt Service Requirement (2044)	$ 8,832,838	(h)
Debt Service Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2024–2047, high years)		
Based on the 2023 Taxable Assessed Valuation at 95% Tax Collections	$0.97	
Based on the Estimate of Value as of June 1, 2023, at 95% Tax Collections	$0.81	
Debt Service Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2044)		
Based on the 2023 Taxable Assessed Valuation at 95% Tax Collections	$1.00	
Based on the Estimate of Value as of June 1, 2023, at 95% Tax Collections	$0.83	
Single-Family Homes (including 303 homes under construction) as of July 1, 2023	2,970	(i)

(a) Represents the taxable assessed valuation of all taxable property in the District as of January 1, 2023, as provided by the Appraisal District (hereinafter defined). Such value includes $14,632,871 of value under review by the Denton County ARB (hereinafter defined). See "TAX DATA" and "TAXING PROCEDURES."
(b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of June 1, 2023, and includes an estimate of additional taxable value resulting from additional taxable improvements constructed in the District from January 1, 2023, through June 1, 2023. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
(c) See "DISTRICT DEBT—Direct and Estimated Overlapping Debt Statement."
(d) At the time of closing, six (6) months of capitalized interest will be deposited into the Utility System Debt Service Fund (hereinafter defined). Neither State law nor the Utility Bond Order (hereinafter defined) requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued for the Road System (hereinafter defined), including the Road Bonds.
(e) At the time of closing, six (6) months of capitalized interest will be deposited into the Road System Debt Service Fund (hereinafter defined). Neither State law nor the Road Bond Order (hereinafter defined) requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the Utility System (hereinafter defined), including the Utility Bonds.
(f) The District is authorized to levy separate debt service taxes for Utility System debt service and Road System debt service, both of which are unlimited as to rate or amount. See "THE BONDS—Authority for Issuance."
(g) The Board has authorized publication of a notice to levy a total tax rate of $0.96 for the 2023 tax year.
(h) Requirement of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT—Debt Service Requirement Schedule."
(i) See "DEVELOPMENT OF THE DISTRICT—Status of Development within the District."

THE LAKES FRESH WATER SUPPLY DISTRICT OF DENTON COUNTY

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

$27,015,000 **UNLIMITED TAX UTILITY BONDS** **SERIES 2023**	**$27,015,000** **UNLIMITED TAX ROAD BONDS** **SERIES 2023**

INTRODUCTION

This Official Statement of The Lakes Fresh Water Supply District of Denton County (the "District") is provided to furnish information with respect to the issuance by the District of its $27,015,000 Unlimited Tax Utility Bonds, Series 2023 (the "Utility Bonds") and its $27,015,000 Unlimited Tax Road Bonds, Series 2023 (the "Road Bonds"). The Utility Bonds and the Road Bonds are collectively referred to herein as the "Bonds."

The Utility Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution and the general laws of the State, including particularly Chapters 49, 53, and 54 of the Texas Water Code, as amended; (ii) an election held within the District on November 6, 2018; (iii) an order authorizing the issuance of the Utility Bonds adopted by the Board of Directors of the District (the "Board") on the date of the sale of the Utility Bonds (the "Utility Bond Order"); and (iv) an order issued by the Texas Commission on Environmental Quality (the "TCEQ").

The Road Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including particularly Chapters 49, 53, and 54 of the Texas Water Code, as amended; (ii) an election held within the District on November 6, 2018; and (iii) an order authorizing the issuance of the Road Bonds adopted by the Board on the date of the sale of the Road Bonds (the "Road Bond Order," and together with the Utility Bond Order, the "Bonds Orders").

This Official Statement includes descriptions of the Bonds, the Developers (herein defined), the Bond Orders, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Coats Rose, P.C., 16000 Dallas North Tollway, Suite 350, Dallas, Texas 75248, upon payment of the costs of duplication therefor. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Orders, except as otherwise indicated herein.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Orders.

The Bonds are dated September 1, 2023. Interest on the Bonds accrues from the initial date of delivery (on or about September 20, 2023) (the "Date of Delivery"), with interest payable on 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 are fully registered bonds maturing on September 1 of the years shown on the inside cover page of this Official Statement. Principal of the Bonds will be payable to the registered owners (the "Registered Owners") at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable as of the Interest Payment Date, and paid by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the "Record Date") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("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 and the Financial Advisor believe the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The District and the Financial Advisor cannot and do 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 (the "SEC"), 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 series of the Bonds, in the aggregate principal amount of such series, and will be deposited with DTC.

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

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

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

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

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

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

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

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

Successor Paying Agent/Registrar

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

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 corporate trust office of the Paying Agent/Registrar in Houston, 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 series and 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 the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Funds

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

The Road Bond Order confirms the District's fund for debt service on bonds issued for the Road System (hereinafter defined), the Road Bonds, and any additional unlimited tax bonds issued by the District for the Road System (the "Road System Debt Service Fund"). At the time of closing, six (6) months of capitalized interest will be deposited 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 bonds issued for the Road System, the Road 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 Road 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 Road 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 (defined herein).

Redemption of the Bonds

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

Mandatory Redemption: The Utility Bonds maturing on September 1 in the years 2033, 2044 and 2048 are term bonds (the "Utility 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 Utility 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:

$2,655,000 Term Bond Maturing on September 1, 2033

Mandatory Redemption Date	Pincipal Amount
September 1, 2031	$ 830,000
September 1, 2032	885,000
September 1, 2033 (Maturity)	940,000

$2,955,000 Term Bond Maturing on September 1, 2044

Mandatory Redemption Date	Pincipal Amount
September 1, 2043	$ 1,445,000
September 1, 2044 (Maturity)	1,510,000

$6,735,000 Term Bond Maturing on September 1, 2048

Mandatory Redemption Date	Pincipal Amount
September 1, 2045	$ 1,575,000
September 1, 2046	1,645,000
September 1, 2047	1,720,000
September 1, 2048 (Maturity)	1,795,000

The Road Bonds maturing on September 1 in the years 2032, 2034, 2036, 2038, 2040, 2042, 2045 and 2048 are also term bonds (the "Road 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 Road Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the Mandatory Redemption Date, and in the principal amount set forth in the following schedule:

$1,715,000 Term Bond Maturing on September 1, 2032

Mandatory Redemption Date	Pincipal Amount
September 1, 2031	$ 830,000
September 1, 2032 (Maturity)	885,000

$1,945,000 Term Bond Maturing on September 1, 2034

Mandatory Redemption Date	Pincipal Amount
September 1, 2033	$ 940,000
September 1, 2034 (Maturity)	1,005,000

$2,130,000 Term Bond Maturing on September 1, 2036

Mandatory Redemption Date	Pincipal Amount
September 1, 2035	$ 1,045,000
September 1, 2036 (Maturity)	1,085,000

$2,305,000 Term Bond Maturing on September 1, 2038

Mandatory Redemption Date	Pincipal Amount
September 1, 2037	$ 1,130,000
September 1, 2038 (Maturity)	1,175,000

$2,500,000 Term Bond Maturing on September 1, 2040

Mandatory Redemption Date	Pincipal Amount
September 1, 2039	$ 1,225,000
September 1, 2040 (Maturity)	1,275,000

$2,715,000 Term Bond Maturing on September 1, 2042

Mandatory Redemption Date	Pincipal Amount
September 1, 2041	$ 1,330,000
September 1, 2042 (Maturity)	1,385,000

$4,530,000 Term Bond Maturing on September 1, 2045

Mandatory Redemption Date	Pincipal Amount
September 1, 2043	$ 1,445,000
September 1, 2044	1,510,000
September 1, 2045 (Maturity)	1,575,000

$5,160,000 Term Bond Maturing on September 1, 2048

Mandatory Redemption Date	Pincipal Amount
September 1, 2046	$ 1,645,000
September 1, 2047	1,720,000
September 1, 2048 (Maturity)	1,795,000

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

Record Date for Interest Payment

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

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

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System is 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 Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Annexation

The District lies within the extraterritorial jurisdiction of the City of Aubrey, Texas (the "City"). Under current State law, the District may be annexed and dissolved by the City only if (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the land owners, consenting to annexation. If the District is annexed, the City must assume the District's assets and obligations (including the Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and, therefore, the District makes no representation that the City will ever attempt to annex the District for full purposes and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should such annexation occur.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater systems of the district or districts with which it is consolidating, subject to voter approval. In their consolidation agreement, the consolidating districts may agree to assume each other's bonds, notes, and other obligations. If each district assumes the other's bonds, notes, and other obligations, taxes may be levied uniformly on all taxable property within the consolidated district in payment of same. If the districts do not assume each other's bonds, notes and other obligations, each district's taxes are levied on property in each of the original districts to pay said debts created by the respective original district as if no consolidation had taken place. No representation is made concerning whether the District will consolidate with any other district, but the District currently has no plans to do so.

Authority for Issuance

The Utility Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution and the general laws of the State, including particularly Chapters 49, 53, and 54 of the Texas Water Code, as amended; (ii) an election held within the District on November 6, 2018; (iii) the Utility Bond Order; and (iv) an order issued by the TCEQ.

The Road Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including particularly Chapters 49, 53, and 54 of the Texas Water Code, as amended; (ii) an election held within the District on November 6, 2018; and (iii) the Road Bond Order.

At an election held within the District on November 6, 2018, voters of the District authorized the issuance of $202,454,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring a water, sewer, and drainage system to serve the District (the "Utility System"); $303,681,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; $219,696,000 of principal amount of unlimited tax bonds for the purpose of constructing or acquiring roads and improvements in aid thereof to serve the District (the "Road System"); and $329,544,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

Outstanding Bonds

The District has previously issued three (3) series of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and four (4) series of unlimited tax bonds for the purpose of acquiring or constructing the Road System. As of the Date of Delivery of the Bonds, $80,945,000 in principal amount of such previously issued bonds will remain outstanding (the "Outstanding Bonds").

Source of Payment

The Bonds, when issued, will constitute valid and legally binding obligations of the District, and the principal thereof and the interest thereon, and such additional tax bonds of the District as may hereafter be authorized by District voters, if any, and subsequently issued, are payable from and secured by the proceeds of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property located within the District. See "TAXING PROCEDURES" and "TAX DATA—Tax Rate Calculations" for tax adequacy, manner of assessing and collecting taxes, and the remedy to the District in the event of tax delinquencies; and "Registered Owners' Remedies" below for the remedies available to Bondholders in the event of default in the performance of any of the covenants set forth in the Bond Orders or in the event of default in the payment of principal of or interest on the Bonds.

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

Issuance of Additional Debt

The District's voters have authorized the District's issuance of the following: $202,454,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System; $303,681,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds issued for the Utility System; $219,696,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; and $329,544,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds issued for the Road System; and could authorize additional amounts. Following the issuance of the Bonds, $140,814,000 principal amount of unlimited tax bonds for the Utility System, $144,296,000 principal amount of unlimited tax bonds for the Road System, and all of the unlimited tax bonds authorized for the purpose of refunding bonds issued by the District will remain authorized but unissued.

The Bond Orders impose no limitation on the amount of additional parity bonds that may be issued by the District, if authorized by the District's voters and, in the case of the bonds issued for the Utility System (such as the Utility Bonds), approved by the TCEQ. The District's issuance of the remaining $144,296,000 principal amount of unlimited tax bonds for acquiring or constructing the Road System is not subject to approval by the TCEQ.

Following issuance of the Bonds, the District will owe the Developers approximately $49,500,000 for expenditures to construct the Utility System and the Road System. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-to-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed fire protection plan; (b) approval of the fire plan by the TCEQ; (c) approval of the fire plan by the voters of the District; and (d) approval of bonds, if any, by the Attorney General of Texas. The District submitted a fire protection plan to the TCEQ which was approved in November 2019. Voters in the District approved the District's fire protection plan on an election held on November 5, 2019. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt-property ratios and might adversely affect the investment security of the Bonds.

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.

