

OFFICIAL STATEMENT DATED AUGUST 28, 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 District has NOT designated the Bonds as "qualified tax-exempt obligations" for financial institutions.

NEW ISSUE – Book Entry Only

RATINGS: S&P Global Ratings (BAM Insured)..... "AA"  
Moody's Investors Service, Inc. (Underlying) "Baa2"  
See "MUNICIPAL BOND INSURANCE" and "RATINGS" herein

**NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1 OF DENTON COUNTY**  
(A Political Subdivision of the State of Texas Located within Denton County)

**\$6,510,000**  
**UNLIMITED TAX UTILITY BONDS**  
**SERIES 2023**

**\$20,500,000**  
**UNLIMITED TAX ROAD BONDS**  
**SERIES 2023**

Dated: September 1, 2023

Interest Accrues: Delivery Date

Due: March 1, as shown on inside cover page

The \$6,510,000 Unlimited Tax Utility Bonds, Series 2023 (the "Utility Bonds") and \$20,500,000 Unlimited Tax Road Bonds, Series 2023 (the "Road Bonds," and together with the Utility Bonds, the "Bonds") are obligations of Northlake Municipal Management District No. 1 of Denton County (the "District") and are not obligations of the State of Texas; Denton County, Texas; the Town of Northlake, Texas; or any entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Denton County, Texas; the Town of Northlake, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

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

Principal of the Bonds is payable to the registered owner(s) of the Bonds at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. Interest on the Bonds accrues from the initial date of delivery (on or about September 26, 2023) (the "Delivery Date") and is payable on March 1, 2024, and each September 1 and March 1 thereafter until maturity or prior redemption to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each interest payment date. The Bonds are issuable in principal denominations of \$5,000 or any integral multiple thereof in fully registered form only.

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



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

The Bonds, when issued, will be payable from the proceeds of two (2) separate continuing direct annual ad valorem taxes, each without legal limit as to rate or amount, levied by the District against all taxable property within the District. Investment in the Bonds is subject to investment considerations as described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as, and if issued by the District and are also offered subject, among other things, to the approval of the Attorney General of Texas and of Coats Rose, P.C., Dallas, Texas, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about September 26, 2023.

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

### \$6,510,000 Unlimited Tax Utility Bonds, Series 2023

#### \$4,745,000 Serial Bonds

Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 66649T (b)	Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 66649T (b)
2025	\$ 160,000	6.750%	3.900%	GE8	2041 (c)	\$ 315,000	4.375%	4.600%	GW8
2026	165,000	6.750%	3.850%	GF5	2042 (c)	330,000	4.500%	4.650%	GX6
2027	175,000	6.750%	3.850%	GG3	2043 (c)	340,000	4.500%	4.700%	GY4
2028	180,000	6.750%	3.850%	GH1	2044 (c)	355,000	4.500%	4.720%	GZ1
***	***	***	***	***	2045 (c)	375,000	4.500%	4.740%	HA5
2037 (c)	265,000	4.250%	4.400%	GS7	2046 (c)	390,000	4.500%	4.760%	HB3
2038 (c)	275,000	4.250%	4.450%	GT5	2047 (c)	405,000	4.500%	4.780%	HC1
2039 (c)	290,000	4.250%	4.500%	GU2	2048 (c)	425,000	4.500%	4.800%	HD9
2040 (c)	300,000	4.375%	4.550%	GV0					

#### \$1,765,000 Term Bonds

\$805,000 Utility Term Bonds Due March 1, 2032 (c)(d), Interest Rate: 6.750% (Price: \$115.242) (a), CUSIP No. 66649T GM0 (b)

\$460,000 Utility Term Bonds Due March 1, 2034 (c)(d), Interest Rate: 4.250% (Price: \$100.000) (a), CUSIP No. 66649T GP3 (b)

\$500,000 Utility Term Bonds Due March 1, 2036 (c)(d), Interest Rate: 4.250% (Price: \$98.950) (a), CUSIP No. 66649T GR9 (b)

### \$20,500,000 Unlimited Tax Road Bonds, Series 2023

#### \$9,125,000 Serial Bonds

Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 66649T (b)	Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 66649T (b)
2025	\$ 500,000	6.500%	4.050%	HE7	2037 (c)	\$ 835,000	5.000%	4.340%	HS6
2026	525,000	6.750%	4.100%	HF4	2038 (c)	870,000	5.000%	4.450%	HT4
2027	545,000	6.750%	4.100%	HG2	2039 (c)	910,000	5.000%	4.490%	HU1
2028	570,000	6.750%	4.100%	HH0	2040 (c)	950,000	5.000%	4.530%	HV9
2029	595,000	6.750%	4.100%	HJ6	2041 (c)	990,000	4.375%	4.680%	HW7
***	***	***	***	***	2042 (c)	1,035,000	4.250%	4.750%	HX5
2036 (c)	800,000	5.000%	4.220%	HR8					

#### \$11,375,000 Term Bonds

\$1,945,000 Road Term Bonds Due March 1, 2032 (c)(d), Interest Rate: 5.500% (Price: \$107.301) (a), CUSIP No. 66649T HM9 (b)

\$2,210,000 Road Term Bonds Due March 1, 2035 (c)(d), Interest Rate: 5.000% (Price: \$104.692) (a), CUSIP No. 66649T HQ0 (b)

\$2,205,000 Road Term Bonds Due March 1, 2044 (c)(d), Interest Rate: 4.250% (Price: \$92.886) (a), CUSIP No. 66649T HZ0 (b)

\$5,015,000 Road Term Bonds Due March 1, 2048 (c)(d), Interest Rate: 4.250% (Price: \$90.532) (a), CUSIP No. 66649T JD7 (b)

(a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchasers (as 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 have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.

(c) Bonds maturing on March 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 Provisions - Optional Redemption."

(d) Subject to mandatory sinking fund redemption by lot or other customary method of random selection on March 1 in the years and in the amounts set forth herein under "THE BONDS - Redemption Provisions - Mandatory Redemption."

**USE OF INFORMATION IN OFFICIAL STATEMENT**

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

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District, c/o Coats Rose, P.C., 14755 Preston Road, Suite 600, Dallas, Texas 75254, upon payment of the costs for duplication thereof.

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

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 and Marketing 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 Bond Initial Purchaser") to purchase the Utility Bonds bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" at a price of 98.006942% of the par value thereof, which resulted in a net effective interest rate of 4.739135%, 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 Loop Capital Markets, LLC. (the "Road Bond Initial Purchaser") to purchase the Road Bonds bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" at a price of 98.021958% of the par value thereof, which resulted in a net effective interest rate of 4.738507%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

Throughout this Official Statement, the term "Initial Purchasers" refers to the Utility Bond Initial Purchaser in its capacity as the purchaser of the Utility Bonds and the Road Bond Initial Purchaser in its capacity as the purchaser of the Road Bonds.

### **Prices and Marketability**

Subject to certain restrictions described in the Official Notices of Sale, 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.

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

## MUNICIPAL BOND INSURANCE

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, 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 exhibit to this Official Statement.

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

### **Build America Mutual Assurance Company**

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

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://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 <https://www.spglobal.com/en/>. 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](http://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](http://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](http://www.buildamerica.com/credit-profiles). BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Disclaimers.** The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

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

### **RATINGS**

The Bonds are expected to receive an insured rating of "AA" from S&P solely in reliance upon the issuance of the municipal bond insurance 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 has assigned an underlying credit rating of "Baa2" to the Bonds. An explanation of the ratings may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds. The District is not aware of any rating assigned the Bonds other than the rating of Moody's.

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

**OFFICIAL STATEMENT SUMMARY**

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

**THE BONDS**

- The Issuer .....Northlake Municipal Management District No. 1 of Denton County (the “District”), a conservation and reclamation district and a body politic and a political subdivision of the State of Texas, was created by an order of the Texas Commission of Environmental Quality (the “Commission” or “TCEQ”) dated August 9, 2017 under the authority of Article III, Section 52; Article III, Section 52-a; Article XVI, Section 59 of the Texas Constitution; Chapter 375, Texas Local Government Code, as amended; and Chapter 49, Texas Water Code, as amended. See “THE BONDS.”
  