Defeasance

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

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

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

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 Orders, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Orders, 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 Orders. Except for mandamus, the Bond Orders do not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of defaults and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

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

Amendments to the Bond Orders

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

Use and Distribution of Proceeds of the Utility Bonds

Proceeds from the sale of the Utility Bonds will be used to reimburse the Developers for the improvements and related costs as set out below. Additionally, proceeds from the sale of the Utility Bonds will be used to pay developer interest, six (6) months of capitalized interest, and certain other costs associated with the issuance of the Utility Bonds as described below:

Construction Costs		
A. Developer Contribution Items		
1. Frontier Parkway at Silverado	$	179,071
2. Silverado, Phase 5B and Silverado West, Phase 6		3,756,618
3. Silverado West, Phase 1		2,550,417
4. Silverado West, Phase 2		1,717,009
5. Silverado West, Phase 3		3,224,380
6. Silverado West, Phase 4		1,826,161
7. Silverado West, Phase 5		1,629,714
8. Silverado West Off-Site Sanitary Sewer & Lift Station		969,518
9. High Country, Phase 1		3,655,992
10. Engineering & Testing (~6% of Item Nos. 2–9)		1,159,789
Total Developer Contribution Items	$	20,668,669
B. District Items		
1. Land Costs	$	1,316,456
Total District Items	$	1,316,456
Total Construction Costs	$	21,985,125
Non-Construction Costs		
1. Bond Counsel Fees		565,300
2. Fiscal Agent Fees		467,725
3. Interest Costs		
a. Capitalized Interest		635,834
b. Developer Interest		2,348,032
4. Bond Discount		810,450
5. Bond Issuance Expenses		38,386
6. Bond Engineering Report		87,110
7. Attorney General Fee		9,500
8. TCEQ Fee	$	67,538
Total Non-Construction Costs	$	5,029,875
Total Bond Issue Requirement	$	27,015,000

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

The Engineer (hereinafter defined) has advised the District that proceeds of the sale of the Utility Bonds should be sufficient to pay the costs of the above-described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes. In the instance that actual costs exceed previously approved estimated amounts and contingencies, and the issuance of additional bonds may be required.

Use and Distribution of Proceeds of the Road Bonds

Proceeds from the sale of the Road Bonds will be used to reimburse the Developers for the improvements and related costs as set out below. Additionally, proceeds from the sale of the Road Bonds will be used to pay developer interest, six (6) months of capitalized interest, and certain other costs associated with the issuance of the Road Bonds as described below:

Construction Costs		
1. Paving—Silverado East, Phases 5A, 5B & 6	$	2,158,876
2. Paving—Silverado West, Phases 1–5 & 7–9		5,405,524
3. Paving—Aspen Meadows, Phases 1—2		1,530,640
4. Grading—Silverado West, Phases 3–9		2,428,552
5. Land Costs		7,477,873
6. Engineering Costs		1,981,847
7. Erosion Control—Aspen Meadows, Phases 1–2		5,070
8. Miscellaneous ROW Improvements		34,806
Total Construction Costs	$	21,023,188
Non-Construction Costs		
1. Bond Counsel Fees	$	565,300
2. Fiscal Agent Fees		467,725
3. Interest Costs		
a. Capitalized Interest		602,253
b. Developer Interest		3,474,116
4. Bond Discount		810,450
5. Bond Issuance Expenses		40,000
6. Attorney General Fee		9,500
7. Contingency (a)		22,469
Total Non-Construction Costs	$	5,991,813
Total Bond Issue Requirement	$	27,015,000

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

The construction costs described above were compiled by the Engineer, based, in some cases, on the estimated costs of facilities. Non-construction costs are based upon either contract amounts or estimates. In the instance that estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for roads or improvements in aid thereof. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

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THE DISTRICT

Authority

The District was created on June 18, 2005, by special act of the 79th Texas Legislature. The District was created and operates pursuant to Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution and Chapter 8125, Texas Special District Local Laws Code. The District operates under Chapters 49, 53, and 54 of the Texas Water Code, as amended.

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

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

Description

The District is located approximately 35 miles north of the central business district of the City of Dallas, Texas, and approximately 4 miles south of the City of Aubrey, Texas. The District lies entirely within the extraterritorial jurisdiction of the City of Aubrey, Texas.

At the time of creation, the District contained approximately 411.17 acres. After an annexation of acreage in 2013, an exclusion of acreage in 2018, and an annexation of acreage in 2019, the District now contains approximately 1,855.56 total acres.

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. Each member of the Board owns property in the District. Members of the Board serve four-year staggered terms. Elections are held in May of even-numbered years. The current members and officers of the Board are listed below:

Name	Title	Term Expires May
Debbie Reuther	President	2026
Paula Barnhouse	Vice President	2024
Sukhui Gibb	Secretary	2024
Nancy Heintel	Assistant Secretary	2024
Blair Thomas	Assistant Secretary	2026

Investment Policy

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

Consultants

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

Tax Assessor/Collector: The District's Tax Assessor/Collector is Michelle French, the Denton County Tax Assessor/Collector.

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

Utility System Operator: The District's operator is Mustang Special Utility District.

Auditor: The District's financial statements for the fiscal year ended January 31, 2023, were audited by McCall Gibson Swedlund Barfoot PLLC, a copy of which is attached as "APPENDIX A."

Engineer: The consulting engineer retained by the District in connection with the design and construction of the District's facilities is Barraza Consulting Group, LLC (the "Engineer").

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

Disclosure Counsel: McCall, Parkhurst & Horton L.L.P., Houston, Texas, serves as Disclosure Counsel to the District for issuance of the Bonds. The fee to be paid to 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 employed 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.

Historical Operations of the System

The District is required by statute to have a certified public accountant prepare and file an annual audit of its financial records with the TCEQ. The figures below were obtained from the District's audited financial statements for the fiscal year ended January 31, 2023. See "APPENDIX A."

	Fiscal Year Ended January 31,				
Revenues	**2023**	**2022**	**2021**	**2020**	**2019**
Property Taxes	$ 1,088,993	$ 808,605	$ 310,899	$ 274,603	$ 82,930
Miscellaneous Revenues	22,218	645	2,501	7,046	3,102
Total	$ 1,111,211	$ 809,250	$ 313,400	$ 281,649	$ 86,032
Expenditures					
Administrative:					
Professional Fees	$ 98,382	$ 66,506	$ 98,563	$ 60,477	$ 106,500
Contracted Services	112,142	9,852	9,993	9,146	3,364
Other	20,044	16,177	16,522	18,077	15,455
Total	$ 230,568	$ 92,535	$ 125,078	$ 87,700	$ 125,319
NET REVENUES (Deficit)	$ 880,643	$ 716,715	$ 188,322	$ 193,949	$ (39,287)
Other financing sources (uses)	$ -	$ -	$ -	$ -	$ -
Beginning fund balance	$ 1,448,628	$ 731,913	$ 543,591	$ 349,642	$ 388,929
Ending fund balance	$ 2,329,271	$ 1,448,628	$ 731,913	$ 543,591	$ 349,642

DEVELOPMENT OF THE DISTRICT

Status of Development within the District

To-date, approximately 1,073.26 acres (3,664 lots) have been developed as the single-family residential subdivisions known as Silverado East, Phases 1–7; Silverado West, Phases 1–9; Aspen Meadows, Phases 1–2; and High Country, Phase 1. Such developed platted acreage includes approximately 4 acres of commercial reserve, approximately 15 acres for a school site, approximately 2 acres for a fire station, approximately 10 acres for an amenity center, approximately 27 acres of undevelopable floodplain, approximately 42 acres for a detention pond, and approximately 21 acres of open space. As of July 1, 2023, the District included 2,667 completed homes (approximately 2,556 occupied and 111 unoccupied homes); 303 homes under construction; and 694 vacant developed lots. In addition, approximately 80.60 acres (413 lots) are currently under development as the single-family subdivisions of High Country, Phases 2–3 and approximately 11.90 acres are currently under development as a dog park within the District.

The remaining land within the District consists of approximately 499.80 acres of undeveloped land available for future development and approximately 190 undevelopable acres consisting of the Upper Trinity Regional Water District lake, detention ponds, floodplain and planned greenbelts and open space.

The following shows the status of construction of single-family housing within the District as of July 1, 2023:

Section (a)	Acreage	No. of Lots	Homes Completed	Homes Under Construction	Vacant Developed Lots
Silverado East					
Phase 1A, 1B & 1C	139.01	400	393	-	7
Phase 2	28.45	142	138	-	4
Phase 3	62.61	271	271	-	-
Phase 4	58.73	185	185	-	-
Phase 5A + 5B	68.34	108	108	-	-
Phase 6	29.73	139	139	-	-
Phase 7	23.51	115	112	-	3
Subtotal Silverado East	410.38	1,360	1,346	-	14
Silverado West					
Phase 1	79.07	182	182	-	-
Phase 2	36.77	182	182	-	-
Phase 3	70.49	219	219	-	-
Phase 4	47.09	190	66	100	24
Phase 5	46.32	226	64	100	62
Phase 6	59.62	278	278	-	-
Phase 7 (b)	65.40	187	-	-	187
Phase 8 (b)	44.10	134	-	-	134
Phase 9 (b)	42.80	159	-	-	159
Subtotal Silverado West	491.66	1,757	991	200	566
Aspen Meadows					
Phase 1	66.01	168	166	2	-
Phase 2	50.83	144	144	-	-
Subtotal Aspen Meadows	116.84	312	310	2	-
High Country					
Phase 1	54.38	235	20	101	114
Subtotal High Country	54.38	235	20	101	114
Total	1,073.26	3,664	2,667	303	694
Currently Under Development	80.60				
Dog Park	11.90				
Undevelopable	190.00				
Remaining Developable	499.80				
Total District Acreage	1,855.56				

(a) Such developed platted acreage includes commercial acreage, a school site, fire station, amenity center, undevelopable floodplain, detention pond, and open space.
(b) Such phases were substantially complete as of July 2023.

Breakdown of Residential Acreage Under Construction:

	Section Acreage (a)	Section Lots
High Country, Phase 2	44.80	232
High Country, Phase 3	35.58	181
Totals	80.60	413

(a) Such platted acreage includes undevelopable floodplain and open space.

Homebuilders within the District

D.R. Horton is currently constructing new homes in the District within Silverado and High Country. New homes in Silverado and High Country range in price from approximately $304,990 to $466,990 and in size from approximately 1,266 to 3,382 square feet. Impression Homes, LLC and Lennar Homes of Texas Land and Construction, Ltd. are currently building homes in the District within Aspen Meadows. New homes in Aspen Meadows range in price from approximately $285,000 to $425,000 and in size from approximately 1,442 to 3,050 square feet. See “THE DEVELOPERS AND PRINCIPAL LANDOWNERS.”

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PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(JULY 2023)

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(JULY 2023)

THE DEVELOPERS AND PRINCIPAL LANDOWNERS

Role of the Developer

In general, the activities of a developer in a utility 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 of the cost of constructing certain of the water, wastewater, and drainage facilities in a utility 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 utility 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 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 nor any affiliate entity is obligated to pay principal of or interest on the Bonds. Furthermore, neither the developer nor any affiliate entity has 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.

The Developers

D.R. Horton-Texas, LTD: D.R. Horton-Texas, LTD, a Texas limited partnership ("D.R. Horton"), is developing the single-family residential subdivisions of Silverado and High Country. To-date, D.R. Horton has developed approximately 956.42 acres (3,352 lots) as Silverado East, Phases 1–7; Silverado West, Phases 1–9; and High Country, Phase 1. See "DEVELOPMENT OF THE DISTRICT—Status of Development within the District." Additionally, D.R. Horton is currently developing approximately 80.60 acres as High Country, Phases 2–3 (413 lots) and approximately 11.90 acres as a dog park within the District. D.R. Horton continues to own approximately 230.28 undeveloped but developable acres within the District. The District makes no representation as to the likelihood that D.R. Horton will carry out the development of such undeveloped acreage.

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 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.

Aspen 2931, LLC: Aspen 2931, LLC, a Texas limited liability company ("Aspen 2931"), an affiliate of Huffines Management Partners, LP, a Texas limited partnership, and part of a group of entities doing business under the name "Huffines Communities," developed the land within the District known as the single-family residential subdivision of "Aspen Meadows." Huffines Communities is controlled by Don and Phillip Huffines. As of July 1, 2023, Aspen 2931 has developed approximately 116.9 acres (312 lots) as Aspen Meadows, Phases 1–2 and owns no remaining undeveloped but developable acres in the District.

D.R. Horton and Aspen 2931 are referred to herein as the "Developers."

Principal Landowners

Aubrey Aggregates, LLC: Aubrey Aggregates, LLC, a Texas limited liability company, is the owner of approximately 460 acres of land within the District; however, the District makes no representation of any future use or development of such property.

THE UTILITY SYSTEM

Regulation

According to the Engineer, the Utility System has been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the County, the City, and Mustang Special Utility District ("Mustang"). Mustang is the provider of retail water and wastewater to users within the District. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies and inspected by the TCEQ.

Description of the Utility System

Water Supply: The District lies within the service area of certificate of convenience and necessity number 11856 held by Mustang.

On October 12, 2016, the District entered into a Non-Standard Service Agreement with Mustang, as amended, to provide water capacity to service 4,800 equivalent single-family connections ("esfcs") within the District. On November 12, 2019, the District entered into a Non-Standard Service Agreement with Mustang to provide water capacity for an additional 312 esfcs for the 116.932 acres of land that was annexed into the District on January 17, 2019 (collectively, the "Agreements"). Under the terms of the Agreements, the District will construct the internal water supply facilities necessary to service customers within the District's boundaries. Upon completion of such system, the system will be conveyed to Mustang. In consideration of the District's construction and conveying such systems, Mustang shall assume all operation and maintenance responsibilities for the water system.