- The Issue .....The District’s \$6,510,000 Unlimited Tax Utility Bonds, Series 2023 (the “Utility Bonds”) and \$20,500,000 Unlimited Tax Road Bonds, Series 2023 (the “Road Bonds,” and together with the Utility Bonds, the “Bonds”), are dated September 1, 2023, and mature on March 1 in the years and in the principal amounts as shown on the inside cover page hereof. Interest on the Bonds accrues from the initial date of delivery (on or about September 26, 2023) (the “Delivery Date”), at the rates shown on the inside cover page hereof and is payable on March 1, 2024, and on each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 of principal amount for any one maturity. See “THE BONDS – General.”
  
- Redemption.....Optional Redemption: The Bonds maturing on March 1, 2030, and thereafter, are subject to redemption, 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 Provisions—*Optional Redemption.*”  
  
Mandatory Redemption: The Utility Bonds maturing on March 1 in the years 2032, 2034, and 2036 are term bonds (the “Utility Term Bonds”) and the Road Bonds maturing on March 1 in the years 2032, 2035, 2044, 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 Provisions—*Mandatory Redemption.*”
  
- Source of Payment .....Principal of and interest on the Bonds are payable from the proceeds of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied by the District against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Denton County, Texas; the Town of Northlake, Texas (the “Town”); or any entity other than the District. See “THE BONDS – Source and Security for Payment.”
  
- Authority for Issuance.....The Utility Bonds are issued pursuant to an order by the TCEQ; Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including Chapter 49, Texas Water Code, as amended; Chapter 375, Texas Local Government Code; an order



authorizing the issuance of the Utility Bonds (the “Utility Bond Order”) adopted by the Board of Directors of the District (the “Board”); and an election held within the boundaries of the District on May 5, 2018.

The Road Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including Chapter 49, Texas Water Code, as amended; Chapter 375, Texas Local Government Code; an order authorizing the issuance of the Road Bonds (the “Road Bond Order,” and together with the Utility Bond Order, the “Bond Orders”) adopted by the Board; and an election held within the boundaries of the District on May 5, 2018.

The Utility Bonds are the fourth series of unlimited tax bonds to be issued by the District out of an aggregate \$273,926,860 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of acquiring or constructing a water, sewer, and drainage system to serve the District (the “Utility System”). The Road Bonds are the fourth series of unlimited tax bonds to be issued by the District out of an aggregate \$237,092,017 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of acquiring or constructing roads and improvements in aid thereof to serve the District (the “Road System”). Following the issuance of the Bonds, \$240,526,860 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and \$191,257,017 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System will remain authorized but unissued. See “THE BONDS – Authority for Issuance” and “– Issuance of Additional Debt.”

- Payment Record..... The District has never defaulted on the timely payment of principal and interest on its bonded indebtedness.
- Outstanding Bonds ..... The District has previously issued the following bonds: \$9,725,000 Unlimited Tax Utility Bonds, Series 2020; \$5,845,000 Unlimited Tax Road Bonds, Series 2020; \$9,010,000 Unlimited Tax Bonds, Series 2021; \$14,155,000 Unlimited Tax Road Bonds, Series 2021; \$5,335,000 Unlimited Tax Road Bonds, Series 2022; and \$8,155,000 Unlimited Tax Bonds, Series 2022. Of the above-referenced bonds, \$50,600,000 principal amount will remain outstanding as of the Delivery Date (the “Outstanding Bonds”). See “THE BONDS – Outstanding Bonds.”
- Use of Utility Bond Proceeds..... Proceeds from the sale of the Utility Bonds will be used to reimburse the Developer (herein defined) for a portion of the construction costs set out herein under “THE BONDS – Use and Distribution of Utility Bond Proceeds.” Proceeds of the Utility Bonds will also be used to pay the following costs associated with the Utility Bonds: six (6) months of capitalized interest, developer interest, and miscellaneous costs of issuance. See “THE BONDS – Use and Distribution of Utility Bond Proceeds.”
- Use of Road Bond Proceeds..... Proceeds from sale of the Road Bonds will be used to reimburse the Developer for the construction costs set out herein under “THE BONDS – Use and Distribution of Road Bond Proceeds.” Proceeds of the Road Bonds will also be used to pay six (6) months of capitalized interest, developer interest, and miscellaneous costs of issuance associated with the Road Bonds. See “THE BONDS – Use and Distribution of Road Bond Proceeds” for further information.