Mustang has entered into an agreement with the Upper Trinity Regional Water District (the "UTRWD") pursuant to which Mustang receives wholesale treated surface water from the UTRWD. Such water is delivered to the District at a point of delivery as described in the Agreements. Mustang owns sufficient water capacity through its agreement with the UTRWD to provide 5,112 esfcs to the District, which is sufficient to serve the approximately 3,184 esfcs currently active within the District. The current agreement with the UTRWD can be amended to accommodate the rest of the development.

Wastewater Treatment: The area within the District lies wholly within the sewer certificate of convenience and necessity number 20930 held by Mustang.

Under the terms of the Agreements, the District will construct, or have constructed, a wastewater collection system. Upon completion of such system, the system will be conveyed to Mustang. In consideration of the District's construction and conveying such system, Mustang shall assume all operation and maintenance responsibilities for the wastewater system.

Under the terms of its agreement with UTRWD, as amended, Mustang is named a participant in the Riverbend Wastewater Treatment Plant, which is operated and maintained by the UTRWD. Mustang owns sufficient wastewater treatment capacity through its agreement with the UTRWD to provide 5,112 esfcs to the District, which is sufficient to serve the approximately 3,184 esfcs currently active within the District.

Drainage: The natural drainage for the District is from the northeast toward the southwest. The flow follows existing drainage swales and flows into Lake Lewisville by way of Running Branch Creek that runs south through the District.

The storm drainage system that serves the District consists of curb and gutter streets and underground storm sewers inlets along the curb and gutter streets and detention structures, and then through natural tributaries to Lake Lewisville.

100-Year Flood Plain: "Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. According to U.S.G.S. topographic maps and FIRM maps, the District is a relatively rolling terrain with elevations ranging from 573 to 615 feet above mean sea level. The land within the District slopes generally from 0% to 55%.

Approximately 113 acres of the District lie within the FEMA 100-year flood plain. Such acreage will not be used for development.

Atlas 14

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

THE ROAD SYSTEM

Roads within the District are constructed with reinforced concrete pavement with curbs on lime stabilized subgrade. Silverado Parkway, Quicksilver Boulevard, Frontier Parkway and McNatt Road are the principal arterials entering the project off Farm-to-Market 2931 and Farm-to-Market 377. McNatt Road will be a 6-lane divided roadway. Silverado Parkway is a 4-lane divided roadway, Frontier Parkway will be 4-lane divided roadway, and Quicksilver Boulevard is a 4-lane divided roadway for approximately 255 feet, then turning into subdivision roadway. Remaining streets provide local interior service within the project and are typically 31-feet wide (between curbs). The Road System includes streetlights. Franchise utilities (power, phone and cable) and public utilities such as water, wastewater and storm drainage are typically located within street right of ways. The District owns and maintains the Road System.

DISTRICT DEBT

Debt Service Requirement Schedule

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

		Plus: The Utility Bonds		Plus: The Road Bonds		
Year Ending 12/31	Outstanding Debt Service (a)	Principal	Interest	Principal	Interest	Total Debt Service
2024	$ 5,152,919	-	$ 1,204,553	-	$ 1,140,935	$ 7,498,407
2025	5,141,631	$ 570,000	1,271,669	$ 570,000	1,204,506	8,757,806
2026	5,131,719	605,000	1,234,619	605,000	1,170,306	8,746,644
2027	5,118,088	645,000	1,195,294	645,000	1,134,006	8,737,388
2028	5,109,238	685,000	1,153,369	685,000	1,095,306	8,727,913
2029	5,104,488	730,000	1,108,844	730,000	1,054,206	8,727,538
2030	5,098,006	780,000	1,061,394	780,000	1,017,706	8,737,106
2031	5,095,756	830,000	1,010,694	830,000	978,706	8,745,156
2032	5,099,538	885,000	956,744	885,000	945,506	8,771,788
2033	5,095,200	940,000	899,219	940,000	910,106	8,784,525
2034	5,097,100	1,005,000	838,119	1,005,000	872,506	8,817,725
2035	5,104,975	1,045,000	797,919	1,045,000	832,306	8,825,200
2036	5,102,575	1,085,000	756,119	1,085,000	790,506	8,819,200
2037	5,104,725	1,130,000	712,719	1,130,000	747,106	8,824,550
2038	5,097,150	1,175,000	667,519	1,175,000	700,494	8,815,163
2039	5,094,356	1,225,000	620,519	1,225,000	652,025	8,816,900
2040	5,107,106	1,275,000	569,988	1,275,000	599,963	8,827,056
2041	5,104,300	1,330,000	515,800	1,330,000	545,775	8,825,875
2042	5,104,831	1,385,000	459,275	1,385,000	489,250	8,823,356
2043	5,109,331	1,445,000	398,681	1,445,000	430,388	8,828,400
2044	5,110,206	1,510,000	335,463	1,510,000	367,169	8,832,838
2045	4,655,731	1,575,000	269,400	1,575,000	301,106	8,376,238
2046	3,988,550	1,645,000	206,400	1,645,000	232,200	7,717,150
2047	2,849,738	1,720,000	140,600	1,720,000	158,175	6,588,513
2048		1,795,000	71,800	1,795,000	80,775	3,742,575
	$ 118,777,256	$ 27,015,000	$ 18,456,715	$ 27,015,000	$ 18,451,035	$ 209,715,007

Average Annual Debt Service Requirement (2024-2047, high years) .... $8,582,185 (b)
Maximum Annual Debt Service Requirement (2044) .... $8,832,838 (b)

(a) Outstanding as of Date of Delivery of the Bonds.
(b) Requirements of debt service on the Outstanding Bonds and the Bonds.

Bonded Indebtedness

2023 Taxable Assessed Valuation	$	933,748,965	(a)
Estimate of Value as of June 1, 2023	$	1,124,791,750	(b)
Direct Debt:			
Outstanding Bonds (as of the Date of Delivery of the Bonds)	$	80,945,000	
The Utility Bonds		27,015,000	
The Road Bonds		27,015,000	
Total	$	134,975,000	
Estimated Overlapping Debt	$	98,897,757	(c)
Total Direct and Estimated Overlapping Debt	$	233,872,757	(c)
Direct Debt Ratios:			
As a percentage of the 2023 Taxable Assessed Valuation		14.46	%
As a percentage of the Estimate of Value as of June 1, 2023		12.00	%
Direct and Estimated Overlapping Debt Ratios:			
As a percentage of the 2023 Taxable Assessed Valuation		25.05	%
As a percentage of the Estimate of Value as of June 1, 2023		20.79	%
Utility System Debt Service Fund Balance (as of June 13, 2023)	$	1,999,671	(d)
Road System Debt Service Fund Balance (as of June 13, 2023)	$	2,862,701	(e)
Utility System Capital Project Fund Balance (as of June 13, 2023)	$	6,256	
Road System Capital Project Fund Balance (as of June 13, 2023)	$	2,206,739	
General Operating Fund Balance (as of June 13, 2023)	$	1,952,576	
2022 Tax Rate per $100 of Taxable Assessed Valuation			
Utility System Debt Service		$0.340	(f)
Road System Debt Service		$0.445	(f)
Maintenance and Operation		$0.195	
Total		$0.980	(g)

(a) Represents the taxable assessed valuation of all taxable property in the District as of January 1, 2023, as provided by the Appraisal District (hereinafter defined). Such value includes $14,632,871 of value under review by the Denton County ARB (hereinafter defined). See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of June 1, 2023, and includes an estimate of additional taxable value resulting from additional taxable improvements constructed in the District from January 1, 2023, through June 1, 2023. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

(c) See "DISTRICT DEBT—Direct and Estimated Overlapping Debt Statement."

(d) At the time of closing, six (6) months of capitalized interest will be deposited into the Utility System Debt Service Fund (hereinafter defined). Neither State law nor the Utility Bond Order (hereinafter defined) requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued for the Road System (hereinafter defined), including the Road Bonds.

(e) At the time of closing, six (6) months of capitalized interest will be deposited into the Road System Debt Service Fund (hereinafter defined). Neither State law nor the Road Bond Order (hereinafter defined) requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the Utility System (hereinafter defined), including the Utility Bonds.

(f) The District is authorized to levy separate debt service taxes for Utility System debt service and Road System debt service, both of which are unlimited as to rate or amount. See "THE BONDS—Authority for Issuance."

(g) The Board has authorized publication of a notice to levy a total tax rate of $0.96 for the 2023 tax year.

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 State 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 July 31, 2023	Overlapping Percent	Overlapping Amount
Denton County	$ 618,925,000	0.58%	$ 3,597,497
Aubrey Independent School District	283,193,983	33.65%	95,300,260
Total Estimated Overlapping Debt			$ 98,897,757
The District (a)			$134,975,000
Total Direct & Estimated Overlapping Debt (a)			$233,872,757

(a) Includes the Bonds.

Debt Ratios

Direct Debt Ratios (a):	
As a percentage of the 2023 Taxable Assessed Valuation	14.46 %
As a percentage of the Estimate of Value as of June 1, 2023	12.00 %
Direct and Estimated Overlapping Debt Ratios (a):	
As a percentage of the 2023 Taxable Assessed Valuation	25.05 %
As a percentage of the Estimate of Value as of June 1, 2023	20.79 %

(a) Includes the Bonds.

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TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy two separate annual ad valorem taxes, each without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from taxes that the District may hereafter issue for the purpose of acquiring or constructing the Utility System or the Road System and to pay the expenses of assessing and collecting such taxes. In the Bond Orders, the District agrees to levy such a tax from year to year as described more fully above under "THE BONDS—Source of Payment." Under State law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District for the payment of certain contractual obligations. See "TAX DATA—Maintenance Tax."

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

General: Except for certain exemptions provided by State law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between $5,000 and $12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of one hundred percent (100%) is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization at no cost to the veteran. This exemption applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. The surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

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

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

Tax Abatement

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

Valuation of Property for Taxation

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

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

During the 2nd Special Session, convened on June 27, 2023, the Texas Legislature passed Senate Bill 2 ("SB 2"), which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "Subjected Property") whose appraised values are not more than $5,000,000 (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026, the Appraisal Cap may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in consumer price index, as applicable, to the Maximum Property Value. SB 2 was signed into law by the Governor on July 22, 2023; however, the provisions described hereinabove will take effect January 1, 2024, but only if the constitutional amendment proposed by H.J.R. 2, 88th Legislature, 2nd Called Session, 2023, is approved by the voters.

Reappraisal of Property after Disaster

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

Tax Payment Installments after Disaster

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

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

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

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. However, an election is not required if the adopted tax rate is less than or equal to 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: 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 2023 tax year, the District was classified as a Developing District by the Board. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

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

TAX DATA

General

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

For the 2022 tax year, the District levied a total tax rate of $0.98 per $100 of taxable assessed valuation comprised of $0.195 per $100 of taxable assessed valuation for maintenance and operations, $0.340 per $100 of taxable assessed valuation for Utility System debt service, and $0.445 per $100 of taxable assessed valuation for Road System debt service. The District has authorized publication of a notice to levy a total tax rate of $0.96 per $100 of assessed valuation for the 2023 tax year. The District is authorized to levy separate debt service taxes, both of which are unlimited as to rate or amount, for payment of debt service on bonds issued for the Utility System and bonds issued for the Road System.

Tax Rate Limitation

Utility System Debt Service:	Unlimited (no legal limit as to rate or amount).
Road System Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	$1.20 per $100 taxable assessed valuation.

Maintenance Tax

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 $1.20 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 have been issued or may be issued in the future. See "Tax Rate Distribution" below.

Additional Penalties

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

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the debt service tax rates per $100 of taxable assessed valuation that would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District's tax base occurs beyond the 2023 Taxable Assessed Valuation ($933,748,965) or the Estimate of Value as of June 1, 2023 ($1,124,791,750). 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 (2024–2047, high years)	$8,582,185
Debt Service Tax Rate of $0.97 on the 2023 Taxable Assessed Valuation produces	$8,604,497
Debt Service Tax Rate of $0.81 on the Estimate of Value as of June 1, 2023, produces	$8,655,272
Maximum Annual Debt Service Requirement (2044)	$8,832,838
Debt Service Tax Rate of $1.00 on the 2023 Taxable Assessed Valuation produces	$8,870,615
Debt Service Tax Rate of $0.83 on the Estimate of Value as of June 1, 2023, produces	$8,868,983

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under State 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 State law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative, 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.

Taxing Jurisdiction	2022 Tax Rate
The District	$0.980000 (a)
Denton County	0.217543
Aubrey Independent School District	1.442900
Total Tax Rate	$2.640443

(a) The District has authorized publication of a notice to levy a total tax rate of $0.96 per $100 of assessed valuation for the 2023 tax year.