Not Qualified Tax-Exempt Obligations .....	The District has <u>NOT</u> designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended.
Municipal Bond Insurance .....	Build America Mutual Assurance Company (“BAM”). See “MUNICIPAL BOND INSURANCE.”
Ratings .....	Moody’s has assigned an underlying rating of “Baa2” to the Bonds. See “RATINGS” above. S&P Global Ratings (BAM Insured): “AA” (stable outlook). See “MUNICIPAL BOND INSURANCE” and “RATINGS.”
Bond Counsel .....	Coats Rose, P.C., Dallas, Texas.
Disclosure Counsel .....	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Financial Advisor.....	Robert W. Baird & Co. Incorporated, Houston, Texas.
Paying Agent/Registrar.....	BOKF, NA, Dallas, Texas.

**THE DISTRICT**

Location of the District .....	The District is located in southwest Denton County at the southwest corner of Cleveland-Gibbs Road and Mulkey Lane and lies wholly within the corporate limits of the Town and Denton County, Texas. The District is located within the Northwest Independent School District. Access to the District may be achieved via Cleveland-Gibbs Road approximately 1 mile south of Farm-to-Market 407. The District consists of approximately 1,182.03 acres. See “THE DISTRICT – Location of the District.”
Authority.....	The rights, powers, privileges, authority, and functions of the District are established by Article III, Section 52; Article III, Section 52-a; Article XVI, Section 59 of the Texas Constitution, the provisions of Chapter 375, Texas Local Government Code, as amended; and Chapter 49, Texas Water Code, as amended, and include, among others, the power to provide road, water, sanitary sewer, and drainage facilities. See “THE DISTRICT – General.”
Status of Development.....	The District is being developed as the master-planned community of “Pecan Square.” AS of June 1, 2023, approximately 1,857 single-family lots (417.93 acres) have been developed within the following residential subdivisions in the District: Phases 1A, 1B, 1C, 1D, 2A, 2B, 3A and 3C. Currently, there are 254 single-family lots (69.06 acres) under development within Phase 4C. As of June 1, 2023, the District included approximately 1,319 completed homes (approximately 1,253 occupied, 54 unoccupied homes, and 12 model homes), approximately 221 homes under construction, and approximately 317 vacant developed lots available for home construction.  The remaining land in the District includes approximately 181.32 acres planned for development as additional residential sections; approximately 164.50 acres planned for use as school sites; approximately 7.81 acres planned for use as a church site; approximately 71.49 acres that are planned for development as multi-use and commercial properties; and approximately 269.92 acres are undevelopable within the District. See “STATUS OF DEVELOPMENT.”
The Developer.....	HP Gibbs LP, a Texas limited partnership (“HP”) was formed for the purpose of acquiring and holding for investment and selling tracts of land, including approximately 1,182.03 acres of land in the District by and through its affiliates including Pecan Square Phase 1

LLC, Pecan Square Phase 2A LLC, Pecan Square 2B LLC and Pecan Square Phase 3A LLC (collectively with HP, the “Developer”). The partners of HP include: BOH Investments GP, LLC, a Delaware limited liability company (“GP”), and BOH Subpartnership, L.P., a Texas limited partnership (“LP”). GP is the general partner of HP. The Developer determines the overall development plan for the land in the District and arranges for financing the construction of water, sewer, drainage and road facilities within the District either directly or through affiliate entities.

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

On August 31, 2021, the Developer sold approximately 294.21 acres of developable land within the District to Highland Homes (approximately 102.41 acres), David Weekley Homes (approximately 90.17 acres) and MHI Partnership (Coventry Homes) (approximately 101.63 acres). The Developer has been and is managing the development of such acreage on behalf of Highland Homes, David Weekley Homes and MHI Partnership acreage into 1,051 single family lots as Pecan Square Phases 3C, 4A, 4B, 4C, and 5B. These entities have assigned their reimbursements rights to the Developer.

The Developer and its affiliate entities described herein currently own the remaining approximately 425.12 undeveloped but developable acres within the District. See “THE DEVELOPER” and “TAX DATA – Principal Taxpayers.”

Homebuilders ..... Builders currently building homes within the District include Ashton Woods Homes, Coventry Homes, D.R. Horton, Highland Homes, Toll Brothers, and David Weekley Homes. The homes being marketed in the District range in size from approximately 1,504 to 4,509 square feet and in price from approximately \$375,000 to \$1,000,000. Homebuilding in the District began in May 2019. See “HOMEBUILDERS WITHIN THE DISTRICT.”

**INVESTMENT CONSIDERATIONS**

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

**SELECTED FINANCIAL INFORMATION**  
**(UNAUDITED)**

2023 Taxable Assessed Valuation.....	\$ 680,980,627	(a)
Estimate of Value as of May 15, 2023 .....	\$ 765,428,500	(b)
Direct Debt:		
The Outstanding Bonds.....	\$ 50,600,000	
The Utility Bonds .....	\$ 6,510,000	
The Road Bonds .....	<u>\$ 20,500,000</u>	
Total.....	\$ 77,610,000	
Estimated Overlapping Debt .....	<u>\$ 42,433,968</u>	(c)
Total Direct and Estimated Overlapping Debt .....	<u>\$ 120,043,968</u>	
Direct Debt Ratio:		
As a percentage of the 2023 Taxable Assessed Valuation.....	11.40	%
As a percentage of the Estimate of Value as of May 15, 2023.....	10.14	%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of the 2023 Taxable Assessed Valuation.....	17.63	%
As a percentage of the Estimate of Value as of May 15, 2023 .....	15.68	%
Utility System Debt Service Fund Balance (as of June 19, 2023).....	\$ 1,020,863	(d)
Road System Debt Service Fund Balance (as of June 19, 2023).....	\$ 1,011,831	(e)
General Operating Fund Balance (as of June 19, 2023) .....	\$ 944,226	
2023 Tax Rate		
Utility System Debt Service .....	\$0.2650	(f)
Road System Debt Service .....	\$0.3700	(f)
Maintenance & Operation .....	<u>\$0.0700</u>	
Total.....	\$0.7050	
Average Annual Debt Service Requirement (2024–2048) .....	\$4,566,496	(g)
Maximum Annual Debt Service Requirement (2025).....	\$4,973,769	(g)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2024–2048) at 95% Tax Collections:		
Based on the 2023 Taxable Assessed Valuation .....	\$ 0.71	(h)
Based on the Estimate of Value as of May 15, 2023.....	\$0.63	(h)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2025) at 95% Tax Collections:		
Based on the 2023 Taxable Assessed Valuation .....	\$0.77	(h)
Based on the Estimate of Value as of May 15, 2023.....	\$0.69	(h)
Number of Single-Family Homes.....	1,540	(i)

- 
- (a) Represents the taxable amount of the assessed value of all taxable property within the District as of January 1, 2023, provided by the Denton Central Appraisal District (“DCAD” or the “Appraisal District”). Includes \$8,996,928 of uncertified value, which represents 80% of the uncertified value currently under review and is the estimated minimum amount that will ultimately be certified by the Appraisal District. 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 May 15, 2023, and includes an estimate of additional taxable value resulting from additional taxable improvements constructed in the District from January 1, 2023, through May 15, 2023. No taxes will be levied on this estimated value. See “TAX DATA” and “TAXING PROCEDURES.”
  - (c) See “DISTRICT DEBT – Estimated Overlapping Debt Statement.”
  - (d) Six (6) months of capitalized interest on the Utility Bonds will be deposited into the Utility System Debt Service Fund (herein defined) upon closing of the Utility Bonds. Neither Texas law nor the Utility Bond Order (herein 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 by the District for the Road System (herein defined), such as the Road Bonds.
  - (e) Six (6) months of capitalized interest on the Road Bonds will be deposited into the Road System Debt Service Fund (herein defined) upon closing of the Road Bonds. Neither Texas law nor the Road Bond Order (herein defined) requires that the District maintain any particular sum in the Road System Debt Service Fund (herein defined). Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Utility System (herein defined), such as the Utility Bonds.
  - (f) The District is authorized to levy separate taxes for payment of debt service on bonds issued by the District for the Utility System and for payment of debt service on bonds issued for the Road System; both such taxes are unlimited as to rate or amount. See “TAX DATA – Tax Rate Calculations” and “INVESTMENT CONSIDERATIONS – Future Debt.”
  - (g) Requirement of debt service on the Outstanding Bonds and the Bonds. See “DISTRICT DEBT – Debt Service Requirements.”
  - (h) Represents the amount of the combined debt service tax rate that is necessary to meet the applicable requirement of debt service based on the corresponding valuation of the District and a tax collection rate of 95%.
  - (i) Approximate number of homes, including 1,319 completed homes and 221 homes under construction, within the District as of June 1, 2023.