Historical Tax Collections

Tax Year	Assessed Valuation	Tax Rate	Adjusted Levy	Current Year Collections	Current Year Ended 9/30	Collections as of 6/30/2023
2018	$ 23,058,273	$1.00	$ 230,583	95.66%	2019	100.00%
2019	60,123,768	$1.00	601,238	99.27%	2020	100.00%
2020	127,850,472	$1.00	1,278,505	99.73%	2021	100.00%
2021	274,842,782	$0.98	2,693,459	99.65%	2022	99.88%
2022	535,351,453	$0.98	5,246,444	98.76%	2023	98.76%

Tax Rate Distribution

	2022 (b)	2021	2020	2019	2018
Utility System Debt Service (a)	$0.3400	$0.2950	$0.2550	$0.0000	$0.0000
Road System Debt Service (a)	$0.4450	$0.4050	$0.4750	$0.7700	$0.0000
Maintenance and Operations	$0.1950	$0.2800	$0.2700	$0.2300	$1.0000
	$0.9800	$0.9800	$1.0000	$1.0000	$1.0000

(a) The District is authorized to levy separate debt service taxes for Utility System debt service and Road System debt service, both of which are unlimited as to rate or amount. See "THE BONDS—Authority for Issuance."
(b) The District has authorized publication of a notice to levy a total tax rate of $0.96 per $100 of assessed valuation for the 2023 tax year.

Taxable Assessed Valuation Summary

The following represents the type of property comprising the 2019–2023 tax rolls as certified by the Appraisal District:

Type of Property	2023 Taxable Assessed Valuation (a)	2022 Taxable Assessed Valuation	2021 Taxable Assessed Valuation	2020 Taxable Assessed Valuation	2019 Taxable Assessed Valuation
Land	$ 321,906,484	$ 221,971,762	$ 123,831,285	$ 74,447,493	$ 62,995,257
Improvements	733,164,195	353,620,509	177,480,210	75,786,807	18,534,459
Personal Property	938,666	812,810	658,201	563,834	563,834
Exemptions	(122,260,380)	(41,053,628)	(27,126,914)	(22,947,662)	(21,969,782)
Total	$ 933,748,965	$ 535,351,453	$ 274,842,782	$ 127,850,472	$ 60,123,768

(a) Such value includes $14,632,871 of value under review by the Denton County ARB (hereinafter defined). See "TAX DATA" and "TAXING PROCEDURES."

Principal Taxpayers

The following are the principal taxpayers in the District as shown on the Appraisal District's most recent supplement to the appraisal rolls for the 2023 tax year:

Taxpayer	Types of Property	Taxable Value 2023 Tax Roll	Percent of District Value
DR Horton Texas LTD (a)	Land, Improvements & Personal Property	$70,719,979	7.57%
ZT Equipment, LLC	Land, Improvements & Personal Property	2,750,000	0.29%
FKH SFR PropCo	Land, Improvements & Personal Property	2,096,065	0.22%
Aubrey Aggregates LLC (a)	Land	755,706	0.08%
Homeowner	Land, Improvements & Personal Property	608,328	0.07%
Homeowner	Land, Improvements & Personal Property	591,000	0.06%
Homeowner	Land, Improvements & Personal Property	588,873	0.06%
Homeowner	Land, Improvements & Personal Property	588,857	0.06%
Homeowner	Land, Improvements & Personal Property	588,284	0.06%
Homeowner	Land, Improvements & Personal Property	585,710	0.06%
Total		$79,872,802	8.55%

(a) See "THE DEVELOPERS AND PRINCIPAL LANDOWNERS."

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not of the State, the County, the City, or any political subdivision other than the District, will be secured by two continuing direct annual ad valorem taxes, 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 rate of development of the District is directly related to the vitality of the residential housing industry in the Dallas metropolitan area. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development or home construction in the District.

Developers and Principal Landowners: There is no commitment by, or legal requirement of, the Developers, the principal landowners within the District, 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 DEVELOPERS AND PRINCIPAL LANDOWNERS," and "TAX DATA—Principal Taxpayers."

Dependence on Principal Taxpayers: The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. As illustrated in this Official Statement under the caption "TAX DATA—Principal Taxpayers," for the 2023 tax year, the District's principal taxpayers owned property located within the District, the aggregate assessed valuation of which comprised approximately 8.55% of the District's total taxable assessed valuation. D.R. Horton, the District's top taxpayer for the 2023 tax year and a developer within the District, owned taxable property representing approximately 7.57% of the District's total 2023 Taxable Assessed Valuation. See "THE DEVELOPERS AND PRINCIPAL LANDOWNERS." In the event that the Developers, any other principal taxpayer, or any combination of taxpayers should default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Orders to maintain any specified amount of surplus in its interest and sinking fund. 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 2023 Taxable Assessed Valuation, of all taxable property located within the District is $933,748,965 and the Estimate of Value as of June 1, 2023, is $1,124,791,750. See "TAX DATA." After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds and the Bonds is $8,832,838 (2044), and the average annual debt service requirement on the Outstanding Bonds and the Bonds is $8,582,185 (2024–2047, high years). Assuming no decrease to the District's 2023 Taxable Assessed Valuation, tax rates of $1.00 and $0.97 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no decrease from the Estimate of Value as of June 1, 2023, tax rates of $0.83 and $0.81 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. 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.

In 2022, the District levied a total tax rate of $0.98 per $100 of taxable assessed valuation composed of a tax rate of $0.195 per $100 of taxable assessed valuation for maintenance and operations, $0.340 per $100 of assessed valuation for Utility System debt service, and $0.445 per $100 of taxable assessed valuation for Road System debt service. The District has authorized publication of a notice to levy a total tax rate of $0.96 per $100 of assessed valuation for the 2023 tax year. The District is authorized to levy separate debt service taxes, both of which are unlimited as to rate or amount, for Utility System debt service and Road System debt service. 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 June 1, 2023, approximately 694 developed lots within the District remained available for construction. Future increases in value will result primarily from the construction of homes by homebuilders. The District makes no representation that the lot sales and building program will be successful.

Competitive Nature of Dallas Residential Housing Market

The housing industry in the Dallas area is very competitive, and the District can give no assurance that the building programs which are planned by any homebuilder will be continued or completed. The respective competitive position of the homebuilders listed herein and any other developer or homebuilder 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 and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by difficulties in collecting ad valorem taxes. Under State law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures; (b) a bankruptcy court's stay of tax collection proceedings against a taxpayer; (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property; or (d) the taxpayer's right to redeem the 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. See "TAXING PROCEDURES."

Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "TAX DATA—Estimated Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayer's right to redeem property after foreclosure). Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer.

Bankruptcy Limitation to Registered Owners' Rights

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

Notwithstanding noncompliance by the District with State law requirements, the District could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until 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 proceeds and in making the decision of whether to grant the petitioning District relief from its creditors. While such a decision might be appealable, the concomitant delay and loss of remedies to the Registered Owner could potentially and adversely impair the value of the Registered Owners' claim.

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

The District may not be placed into bankruptcy involuntarily.

Marketability

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

Future Debt

At an election held within the District on November 6, 2018, voters of the District authorized the District's issuance of the following: $202,454,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and $303,681,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds, and $219,696,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System and $329,544,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds.

After issuance of the Bonds, the District has the right to issue the remaining authorized but unissued unlimited tax bonds as follows: $140,814,000 principal amount for the Utility System; $303,681,000 principal amount for the refunding of such bonds; $144,296,000 principal amount for the Road System; and $329,544,000 principal amount for the refunding of such bonds. The District may also issue any additional bonds as may hereafter be approved by both the Board and the voters of the District. The District also has the right to issue certain other additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Orders. See "THE BONDS—Issuance of Additional Debt."

The District's issuance of the Utility Bonds and the remaining $140,814,000 principal amount of unlimited tax bonds for the Utility System is subject to prior approval by the TCEQ. The District's issuance of the Road Bonds and the remaining $144,296,000 principal amount of unlimited tax bonds for the Road System is not subject to approval by the TCEQ.

Following issuance of the Bonds, the District will owe the Developers approximately $49,500,000 for expenditures to construct the Utility System and the Road System. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-to-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Continuing Compliance with Certain Covenants

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

Environmental Regulations

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

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

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

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

On October 7, 2022, the EPA published final notice reclassifying the DFW Area from "serious" to "severe" under the 2008 Ozone Standard, effective November 7, 2022. As the DFW Area is now designated a "severe" nonattainment area, it must meet the attainment date of July 20, 2027 with an attainment year of 2026. The "severe" nonattainment classification provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

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

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

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

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

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

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

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

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

On May 25, 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of "waters of the United States" and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, "waters of the United States" includes only geographical features that are described in ordinary parlance as "streams, oceans, rivers, and lakes" and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection.

While the *Sackett* decision removed a great deal of uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction, operations of municipal utility districts, including the Regional District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

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.

Approval of the Bonds

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

Changes in Tax Legislation

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

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 each series of the Bonds shall have a claim under the respective 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 optional redemption, 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 optional redemption. 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 District 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, if any (the "Bond Insurer"), at such time and in such amounts as would have been due absent 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 Purchasers have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" herein for further information provided by the Bond Insurer and the 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 Purchasers 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," "—Use and Distribution of Proceeds of the Utility Bonds," and "—Use and Distribution of Proceeds of the Road Bonds"), "THE DISTRICT—Authority," "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 Purchasers a certificate, executed by the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

The obligations of the Initial Purchasers 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 Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

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.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, 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 individuals allowed an earned income credit. THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

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

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

State, Local and Foreign Taxes

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

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

The initial public offering price to be paid for one or more maturities of the Bonds may be 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 accrued period or is in excess of one year (the "Original Issue Discount Bonds"). 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 constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. 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, such initial owner 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 period that such Original Issue Discount Bond continues to be owned by such owner. See "– Tax Exemption" herein for a discussion of certain collateral federal tax consequences.

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 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 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 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.

The initial public offering price to be paid for certain maturities of the Bonds may be greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. PURCHASERS OF THE PREMIUM BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION OF AMORTIZABLE BOND PREMIUM WITH RESPECT TO THE PREMIUM BONDS FOR FEDERAL INCOME TAX PURPOSES AND WITH RESPECT TO THE STATE AND LOCAL TAX CONSEQUENCES OF OWNING PREMIUM BONDS.

Not Qualified Tax-Exempt Obligations

The District has not designated the Bonds as "qualified tax-exempt obligations" for financial institutions.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Orders, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the 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 with respect to the District includes all quantitative financial information and operating data relative to the District of the general type included in this Official Statement under the headings "DISTRICT DEBT" (except under the subheading "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 fiscal year ending in or after 2024.

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

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the

District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms "material" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under federal securities laws. Neither the Bonds nor the Bond Orders make any provision for debt service reserves or liquidity enhancement. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Initial Purchasers from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

The District entered into its first continuing disclosure agreement pursuant to the Rule in 2019. In connection with the District's issuance of its Bond Anticipation Note in 2019, the District failed to file a material event Notice of Incurrence of Financial Obligation in a timely manner to the MSRB via EMMA. Such notice has since been filed. On June 8, 2022, Moody's upgraded its rating of the District's rated, outstanding bonds from "Baa3" to "Baa2," and due to an administrative oversight, the District did not timely file notice of such event as required by the Rule. On June 28, 2022, the District filed notice of the rating change as well as notice of failure to timely provide notice of the rating change. Otherwise, the District has materially complied with its prior continuing disclosure obligations.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the Developers, 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 January 31, 2023, were prepared by McCall Gibson Swedlund Barfoot PLLC and have been attached hereto as "APPENDIX A." McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountant, has consented to the publication of such financial statements in this Official Statement.

Experts

The information contained in this Official Statement relating to development and the status of development within the District generally and, in particular, the information in the section captioned "THE DEVELOPERS AND PRINCIPAL LANDOWNERS" and "DEVELOPMENT OF THE DISTRICT" has been provided by the Developers and has been included herein in reliance upon the authority and knowledge of such party concerning the matters described therein.

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

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning 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 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 Purchasers, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchasers elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchasers an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchasers; 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 Purchasers, unless the Initial Purchasers notify the District in writing on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of The Lakes Fresh Water Supply District of Denton County as of the date shown on the cover page hereof.