**OFFICIAL STATEMENT**  
**relating to**  
**NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1 OF DENTON COUNTY**

**\$6,510,000**  
**UNLIMITED TAX UTILITY BONDS**  
**SERIES 2023**

**\$20,500,000**  
**UNLIMITED TAX ROAD BONDS**  
**SERIES 2023**

**INTRODUCTION**

This Official Statement provides certain information with respect to the issuance by Northlake Municipal Management District No. 1 of Denton County (the "District") of its \$6,510,000 Unlimited Tax Utility Bonds, Series 2023 (the "Utility Bonds") and its \$20,500,000 Unlimited Tax Road Bonds, Series 2023 (the "Road Bonds," and together with the Utility Bonds, the "Bonds").

The Utility Bonds are issued pursuant to an order by the Texas Commission on Environmental Quality (the "Commission" or "TCEQ"); Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including Chapter 49, Texas Water Code, as amended; Chapter 375, Texas Local Government Code, as amended; an order authorizing the issuance of the Utility Bonds (the "Utility Bond Order") adopted by the Board of Directors of the District (the "Board"); and an election held within the boundaries of the District on May 5, 2018.

The Road Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including Chapter 49, Texas Water Code, as amended; Chapter 375, Texas Local Government Code, as amended; an order authorizing the issuance of the Road Bonds (the "Road Bond Order," and together with the Utility Bond Order, the "Bond Orders") adopted by the Board; and an election held within the boundaries of the District on May 5, 2018.

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

**THE BONDS**

**General**

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Orders. Copies of the Bond Orders may be obtained from the District upon request to Coats Rose, P.C., Dallas, Texas, Bond Counsel. The Bond Orders authorize the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

**Description**

The Bonds are dated September 1, 2023, with interest payable on 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 accrues from the initial date of delivery (on or about September 26, 2023) (the "Delivery Date"), and thereafter from the most recent Interest Payment Date to which interest has been paid. The Bonds mature on March 1 of the years and in the amounts shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" on the inside cover page hereof.

The Bonds are issued in fully registered form in principal denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry system described herein. No physical delivery of the Bonds will be made to the purchasers thereof. See "THE BONDS – Book-Entry-Only System." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

In the event the Book-Entry-Only System is discontinued and physical bond certificates issued, interest on the Bonds shall be payable by check mailed by the Paying Agent/Registrar on or before each interest payment date,

to the registered owners (“Registered Owners”) as shown on the bond register (the “Register”) kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owner at the risk and expense of such Registered Owner.

### **Source and Security for Payment**

The Bonds are secured by and payable from the proceeds of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied upon all taxable property located within the District. In the Bond Orders, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, and certain fees. See “TAXING PROCEDURES.” Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See “INVESTMENT CONSIDERATIONS.” The Bonds are obligations solely of the District and are not obligations of the State of Texas; Denton County, Texas; the Town of Northlake, Texas (the “Town”); or any political subdivision or entity other than the District.

### **Authority for Issuance**

The Utility Bonds are issued pursuant to an order by the TCEQ; Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including Chapter 49, Texas Water Code, as amended; Chapter 375, Texas Local Government Code, as amended; the Utility Bond Order; and an election held within the boundaries of the District on May 5, 2018.

The Road Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including Chapter 49, Texas Water Code, as amended; Chapter 375, Texas Local Government Code, as amended; the Road Bond Order; and an election held within the boundaries of the District on May 5, 2018.

At an election held within the District on May 5, 2018, voters of the District authorized the following: \$273,926,860 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a water, sewer, and drainage system to serve the District (the “Utility System”); \$410,890,290 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; \$237,092,017 principal amount of unlimited tax bonds for the purpose of acquiring or constructing roads and improvements in aid thereof to serve the District (the “Road System”); and \$335,638,025 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

### **Funds**

The Utility Bond Order confirms the fund for capital projects pertaining to the Utility System (the “Utility Capital Projects Fund”) and the fund for debt service pertaining to the Utility System (the “Utility System Debt Service Fund”). Six (6) months of capitalized interest on the Utility Bonds will be deposited into the Utility System Debt Service Fund upon closing of the Utility Bonds. All remaining proceeds of the Utility Bonds will be deposited in the Utility Capital Projects Fund. The Utility System Debt Service Fund, which constitutes a trust fund for the benefit of the Registered Owners of bonds issued for the Utility System, including the Utility Bonds, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the bonds issued for the Utility System, including the Utility Bonds. 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 (as defined below), to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of bonds issued for the Utility System, including the Utility Bonds.

The Road Bond Order confirms the fund for capital projects pertaining to the Road System (the “Road Capital Projects Fund”) and the fund for debt service pertaining to the Road System (the “Road System Debt Service Fund”). Six (6) months of capitalized interest on the Road Bonds will be deposited into the Road System Debt Service Fund upon closing of the Road Bonds. All remaining proceeds of the Road Bonds will be deposited in the Road Capital Projects Fund. The Road System Debt Service Fund, which constitutes a trust fund for the benefit of the Registered Owners of bonds issued for the Road System, including the Road Bonds, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the bonds issued

for the Road System, including the Road Bonds. 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 bonds issued for the Road System, including the Road Bonds.

**Record Date**

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

**Redemption Provisions**

Optional Redemption

The District reserves the right, at its option, to redeem the Bonds maturing on and after March 1, 2030, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2029, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular series and maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See “THE BONDS – Book-Entry-Only System.” Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Orders.

By the redemption date, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Mandatory Redemption

The Utility Bonds maturing on March 1 in the years 2032, 2034, and 2036 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 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:

\$805,000 Utility Term Bonds Maturing on March 1, 2032

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2029	\$ 190,000
March 1, 2030	\$ 195,000
March 1, 2031	\$ 205,000
March 1, 2032 (Maturity)	\$ 215,000

\$460,000 Utility Term Bonds Maturing on March 1, 2034

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2033	\$ 225,000
March 1, 2034 (Maturity)	\$ 235,000

\$500,000 Utility Term Bonds Maturing on March 1, 2036

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2035	\$ 245,000
March 1, 2036 (Maturity)	\$ 255,000



The Road Bonds maturing on March 1 in the years 2032, 2035, 2044, and 2048 are term bonds (“Road Term Bonds” and together with the Utility Term Bonds, the “Term Bonds”), and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the Mandatory Redemption Date, and in the principal amount set forth in the following schedule:

\$1,945,000 Road Term Bonds Maturing on March 1, 2032

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2030	\$ 620,000
March 1, 2031	\$ 650,000
March 1, 2032 (Maturity)	\$ 675,000

\$2,210,000 Road Term Bonds Maturing on March 1, 2035

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2033	\$ 705,000
March 1, 2034	\$ 735,000
March 1, 2035 (Maturity)	\$ 770,000

\$2,205,000 Road Term Bonds Maturing on March 1, 2044

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2043	\$ 1,080,000
March 1, 2044 (Maturity)	\$ 1,125,000

\$5,015,000 Road Term Bonds Maturing on March 1, 2048

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2045	\$ 1,175,000
March 1, 2046	\$ 1,225,000
March 1, 2047	\$ 1,280,000
March 1, 2048 (Maturity)	\$ 1,335,000

The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the direction of the District, by the principal amount of any Term Bonds of such maturity which, at least fifty (50) days prior to a Mandatory Redemption Date, (1) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and cancelled by the Paying Agent/Registrar at the request of the District with monies in the applicable debt service fund at a price not exceeding the principal amount of the Term Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirements.