/s/ Debbie Reuther
President, Board of Directors
The Lakes Fresh Water Supply District of Denton County

ATTEST:

/s/ Sukhui Gibb
Secretary, Board of Directors
The Lakes Fresh Water Supply District of Denton County

APPENDIX A

Financial Statements of the District

THE LAKES FRESH WATER SUPPLY DISTRICT OF DENTON COUNTY

DENTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JANUARY 31, 2023

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

THE LAKES FRESH WATER SUPPLY DISTRICT OF DENTON COUNTY

DENTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JANUARY 31, 2023

T A B L E O F C O N T E N T S

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Lakes Fresh Water Supply District
of Denton County
Denton County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of The Lakes Fresh Water Supply District of Denton County (the "District") as of and for the year ended January 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of January 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Board of Directors
The Lakes Fresh Water Supply District of Denton County

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Board of Directors
The Lakes Fresh Water Supply District of Denton County

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

May 16, 2023

THE LAKES FRESH WATER SUPPLY DISTRICT OF DENTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JANUARY 31, 2023

Management's discussion and analysis of the financial performance of The Lakes Fresh Water Supply District of Denton County (the "District") provides an overview of the District's financial activities for the year ended January 31, 2023. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for property tax revenues and professional and administrative expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed, or assigned for servicing bond debt and the costs of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets by $12,703,815 as of January 31, 2023. The following is a comparative analysis of government-wide changes in net position:

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2023	2022	Change Positive (Negative)
Current and Other Assets	$ 12,711,354	$ 5,822,697	$ 6,888,657
Intangible Assets (Net of Accumulated Amortization)	22,728,321	17,173,350	5,554,971
Capital Assets (Net of Accumulated Depreciation)	52,798,503	29,405,562	23,392,941
Total Assets	$ 88,238,178	$ 52,401,609	$ 35,836,569
Due to Developers	$ 13,024,563	$ 15,940,830	$ 2,916,267
Bonds Payable	82,404,435	40,607,273	(41,797,162)
Other Liabilities	1,303,932	499,159	(804,773)
Total Liabilities	$ 96,732,930	$ 57,047,262	$ (39,685,668)
Deferred Inflows of Resources	$ 4,209,063	$ 1,926,515	$ (2,282,548)
Net Position:			
Net Investment in Capital Assets	$ (15,944,214)	$ (8,266,945)	$ (7,677,269)
Restricted	834,500	218,628	615,872
Unrestricted	2,405,899	1,476,149	929,750
Total Net Position	$ (12,703,815)	$ (6,572,168)	$ (6,131,647)

The following table is a summary of the District's operations for the years ending January 31, 2023, and January 31, 2022:

	Summary of Changes in the Statement of Activities		
	2023	2022	Change Positive (Negative)
Revenues:			
Property Taxes, Including Penalties	$ 3,326,919	$ 1,723,997	$ 1,602,922
Other Revenues	94,787	10,678	84,109
Total Revenues	$ 3,421,706	$ 1,734,675	$ 1,687,031
Expenses for Services	9,553,353	4,898,720	(4,654,633)
Change in Net Position	$ (6,131,647)	$ (3,164,045)	$ (2,967,602)
Net Position, Beginning of Year	(6,572,168)	(3,408,123)	(3,164,045)
Net Position, End of Year	$ (12,703,815)	$ (6,572,168)	$ (6,131,647)

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of January 31, 2023, were $8,375,233, an increase of $4,549,411 from the prior year.

The District's General Fund fund balance increased by $880,643, primarily due to property tax revenues which exceeded professional and administrative costs.

The District's Debt Service Fund fund balance increased by $1,413,054, primarily due to the receipt of capitalized interest from the sale of the Series 2022 Utility and Series 2022 Road bonds as well as the structure of the District's outstanding debt.

The District's Capital Projects Fund fund balance increased by $2,255,714. The District sold its Series 2022 Utility Bonds and Series 2022 Road Bonds and used the proceeds to reimburse developers for costs paid on behalf of the District.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were $353,911 more than budgeted revenues and actual expenditures were $92,378 more than budgeted expenditures resulting in a positive variance of $261,533. See the budget to actual comparison for more information.

CAPITAL ASSETS AND INTANGIBLE ASSETS

Capital assets as of January 31, 2023, total $52,798,503, net of accumulated depreciation, and include land, roads, drainage infrastructure and street enhancements, consisting of landscaping, owned by the District.

Additionally, the District entered into an agreement (see Note 10) with Mustang Special Utility District ("Mustang") whereby water facilities and wastewater facilities constructed within the District have been conveyed to Mustang for operation and maintenance for the benefit of District residents. As of January 31, 2023, intangible assets constructed and conveyed to Mustang totaled $22,728,321 (net of accumulated amortization).

LONG-TERM DEBT ACTIVITY

The District's bonds issued from since 2021 carry underlying ratings of "Baa2". All District bonds, with the exception of the Series 2019 Bonds, carry insured ratings of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company or Assured Guaranty Municipal Corp. Credit enhanced ratings provided through bond insurance policies are subject to change based on changes to the ratings of the insurers.

LONG-TERM DEBT ACTIVITY (Continued)

As of January 31, 2023, the District had total bond debt payable of $82,150,000. The changes in the debt position of the District during the year ended January 31, 2023, are summarized as follows:

Bond Debt Payable, February 1, 2022	$ 40,090,000
Add: Bond Sales	42,595,000
Less: Bond Principal Paid	535,000
Bond Debt Payable, January 31, 2023	$ 82,150,000

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to The Lakes Fresh Water Supply District of Denton County, c/o Coats Rose, P.C., 16000 North Dallas Parkway, Suite 350, Dallas, TX 75248.

THE LAKES FRESH WATER SUPPLY DISTRICT OF DENTON COUNTY

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

JANUARY 31, 2023

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 132,720	$ 1,126,589
Investments	2,045,872	4,979,400
Cash with Tax Assessor/Collector		47,581
Receivables:		
Property Taxes	81,436	325,886
Accrued Interest	2,682	14,588
Due from Other Funds	193,619	
Intangible Assets (Net of Accumulated Amortization)		
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 2,456,329	$ 6,494,044
LIABILITIES		
Accounts Payable	$ 45,622	$
Accrued Interest Payable		
Due to Developers		
Due to Other Funds		192,171
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	$ 45,622	$ 192,171
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 81,436	$ 4,209,063
FUND BALANCES		
Restricted for Authorized Construction	$	$
Restricted for Debt Service		2,092,810
Unassigned	2,329,271	
TOTAL FUND BALANCES	$ 2,329,271	$ 2,092,810
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 2,456,329	$ 6,494,044
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 2,953,658	$ 4,212,967	$	$ 4,212,967
1,000,942	8,026,214		8,026,214
	47,581		47,581
	407,322		407,322
	17,270		17,270
	193,619	(193,619)	
		22,728,321	22,728,321
		2,197,771	2,197,771
		50,600,732	50,600,732
$ 3,954,600	$ 12,904,973	$ 75,333,205	$ 88,238,178
$	$ 45,622	$	$ 45,622
		1,258,310	1,258,310
		13,024,563	13,024,563
1,448	193,619	(193,619)	
		1,205,000	1,205,000
		81,199,435	81,199,435
$ 1,448	$ 239,241	$ 96,493,689	$ 96,732,930
$ -0-	$ 4,290,499	$ (81,436)	$ 4,209,063
$ 3,953,152	$ 3,953,152	$ (3,953,152)	$
	2,092,810	(2,092,810)	
	2,329,271	(2,329,271)	
$ 3,953,152	$ 8,375,233	$ (8,375,233)	$ -0-
$ 3,954,600	$ 12,904,973		
		$ (15,944,214)	$ (15,944,214)
		834,500	834,500
		2,405,899	2,405,899
		$ (12,703,815)	$ (12,703,815)

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

THE LAKES FRESH WATER SUPPLY DISTRICT
OF DENTON COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JANUARY 31, 2023

Total Fund Balances - Governmental Funds		$ 8,375,233
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Water facilities and wastewater facilities constructed by the Developers on behalf of the District and conveyed to Mustang Special Utility District in exchange for service provided to District residents are recorded as intangible assets in governmental activities.		22,728,321
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		52,798,503
Deferred inflows of resources related to property tax revenues for the 2022 maintenance tax levy became part of recognized revenue in the governmental activities of the District.		81,436
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Due to Developers	$ (13,024,563)	
Accrued Interest Payable	(1,258,310)	
Bonds Payable	(82,404,435)	(96,687,308)
Total Net Position - Governmental Activities		$ (12,703,815)

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

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THE LAKES FRESH WATER SUPPLY DISTRICT
OF DENTON COUNTY

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JANUARY 31, 2023

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 1,088,993	$ 2,188,819
Investment and Miscellaneous Revenues	22,218	46,658
TOTAL REVENUES	$ 1,111,211	$ 2,235,477
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	$ 98,382	$ 5,064
Contracted Services	112,142	21,303
Amortization		
Depreciation		
Other	20,044	1,804
Developer Interest		
Capital Outlay		
Debt Service:		
Bond Principal		535,000
Bond Interest		1,116,977
Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	$ 230,568	$ 1,680,148
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	$ 880,643	$ 555,329
OTHER FINANCING SOURCES (USES)		
Proceeds from Issuance of Long-Term Debt	$	$ 857,725
Bond Premium		
Bond Discount		
TOTAL OTHER FINANCING SOURCES, NET	$ -0-	$ 857,725
NET CHANGE IN FUND BALANCES	$ 880,643	$ 1,413,054
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - FEBRUARY 1, 2022	1,448,628	679,756
FUND BALANCES/NET POSITION - JANUARY 31, 2023	$ 2,329,271	$ 2,092,810

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 3,277,812	$ 49,107	$ 3,326,919
25,911	94,787		94,787
$ 25,911	$ 3,372,599	$ 49,107	$ 3,421,706
$	$ 103,446	$	$ 103,446
	133,445		133,445
		601,570	601,570
		1,191,463	1,191,463
58,304	80,152		80,152
2,964,338	2,964,338		2,964,338
33,657,212	33,657,212	(33,657,212)	
	535,000	(535,000)	
	1,116,977	780,217	1,897,194
2,581,745	2,581,745		2,581,745
$ 39,261,599	$ 41,172,315	$ (31,618,962)	$ 9,553,353
$ (39,235,688)	$ (37,799,716)	$ 31,668,069	$ (6,131,647)
$ 41,737,275	$ 42,595,000	$ (42,595,000)	$
1,356,137	1,356,137	(1,356,137)	
(1,602,010)	(1,602,010)	1,602,010	
$ 41,491,402	$ 42,349,127	$ (42,349,127)	$ -0-
$ 2,255,714	$ 4,549,411	$ (4,549,411)	$
		(6,131,647)	(6,131,647)
1,697,438	3,825,822	(10,397,990)	(6,572,168)
$ 3,953,152	$ 8,375,233	$ (21,079,048)	$ (12,703,815)

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

THE LAKES FRESH WATER SUPPLY DISTRICT OF DENTON COUNTY

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JANUARY 31, 2023

Net Change in Fund Balances - Governmental Funds	$ 4,549,411
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	49,107
Governmental funds do not account for amortization. However, in the Statement of Net Position, intangible assets are amortized and amortization expense is recorded in the Statement of Activities.	(601,570)
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(1,191,463)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	33,657,212
Governmental funds report bond premiums/discounts as other financing sources/uses in the year received/paid. However, in the Statement of Net Position, bond premiums and bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	262,838
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	535,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(797,182)
Governmental funds report bond proceeds as other financing sources. Proceeds from the sale of bonds increases long-term liabilities in the Statement of Net Position.	(42,595,000)
Change in Net Position - Governmental Activities	$ (6,131,647)

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

THE LAKES FRESH WATER SUPPLY DISTRICT
OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2023

NOTE 1. CREATION OF DISTRICT

The Lakes Fresh Water Supply District of Denton County (the "District") was created on June 18, 2005 by special act of the 79th Texas Legislature. The creation and operation of the District is pursuant to Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution and Chapter 8125, Texas Special District Local Laws Code. The District operates under Chapters 49, 53 and 54 of the Texas Water Code, as amended.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and, the construction, operation and maintenance of macadamized, graveled or paved roads and turnpikes and improvements in aid thereof. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities, independently or with one or more conservation and reclamation districts, subject to the approval of the Texas Commission on Environmental Quality (the "Commission") and the voters of the District. Additionally, the District may, subject to certain limitations, utilize non-tax revenues to develop and finance parks and recreational facilities.

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

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

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements. The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position. The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated to obtain net total revenues and expenses of the government-wide Statement of Activities.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Funds

The District has three governmental funds and considers each to be a major fund. The General Fund accounts for property tax revenues and professional and administrative expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted committed or assigned for serving bond debt and cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

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

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures. The 2022 debt service tax levy has been fully deferred to pay the debt service costs to be incurred during the District's upcoming fiscal year.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of January 31, 2023, the Debt Service Fund owed the General Fund $192,171 for maintenance tax collections and the Capital Projects Fund owed the General Fund $1,448 for bond issuance costs.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Intangible Assets

Capital assets include land, roads and drainage infrastructure and street enhancements which are reported in the government-wide Statement of Net Position at historical cost or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized if they have an original cost greater than $5,000 and a useful life over 2 years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation over periods ranging from 10 to 45 years.

Intangible assets include the costs of water facilities and wastewater facilities constructed within the District which are conveyed to Mustang Special Utility District for operation and maintenance for the benefit of District residents. Intangible assets are amortized using the straight-line method over 45 years.

Budgeting

An unappropriated budget is adopted for the General Fund by the Board of Directors and is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that Directors are considered to be “employees” for federal payroll tax purposes only.

Measurement Focus

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

THE LAKES FRESH WATER SUPPLY DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2023

NOTE 3. LONG-TERM DEBT

	Series 2019 Road	Series 2020 Utility	Series 2020 Road
Amounts Outstanding – January 31, 2023	$ 6,910,000	$ 6,460,000	$ 4,845,000
Interest Rates	3.00% - 4.00%	3.00% - 5.50%	2.00% - 4.50%
Maturity Dates – Serially Beginning/Ending	September 1, 2023/2044	September 1, 2023/2045	September 1, 2023/2045
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2024*	September 1, 2025*	September 1, 2025*

	Series 2021 Utility	Series 2021 Road	Series 2022 Utility
Amounts Outstanding – January 31, 2023	$ 10,390,000	$ 10,950,000	$ 17,580,000
Interest Rates	2.00% - 3.00%	2.00% - 3.00%	3.625% - 6.125%
Maturity Dates – Serially Beginning/Ending	September 1, 2023/2046	September 1, 2023/2046	September 1, 2024/2047
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2026*	September 1, 2026*	July 1, 2028*

* Or any date thereafter at a price of par plus unpaid accrued interest to the date fixed for redemption. The Series 2019 Road term bonds maturing on September 1, 2044 are subject to mandatory redemption beginning September 1, 2035. The Series 2020 term bonds maturing on September 1, 2043 are subject to mandatory redemption beginning September 1, 2037. The Series 2020 Road term bonds maturing on September 1, 2029, 2033, 2035, 2037, 2039, and 2045 are subject to mandatory redemption beginning September 1, 2026, 2030, 2034, 2036, 2038, and 2040, respectively. The Series 2021 term bonds maturing on September 1, 2041, 2043, and 2046 are subject to mandatory redemption beginning September 1, 2040, 2042, and 2044, respectively. The Series 2021 Road term bonds maturing on September 1, 2040, 2042, 2044, and 2046 are subject to mandatory redemption beginning September 1, 2039, 2041, 2043, and 2045, respectively. The Series 2022 term bonds maturing on September 1, 2038, 2040, 2042, and 2047 are subject to mandatory redemption beginning September 1, 2037, 2039, 2041, and 2043, respectively.

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2022 Road
Amounts Outstanding – January 31, 2023	$ 25,015,000
Interest Rates	3.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2024/2047
Interest Payment Dates	March 1/ September 1
Callable Dates	September 1, 2029*

* Or any date thereafter at a price of par plus unpaid accrued interest to the date fixed for redemption. The Series 2022 Road term bonds maturing on September 1, 2043, 2045 and 2047 are subject to mandatory redemption beginning September 1, 2042, 2044 and 2046, respectively.

The District has the following authorized but unissued bonds: $167,829,000 for the purchase or construction of water and wastewater facilities; $171,311,000 for the purchase or construction of roads; $303,681,000 for refunding water and wastewater facilities bonds; and $329,544,000 for refunding road bonds. The bonds of the District 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 following is a summary of transactions regarding bonds payable for the year ended January 31, 2023:

	February 1, 2022	Additions	Retirements	January 31, 2023
Bonds Payable	$ 40,090,000	$ 42,595,000	$ 535,000	$ 82,150,000
Unamortized Discounts	(361,138)	(1,602,010)	(44,407)	(1,918,741)
Unamortized Premiums	878,411	1,356,137	61,372	2,173,176
Bonds Payable, Net	$ 40,607,273	$ 42,349,127	$ 551,965	$ 82,404,435
		Amount Due Within One Year		$ 1,205,000
		Amount Due After One Year		81,199,435
		Bonds Payable, Net		$ 82,404,435

NOTE 3. LONG-TERM DEBT (Continued)

As of January 31, 2023, the debt service requirements on the outstanding bonds were as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 1,205,000	$ 2,943,224	$ 4,148,224
2025	2,290,000	2,862,920	5,152,920
2026	2,375,000	2,766,630	5,141,630
2027	2,465,000	2,666,719	5,131,719
2028	2,555,000	2,563,087	5,118,087
2029-2033	14,260,000	11,247,021	25,507,021
2034-2038	16,955,000	8,549,574	25,504,574
2039-2043	20,120,000	5,387,746	25,507,746
2044-2048	19,925,000	1,788,557	21,713,557
	$ 82,150,000	$ 40,775,478	$ 122,925,478

During the current year, the District levied an ad valorem debt service tax rate of $0.34 per $100 of assessed valuation and an ad valorem road debt service tax rate of $0.445 per $100 of assessed valuation, which resulted in a tax levy of $4,209,063 on the adjusted taxable valuation of $535,780,092 for the 2022 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

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

The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was $5,707,967 and the bank balance was $5,709,179. The District was not exposed to custodial credit risk at year end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at January 31, 2023, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	$ 132,720	$ 245,000	$ 377,720
DEBT SERVICE FUND	1,126,589	1,250,000	2,376,589
CAPITAL PROJECTS FUND	2,953,658		2,953,658
TOTAL DEPOSITS	$ 4,212,967	$ 1,495,000	$ 5,707,967

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived."

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

No person may invest District funds without express written authority from the Board of Directors. Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not SEC-registered. The Texas Comptroller of Public Accounts has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool meets measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

The District records its investments in certificates of deposit at acquisition cost.

As of January 31, 2023, the District had the following investments and maturities:

Funds and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND		
Certificate of Deposit	$ 245,000	$ 245,000
TexPool	1,800,872	1,800,872
DEBT SERVICE FUND		
TexPool	3,729,400	3,729,400
Certificates of Deposit	1,250,000	1,250,000
CAPITAL PROJECTS FUND		
TexPool	1,000,942	1,000,942
TOTAL INVESTMENTS	$ 8,026,214	$ 8,026,214

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District's investments in TexPool were rated AAAm by Standard and Poor's. The District also manages credit risk by investing in certificates of deposit covered by FDIC insurance and pledged collateral.

THE LAKES FRESH WATER SUPPLY DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2023

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers its investments in TexPool to have maturities of less than one year due to the fact the share positions can usually be redeemed each day at the discretion of the District unless there have been significant changes in value. The District also manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

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

NOTE 6. CAPITAL ASSETS AND INTANGIBLE ASSETS

Capital assets owned and maintained by the District include land, roads, drainage infrastructure and street enhancements. Capital asset activity for the current fiscal year is summarized below:

	February 1, 2022	Increases	Decreases	January 31, 2023
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 1,335,740	$ 862,031	$	$ 2,197,771
Construction in Progress		24,584,404	24,584,404	
Total Capital Assets Not Being Depreciated	$ 1,335,740	$ 25,446,435	$ 24,584,404	$ 2,197,771
Capital Assets Subject to Depreciation				
Roads	$ 20,963,097	$ 19,090,678	$	$ 40,053,775
Drainage Facilities	8,340,514	3,984,135		12,324,649
Street Enhancements		647,560		647,560
Total Capital Assets Subject to Depreciation	$ 29,303,611	$ 23,722,373	$ - 0 -	$ 53,025,984
Accumulated Depreciation				
Roads	$ 854,044	$ 842,696	$	$ 1,696,740
Drainage Facilities	379,745	305,301		685,046
Street Enhancements		43,466		43,466
Total Accumulated Depreciation	$ 1,233,789	$ 1,191,463	$ - 0 -	$ 2,425,252
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 28,069,822	$ 22,530,910	$ - 0 -	$ 50,600,732
Total Capital Assets, Net of Accumulated Depreciation	$ 29,405,562	$ 47,977,345	$ 24,584,404	$ 52,798,503

NOTE 6. CAPITAL ASSETS AND INTANGIBLE ASSETS

Developers have financed the construction of water facilities and wastewater facilities which serve District residents. These facilities have been conveyed to Mustang Special Utility District in accordance with the service agreement (see Note 10). In exchange for conveyance of these assets, Mustang agrees to provide service to residents of the District. Intangible asset activity for the year ended January 31, 2023, is summarized in the following table:

	February 1, 2022	Increases	Decreases	January 31, 2023
Intangible Assets Subject to Amortization				
Water and Wastewater Systems	$ 18,173,237	$ 6,156,541	$ -0-	$ 24,329,778
Accumulated Amortization				
Water and Wastewater Systems	$ 999,887	$ 601,570	$ -0-	$ 1,601,457
Total Intangible Assets, Net of Accumulated Amortization	$ 17,173,350	$ 5,554,971	$ -0-	$ 22,728,321

NOTE 7. MAINTENANCE TAX

On September 10, 2005, the voters of the District approved the levy and collection of a maintenance tax in an unlimited amount per $100 of assessed valuation of taxable property within the District. During the year ended January 31, 2023, the District levied an ad valorem maintenance tax rate of $0.195 per $100 of assessed valuation, which resulted in a tax levy of $1,044,771 on the adjusted taxable valuation of $535,780,092 for the 2022 tax year.

NOTE 8. UNREIMBURSED COSTS

The District has entered into financing agreements with the Developers which call for the Developers to fund operating advances as well as costs associated with the construction of roads and utility infrastructure. The District has an obligation to reimburse the Developer for these costs from future bond issues or other lawfully available funds. The following table summarizes the current fiscal year activity related to unreimbursed costs:

Due to Developers, beginning of year	$ 15,940,830
Additions	33,762,581
Reductions	(36,678,848)
Due to Developers, end of year	$ 13,024,563

NOTE 9. RISK MANAGEMENT

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

NOTE 10. WATER SUPPLY AND WASTEWATER TREATMENT AGREEMENTS

Water Supply

The District lies within the service area of certificate of convenience and necessity number 11856 held by Mustang Special Utility District ("Mustang"). Mustang is the provider of retail water service to the users within the District. On October 12, 2016, the District entered into a Non-Standard Service Agreement with Mustang to provide capacity to service 3,100 equivalent single-family connections ("esfcs") within the District. This agreement was amended on March 17, 2021, for an additional 1,700 esfcs to be developed within the District for a new total of 4,800 esfcs. On November 12, 2019, the District into a Non-Standard Service Agreement with Mustang to provide water capacity for an additional 312 esfcs for the 116.932 acres of land that was annexed into the District on January 17, 2019 (collectively, the "Agreements"). Under the terms of the Agreements, the District will construct the internal water supply and wastewater facilities necessary to service customers within the District's boundaries. Upon completion of such systems, the systems will be conveyed to Mustang. In consideration of the District's construction and conveying such systems, Mustang shall assume all operation and maintenance responsibilities for the water and wastewater systems. Mustang has entered into an agreement with the Upper Trinity Regional Water District (the "UTRWD") pursuant to which Mustang receives wholesale treated surface water from the UTRWD. Such water is delivered to the District at a point of delivery as described in the Agreements. Mustang owns sufficient water capacity through its agreement with UTRWD to provide for the esfcs proposed within the District.

Wastewater Treatment

The area within the District lies wholly within the sewer certificate of convenience and necessity number 20930 held by Mustang. Mustang is the provider of retail wastewater service to the users within the District. Under the terms of the Agreement, the District will construct, or have constructed, a water production or distribution system and a wastewater collection system. Upon completion of such systems, the systems will be conveyed to Mustang. In consideration of the District's construction and conveying such systems, Mustang shall assume all operation and maintenance responsibilities for the water and wastewater systems.

NOTE 10. WATER SUPPLY AND WASTEWATER TREATMENT AGREEMENTS (Continued)

Wastewater Treatment (Continued)

Under the terms of its agreement with the UTRWD, Mustang is made a participant in the Riverbend Wastewater Treatment Plant, which is operated and maintained by the UTRWD. Mustang owns sufficient wastewater treatment capacity through its agreement with UTRWD to provide for the esfcs proposed within the District.

NOTE 11. BOND SALES AND USE OF SURPLUS FUNDS

On July 21, 2022, the District issued its $17,580,000 Unlimited Tax Bonds, Series 2022, with interest rates ranging from 3.625% to 6.125%. Bond proceeds were used to reimburse Developers for construction and engineering costs related to the following projects: utilities serving Silverado, Phases 1C, 2, 3, 4, 5A, 6 and 7; Frontier Parkway at Silverado; Aspen Meadows, Phase 1 and Aspen Meadows Phase 2. Additional bond proceeds were used to pay for developer interest, bond issuance costs and future bond interest.

On September 21, 2022, the District issued its $25,015,000 Unlimited Tax Road Bonds, Series 2022, with interest rates ranging from 3.00% to 4.00%. Bond proceeds were used to reimburse the Developers for construction and engineering costs for: road projects serving Silverado, Phases 1A, 1B, 5A, 5B, 6 and 7; Silverado MI Erosion Control; Silverado West Phase 1, Phase 2, Phase 3, Phase 4, 5B and Phase 6; Silverado West McNutt; East Phases 1A and 1B land and right-of-way acquisition; Aspen Meadows, Phases 1 and 2 paving and right-of-way. Additional proceeds were used to pay for developer interest, bond issuance costs and future bond interest.

On January 20, 2023, the District received approval from the Commission to use of $1,193,817 of surplus Series 2020, Series 2021 and Series 2022 bond proceeds to reimburse the Developer for water, wastewater and drainage costs related to Frontier Parkway at Silverado and pay for developer interest and application costs.

NOTE 12. LEASE AGREEMENT

Per lease agreement dated June 21, 2022, entered into between The District and the Aspen Meadows Homeowners Association (the “HOA”), the District leased to the HOA certain property as described in the agreement for recreational purposes and events suitable for the property in its capacity as a nature preserve. The term of the agreement is 20 years with automatic renewal for successive five-year terms unless either party provides written notice to the other to not renew. The HOA pays the District $1.00 per year for rent.

THE LAKES FRESH WATER SUPPLY DISTRICT OF DENTON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

JANUARY 31, 2023

THE LAKES FRESH WATER SUPPLY DISTRICT OF DENTON COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND FOR THE YEAR ENDED JANUARY 31, 2023

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	$ 756,800	$ 1,088,993	$ 332,193
Investment and Miscellaneous Revenues	500	22,218	21,718
TOTAL REVENUES	$ 757,300	$ 1,111,211	$ 353,911
EXPENDITURES			
Service Operations:			
Professional Fees	$ 103,500	$ 98,382	$ 5,118
Contracted Services	9,000	112,142	(103,142)
Other	25,690	20,044	5,646
TOTAL EXPENDITURES	$ 138,190	$ 230,568	$ (92,378)
NET CHANGE IN FUND BALANCE	$ 619,110	$ 880,643	$ 261,533
FUND BALANCE - FEBRUARY 1, 2022	1,448,628	1,448,628	
FUND BALANCE - JANUARY 31, 2023	$ 2,067,738	$ 2,329,271	$ 261,533

See accompanying independent auditor's report.

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THE LAKES FRESH WATER SUPPLY DISTRICT
OF DENTON COUNTY

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

JANUARY 31, 2023

THE LAKES FRESH WATER SUPPLY DISTRICT OF DENTON COUNTY
SERVICES AND RATES
FOR THE YEAR ENDED JANUARY 31, 2023

1. SERVICES PROVIDED BY THE DISTRICT DURING THE YEAR:

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

Note: Mustang Special Utility District provides water and wastewater service to residents of the District (see Note 10).

2. RETAIL SERVICE PROVIDERS: (NOT APPLICABLE)

3. TOTAL WATER CONSUMPTION: (NOT APPLICABLE)

4. STANDBY FEES: (NOT APPLICABLE)

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes __X__ No _____

County in which District is located - Denton County, Texas

Is the District located within a city?

Entirely _____ Partly ______ Not at all __X__

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

Entirely __X__ Partly ______ Not at all _____

ETJ in which District is located – City of Aubrey, Texas

Are Board Members appointed by an office outside the District?

Yes _____ No __X__

See accompanying independent auditor's report.

THE LAKES FRESH WATER SUPPLY DISTRICT
OF DENTON COUNTY
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JANUARY 31, 2023

PROFESSIONAL FEES:		
Auditing	$	14,000
Legal		84,382
TOTAL PROFESSIONAL FEES	$	98,382
CONTRACTED SERVICES:		
Bookkeeping	$	9,572
Security		102,570
TOTAL CONTRACTED SERVICES	$	112,142
ADMINISTRATIVE EXPENDITURES:		
Director Fees, Including Payroll Taxes	$	10,334
Insurance		4,151
Website, Meetings, Travel and Other		5,559
TOTAL ADMINISTRATIVE EXPENDITURES	$	20,044
TOTAL EXPENDITURES	$	230,568

See accompanying independent auditor’s report.

THE LAKES FRESH WATER SUPPLY DISTRICT
OF DENTON COUNTY
INVESTMENTS
JANUARY 31, 2023

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND					
Certificate of Deposit	XXXX0464	3.05%	03/22/23	$ 245,000	$ 2,682
TexPool	XXXX0001	Varies	Daily	1,800,872	
TOTAL GENERAL FUND				$ 2,045,872	$ 2,682
DEBT SERVICE FUND					
Certificate of Deposit	XXXX4966	2.70%	02/22/23	$ 800,000	$ 9,587
Certificate of Deposit	XXXX4981	3.05%	03/20/23	450,000	5,001
TexPool	XXXX0002	Varies	Daily	2,528,270	
TexPool	XXXX0003	Varies	Daily	1,201,130	
TOTAL DEBT SERVICE FUND				$ 4,979,400	$ 14,588
CAPITAL PROJECTS FUND					
TexPool	XXXX0004	Varies	Daily	$ 1,000,942	$ - 0 -
TOTAL - ALL FUNDS				$ 8,026,214	$ 17,270

See accompanying independent auditor's report.

THE LAKES FRESH WATER SUPPLY DISTRICT
OF DENTON COUNTY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JANUARY 31, 2023

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE - FEBRUARY 1, 2022	$ 32,329		$ 80,823	
Adjustments to Beginning Balance	93,329	$ 125,658	263,385	$ 344,208
Original 2022 Tax Levy	$ 997,382		$ 4,015,104	
Adjustment to 2022 Tax Levy	47,389	1,044,771	193,959	4,209,063
TOTAL TO BE ACCOUNTED FOR		$ 1,170,429		$ 4,553,271
TAX COLLECTIONS:				
Prior Years	$ 124,382		$ 341,018	
Current Year	964,611	1,088,993	3,886,367	4,227,385
TAXES RECEIVABLE - JANUARY 31, 2023		$ 81,436		$ 325,886
TAXES RECEIVABLE BY YEAR:				
2022		$ 80,160		$ 322,696
2021		1,276		3,190
TOTAL		$ 81,436		$ 325,886

See accompanying independent auditor's report.

THE LAKES FRESH WATER SUPPLY DISTRICT
OF DENTON COUNTY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JANUARY 31, 2023

	2022	2021	2020	2019
PROPERTY VALUATIONS:				
Land	$ 218,386,029	$ 103,841,859	$ 51,599,031	$ 62,995,257
Improvements	353,394,441	177,458,166	74,775,133	18,534,459
Personal Property	932,933	643,939	563,834	563,834
Exemptions	(36,933,311)	(6,727,597)	(4,960,630)	(21,865,917)
TOTAL PROPERTY VALUATIONS	$ 535,780,092	$ 275,216,367	$ 121,977,368	$ 60,227,633
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.340	$ 0.295	$ 0.255	$ 0.00
Road Debt Service	0.445	0.405	0.475	0.77
Maintenance**	0.195	0.280	0.270	0.23
TOTAL TAX RATES PER $100 VALUATION	$ 0.980	$ 0.980	$ 1.000	$ 1.00
ADJUSTED TAX LEVY*	$ 5,253,834	$ 2,697,121	$ 1,219,774	$ 602,277
PERCENTAGE OF TAX COLLECTED TO TAXES LEVIED	92.33 %	99.83 %	100.00 %	100.00 %

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

** Maintenance Tax – Maximum tax rate of an unlimited amount per $100 of assessed valuation approved by voters on September 10, 2005.

See accompanying independent auditor's report.

THE LAKES FRESH WATER SUPPLY DISTRICT OF DENTON COUNTY

LONG-TERM DEBT SERVICE REQUIREMENTS
JANUARY 31, 2023

Due During Fiscal Years Ending January 31	SERIES-2019 ROAD Principal Due September 1	Interest Due March 1/ September 1	Total
2024	$ 200,000	$ 258,494	$ 458,494
2025	205,000	252,494	457,494
2026	215,000	246,344	461,344
2027	225,000	239,894	464,894
2028	235,000	233,144	468,144
2029	245,000	225,800	470,800
2030	255,000	217,532	472,532
2031	265,000	208,606	473,606
2032	275,000	199,331	474,331
2033	285,000	189,362	474,362
2034	300,000	178,674	478,674
2035	310,000	167,424	477,424
2036	320,000	155,800	475,800
2037	335,000	143,000	478,000
2038	350,000	129,600	479,600
2039	365,000	115,600	480,600
2040	380,000	101,000	481,000
2041	395,000	85,800	480,800
2042	410,000	70,000	480,000
2043	430,000	53,600	483,600
2044	445,000	36,400	481,400
2045	465,000	18,600	483,600
2046			
2047			
2048			
	$ 6,910,000	$ 3,526,499	$ 10,436,499

See accompanying independent auditor's report.

THE LAKES FRESH WATER SUPPLY DISTRICT
OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JANUARY 31, 2023

	SERIES-2020 UTILITY		
Due During Fiscal Years Ending January 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2024	$ 200,000	$ 244,425	$ 444,425
2025	205,000	233,425	438,425
2026	210,000	222,150	432,150
2027	220,000	210,600	430,600
2028	225,000	198,500	423,500
2029	230,000	186,125	416,125
2030	240,000	173,475	413,475
2031	245,000	160,275	405,275
2032	250,000	146,800	396,800
2033	260,000	133,050	393,050
2034	265,000	125,250	390,250
2035	275,000	117,300	392,300
2036	285,000	109,050	394,050
2037	290,000	100,500	390,500
2038	300,000	91,800	391,800
2039	310,000	82,800	392,800
2040	320,000	73,500	393,500
2041	330,000	63,900	393,900
2042	340,000	54,000	394,000
2043	350,000	43,800	393,800
2044	360,000	33,300	393,300
2045	370,000	22,500	392,500
2046	380,000	11,400	391,400
2047			
2048			
	$ 6,460,000	$ 2,837,925	$ 9,297,925

See accompanying independent auditor's report.

THE LAKES FRESH WATER SUPPLY DISTRICT
OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JANUARY 31, 2023

	SERIES-2020 ROAD		
Due During Fiscal Years Ending January 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2024	$ 155,000	$ 128,112	$ 283,112
2025	160,000	121,138	281,138
2026	165,000	113,936	278,936
2027	165,000	106,513	271,513
2028	170,000	99,088	269,088
2029	175,000	91,437	266,437
2030	180,000	83,562	263,562
2031	185,000	75,463	260,463
2032	190,000	71,762	261,762
2033	195,000	67,963	262,963
2034	200,000	64,062	264,062
2035	205,000	60,063	265,063
2036	215,000	55,962	270,962
2037	220,000	51,663	271,663
2038	225,000	47,262	272,262
2039	230,000	42,763	272,763
2040	240,000	38,162	278,162
2041	245,000	33,363	278,363
2042	250,000	28,156	278,156
2043	260,000	22,844	282,844
2044	265,000	17,319	282,319
2045	270,000	11,688	281,688
2046	280,000	5,950	285,950
2047			
2048			
	$ 4,845,000	$ 1,438,231	$ 6,283,231

See accompanying independent auditor's report.

THE LAKES FRESH WATER SUPPLY DISTRICT
OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JANUARY 31, 2023

	SERIES-2021		
Due During Fiscal Years Ending January 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2024	$ 295,000	$ 239,256	$ 534,256
2025	305,000	230,407	535,407
2026	320,000	221,256	541,256
2027	330,000	211,656	541,656
2028	345,000	201,756	546,756
2029	360,000	191,406	551,406
2030	370,000	184,206	554,206
2031	385,000	176,806	561,806
2032	400,000	169,106	569,106
2033	415,000	161,106	576,106
2034	425,000	152,806	577,806
2035	435,000	144,306	579,306
2036	445,000	135,606	580,606
2037	455,000	126,706	581,706
2038	465,000	117,039	582,039
2039	475,000	107,156	582,156
2040	485,000	97,062	582,062
2041	495,000	86,151	581,151
2042	505,000	75,012	580,012
2043	515,000	63,651	578,651
2044	530,000	51,418	581,418
2045	540,000	38,832	578,832
2046	540,000	26,006	566,006
2047	555,000	13,182	568,182
2048			
	$ 10,390,000	$ 3,221,894	$ 13,611,894

See accompanying independent auditor's report.

THE LAKES FRESH WATER SUPPLY DISTRICT
OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JANUARY 31, 2023

	SERIES-2021 ROAD		
Due During Fiscal Years Ending January 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2024	$ 355,000	$ 252,181	$ 607,181
2025	365,000	241,531	606,531
2026	370,000	230,581	600,581
2027	385,000	219,481	604,481
2028	390,000	207,931	597,931
2029	400,000	200,131	600,131
2030	410,000	192,131	602,131
2031	420,000	183,931	603,931
2032	430,000	175,531	605,531
2033	435,000	166,931	601,931
2034	440,000	158,231	598,231
2035	450,000	149,431	599,431
2036	455,000	140,432	595,432
2037	465,000	131,332	596,332
2038	475,000	121,450	596,450
2039	480,000	111,356	591,356
2040	485,000	100,556	585,556
2041	500,000	89,644	589,644
2042	510,000	78,394	588,394
2043	515,000	66,282	581,282
2044	525,000	54,050	579,050
2045	535,000	41,582	576,582
2046	570,000	28,874	598,874
2047	585,000	14,624	599,624
2048			
	$ 10,950,000	$ 3,356,598	$ 14,306,598

See accompanying independent auditor's report.

THE LAKES FRESH WATER SUPPLY DISTRICT
OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JANUARY 31, 2023

	SERIES-2022		
Due During Fiscal Years Ending January 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2024	$	$ 906,250	$ 906,250
2025	450,000	815,625	1,265,625
2026	470,000	788,063	1,258,063
2027	485,000	759,275	1,244,275
2028	505,000	729,568	1,234,568
2029	525,000	698,637	1,223,637
2030	545,000	666,481	1,211,481
2031	570,000	635,825	1,205,825
2032	590,000	607,325	1,197,325
2033	615,000	577,825	1,192,825
2034	640,000	547,075	1,187,075
2035	665,000	515,075	1,180,075
2036	695,000	481,825	1,176,825
2037	720,000	447,075	1,167,075
2038	750,000	411,075	1,161,075
2039	780,000	373,575	1,153,575
2040	810,000	334,575	1,144,575
2041	845,000	300,150	1,145,150
2042	875,000	264,238	1,139,238
2043	910,000	225,956	1,135,956
2044	950,000	186,144	1,136,144
2045	985,000	151,706	1,136,706
2046	1,025,000	116,000	1,141,000
2047	1,065,000	78,844	1,143,844
2048	1,110,000	40,238	1,150,238
	$ 17,580,000	$ 11,658,425	$ 29,238,425

See accompanying independent auditor's report.

THE LAKES FRESH WATER SUPPLY DISTRICT
OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JANUARY 31, 2023

	SERIES-2022 ROAD		
Due During Fiscal Years Ending January 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2024	$	$ 914,506	$ 914,506
2025	600,000	968,300	1,568,300
2026	625,000	944,300	1,569,300
2027	655,000	919,300	1,574,300
2028	685,000	893,100	1,578,100
2029	715,000	865,700	1,580,700
2030	750,000	837,100	1,587,100
2031	780,000	807,100	1,587,100
2032	815,000	775,900	1,590,900
2033	855,000	743,300	1,598,300
2034	890,000	709,100	1,599,100
2035	930,000	673,500	1,603,500
2036	975,000	636,300	1,611,300
2037	1,020,000	597,300	1,617,300
2038	1,065,000	556,500	1,621,500
2039	1,110,000	513,900	1,623,900
2040	1,160,000	469,500	1,629,500
2041	1,215,000	423,100	1,638,100
2042	1,270,000	374,500	1,644,500
2043	1,325,000	323,700	1,648,700
2044	1,385,000	270,700	1,655,700
2045	1,445,000	215,300	1,660,300
2046	1,515,000	157,500	1,672,500
2047	1,580,000	96,900	1,676,900
2048	1,650,000	49,500	1,699,500
	$ 25,015,000	$ 14,735,906	$ 39,750,906

See accompanying independent auditor’s report.

THE LAKES FRESH WATER SUPPLY DISTRICT OF DENTON COUNTY

LONG-TERM DEBT SERVICE REQUIREMENTS

JANUARY 31, 2023

	ANNUAL REQUIREMENTS FOR ALL SERIES		
Due During Fiscal Years Ending January 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2024	$ 1,205,000	$ 2,943,224	$ 4,148,224
2025	2,290,000	2,862,920	5,152,920
2026	2,375,000	2,766,630	5,141,630
2027	2,465,000	2,666,719	5,131,719
2028	2,555,000	2,563,087	5,118,087
2029	2,650,000	2,459,236	5,109,236
2030	2,750,000	2,354,487	5,104,487
2031	2,850,000	2,248,006	5,098,006
2032	2,950,000	2,145,755	5,095,755
2033	3,060,000	2,039,537	5,099,537
2034	3,160,000	1,935,198	5,095,198
2035	3,270,000	1,827,099	5,097,099
2036	3,390,000	1,714,975	5,104,975
2037	3,505,000	1,597,576	5,102,576
2038	3,630,000	1,474,726	5,104,726
2039	3,750,000	1,347,150	5,097,150
2040	3,880,000	1,214,355	5,094,355
2041	4,025,000	1,082,108	5,107,108
2042	4,160,000	944,300	5,104,300
2043	4,305,000	799,833	5,104,833
2044	4,460,000	649,331	5,109,331
2045	4,610,000	500,208	5,110,208
2046	4,310,000	345,730	4,655,730
2047	3,785,000	203,550	3,988,550
2048	2,760,000	89,738	2,849,738
	$ 82,150,000	$ 40,775,478	$ 122,925,478

See accompanying independent auditor’s report.

THE LAKES FRESH WATER SUPPLY DISTRICT OF DENTON COUNTY

CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JANUARY 31, 2023

Description	Original Bonds Issued	Bonds Outstanding February 1, 2022
The Lakes Fresh Water Supply District of Denton County Unlimited Tax Road Bonds - Series 2019	$ 7,285,000	$ 7,100,000
The Lakes Fresh Water Supply District of Denton County Unlimited Tax Bonds - Series 2020	6,655,000	6,655,000
The Lakes Fresh Water Supply District of Denton County Unlimited Tax Road Bonds - Series 2020	5,135,000	4,995,000
The Lakes Fresh Water Supply District of Denton County Unlimited Tax Bonds - Series 2021	10,390,000	10,390,000
The Lakes Fresh Water Supply District of Denton County Unlimited Tax Road Bonds - Series 2021	10,950,000	10,950,000
The Lakes Fresh Water Supply District of Denton County Unlimited Tax Bonds - Series 2022	17,580,000	
The Lakes Fresh Water Supply District of Denton County Unlimited Tax Road Bonds - Series 2022	25,015,000	
TOTAL	$ 83,010,000	$ 40,090,000

Bond Authority:	Unlimited Tax Road Bonds	Unlimited Tax Utility Bonds	Refunding Bonds
Amount Authorized by Voters	$ 219,696,000	$ 202,454,000	$ 633,225,000
Amount Issued	48,385,000	34,625,000	
Remaining to be Issued	$ 171,311,000	$ 167,829,000	$ 633,225,000

See accompanying independent auditor's report.

Current Year Transactions				
	Retirements		Bonds Outstanding	
Bonds Sold	Principal	Interest	January 31, 2023	Paying Agent
$	$ 190,000	$ 264,194	$ 6,910,000	Zions Bancorporation Houston, TX
	195,000	255,150	6,460,000	Zions Bancorporation Houston, TX
	150,000	134,863	4,845,000	Zions Bancorporation Houston, TX
		225,299	10,390,000	Zions Bancorporation Houston, TX
		237,471	10,950,000	Zions Bancorporation Houston, TX
17,580,000			17,580,000	Zions Bancorporation Houston, TX
25,015,000			25,015,000	Zions Bancorporation Houston, TX
$ 42,595,000	$ 535,000	$ 1,116,977	$ 82,150,000	

Debt Service Fund cash and investment balances as of January 31, 2023:	$ 6,153,570
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 4,917,019

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

See accompanying independent auditor's report.

THE LAKES FRESH WATER SUPPLY DISTRICT
OF DENTON COUNTY
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS

	Amounts		
	2023	2022	2021
REVENUES			
Property Taxes	$ 1,088,993	$ 808,605	$ 310,899
Investment and Miscellaneous Revenues	22,218	645	2,501
TOTAL REVENUES	$ 1,111,211	$ 809,250	$ 313,400
EXPENDITURES			
Professional Fees	$ 98,382	$ 66,506	$ 98,563
Contracted Services	112,142	9,852	9,993
Other	20,044	16,177	16,522
TOTAL EXPENDITURES	$ 230,568	$ 92,535	$ 125,078
NET CHANGE IN FUND BALANCE	$ 880,643	$ 716,715	$ 188,322
BEGINNING FUND BALANCE	1,448,628	731,913	543,591
ENDING FUND BALANCE	$ 2,329,271	$ 1,448,628	$ 731,913

See accompanying independent auditor’s report.

2020	2019	Percentage of Total Revenues 2023	2022	2021	2020	2019
$ 274,603	$ 82,930	98.0 %	99.9 %	99.2 %	97.5 %	96.4 %
7,046	3,102	2.0	0.1	0.8	2.5	3.6
$ 281,649	$ 86,032	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 60,477	$ 106,500	8.8 %	8.2 %	31.4 %	21.5 %	123.8 %
9,146	3,364	10.1	1.2	3.2	3.2	3.9
18,077	15,455	1.8	2.0	5.3	6.4	18.0
$ 87,700	$ 125,319	20.7 %	11.4 %	39.9 %	31.1 %	145.7 %
$ 193,949	$ (39,287)	79.3 %	88.6 %	60.1 %	68.9 %	(45.7) %
349,642	388,929					
$ 543,591	$ 349,642					

See accompanying independent auditor's report.

THE LAKES FRESH WATER SUPPLY DISTRICT OF DENTON COUNTY

COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES DEBT SERVICE FUND – FIVE YEARS

	Amounts		
	2023	2022	2021
REVENUES			
Property Taxes	$ 2,188,819	$ 925,727	$ 425,749
Investment and Miscellaneous Revenues	46,658	9,905	14,076
TOTAL REVENUES	$ 2,235,477	$ 935,632	$ 439,825
EXPENDITURES			
Tax Collection Expenditures	$ 28,171	$ 12,282	$ 7,768
Debt Service Principal	535,000	325,000	
Debt Service Interest	1,116,977	660,174	361,173
TOTAL EXPENDITURES	$ 1,680,148	$ 997,456	$ 368,941
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ 555,329	$ (61,824)	$ 70,884
OTHER FINANCING SOURCES			
Proceeds from Issuance of Long-Term Debt	$ 857,725	$ - 0 -	$ 382,725
NET CHANGE IN FUND BALANCE	$ 1,413,054	$ (61,824)	$ 453,609
BEGINNING FUND BALANCE	679,756	741,580	287,971
ENDING FUND BALANCE	$ 2,092,810	$ 679,756	$ 741,580
TOTAL ACTIVE RETAIL WATER CONNECTIONS	N/A	N/A	N/A
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	N/A	N/A	N/A

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2020	2019	2023	2022	2021	2020	2019
$	$	97.9 %	98.9 %	96.8 %	%	%
14,743		2.1	1.1	3.2	100.0	
$ 14,743	$ - 0 -	100.0 %	100.0 %	100.0 %	100.0 %	N/A %
$ 5,508	$	1.3 %	1.3 %	1.8 %	37.4 %	%
		23.9	34.7			
125,880		50.0	70.6	82.1	853.8	
$ 131,388	$ - 0 -	75.2 %	106.6 %	83.9 %	891.2 %	N/A %
$ (116,645)	$ - 0 -	24.8 %	(6.6) %	16.1 %	(791.2) %	N/A %
$ 404,616	$ - 0 -					
$ 287,971	$ - 0 -					
$ 287,971	$ - 0 -					
N/A	N/A					
N/A	N/A					

See accompanying independent auditor’s report.

THE LAKES FRESH WATER SUPPLY DISTRICT OF DENTON COUNTY

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JANUARY 31, 2023

District Mailing Address	-	The Lakes Fresh Water Supply District of Denton County c/o Coats Rose, P.C. 16000 North Dallas Parkway, Suite 350 Dallas, TX 75248
District Telephone Number	-	(972) 982-8450

Directors:	Term of Office (Elected or Appointed)	Fees of Office for the year ended January 31, 2023	Expense Reimbursements for the year ended January 31, 2023	Title
Debbie Reuther	05/2022 05/2026 (Elected)	$ 1,950	$ 309	President
Paula Barnhouse	05/2020 05/2024 (Elected)	$ 1,800	$ 95	Vice President
Sukhui Gibb	05/2020 05/2024 (Appointed)	$ 1,950	$ 269	Secretary
Nancy Heintel	11/2021 05/2024 (Appointed)	$ 1,950	$ 277	Assistant Secretary
Blair Thomas	05/2022 05/2026 (Elected)	$ 1,950	$ 127	Assistant Secretary

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

Submission date of most recent District Registration Form: April 4, 2022

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

See accompanying independent auditor's report.

THE LAKES FRESH WATER SUPPLY DISTRICT
OF DENTON COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JANUARY 31, 2023

Consultants:	Date Hired	Fees / Compensation for the year ended January 31, 2023	Title
Coats Rose, P.C.	10/12/16	$ 84,382	General Counsel
		$ 571,287	Bond Related
McCall Gibson Swedlund Barfoot PLLC	03/22/18	$ 14,000	Auditor
		$ 50,500	Bond Related
L & S District Services, LLC	11/17/16	$ 9,572	Bookkeeper
		$ 1,800	Bond Related
Barraza Consulting Group, LLC	03/05/08	$ -0-	Engineer
Jones-Heroy & Associates, Inc.		$ 78,985	Bond Engineer
Robert W. Baird & Co. Incorporated	08/17/17	$ 793,958	Financial Advisor
Debra Loggins	11/17/16	$ -0-	Investment Officer

See accompanying independent auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $ _________
Total Insurance Payment: $_________

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
200 Liberty Street, 27th floor
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)