**Method of Payment of Principal and Interest**

The Board has appointed BOKF, NA, Dallas, Texas, as the initial Paying Agent/Registrar for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See “THE BONDS – Book-Entry-Only System.”

**Registration**

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax-exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Beneficial Owner’s income for federal income tax purposes. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully registered Bond will be issued for each maturity of the Bonds and will be

deposited with DTC. See “THE BONDS – Book-Entry-Only System.” So long as any Bonds remain outstanding, the District will maintain at least one paying agent/registrars in the State of Texas for the purpose of maintaining the register on behalf of the District.

#### **Replacement of Paying Agent/Registrar**

Provision is made in the Bond Orders for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrars shall be required to accept the previous Paying Agent/Registrar’s records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrars selected by the District shall be a duly qualified and competent trust or banking corporation or organization organized and doing business under the laws of the United States of America or of any state thereof, with a combined capital and surplus of at least \$25,000,000, which is subject to supervision of or examination by federal or state banking authorities, and which is a transfer agent duly registered with the United States Securities and Exchange Commission.

#### **Mutilated, Lost, Stolen or Destroyed Bonds**

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

#### **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.

#### **Issuance of Additional Debt**

The District’s voters have authorized the District’s issuance of a total of a total of: \$273,926,860 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System; \$410,890,290 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; \$237,092,017 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$335,638,025 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System; and could authorize additional amounts. Following the issuance of the Bonds, the District will have: \$240,526,860 principal amount of unlimited tax bonds authorized but unissued

for the purpose of acquiring or constructing the Utility System; \$410,890,290 principal amount of unlimited tax bonds authorized but unissued for the purpose of refunding bonds issued by the District for the Utility System; \$191,257,017 principal amount of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing the Road System; and \$335,638,025 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

The amount of bonds issued and the remaining authorized but unissued bonds following the issuance of the Bonds are summarized below:

Election Date	Purpose	Amount Authorized	Issued to Date	Remaining Unissued
May 5, 2018	Utility System	\$ 273,926,860	\$ 33,400,000 (a)	\$ 240,526,860
May 5, 2018	Utility System Refunding	\$ 410,890,290	\$ -	\$ 410,890,290
May 5, 2018	Road System	\$ 237,092,017	\$ 47,240,000 (a)	\$ 191,257,017
May 5, 2018	Road System Refunding	\$ 335,638,025	\$ -	\$ 335,638,025

(a) Includes the Bonds.

The Bond Orders impose no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. Bonds issued for water, sewer, and drainage purposes are required to be approved by the TCEQ.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) approval of the master plan and issuance of bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The District does not provide fire protection service, and the Board has not considered calling such an election for approval of bonds for fire-fighting activities at this time. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds. The Town, pursuant to the public improvements agreement, will provide fire protection service within the boundaries of the District.

### Registered Owner's 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 default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

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

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

## **Book-Entry-Only System**

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

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

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

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

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

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

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

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

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

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

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

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

*Use of Certain Terms in Other Sections of this Official Statement*

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

**Outstanding Bonds**

The District has previously issued the following bonds: \$9,725,000 Unlimited Tax Utility Bonds, Series 2020; \$5,845,000 Unlimited Tax Road Bonds, Series 2020; \$9,010,000 Unlimited Tax Bonds, Series 2021; \$14,155,000 Unlimited Tax Road Bonds, Series 2021; \$5,335,000 Unlimited Tax Road Bonds, Series 2022; and \$8,155,000 Unlimited Tax Bonds, Series 2022. Of the above-referenced bonds, \$50,600,000 principal amount will remain outstanding as of the Delivery Date (the "Outstanding Bonds").

## Use and Distribution of Utility Bond Proceeds

Proceeds from the sale of the Utility Bonds will be to reimburse the Developer for a portion of the construction costs as shown below. Proceeds from the sale of the Utility Bonds will also be used to pay the following costs associated with the Utility Bonds: six (6) months of capitalized interest, developer interest, and miscellaneous costs of issuance.

### CONSTRUCTION COSTS

#### A. Developer Contribution Items

1. Pecan Square, Phase 2B-3 – W, WW, & D	\$ 711,524
2. Pecan Square, Phase 3A – W, WW, & D	2,455,665
3. Pecan Square, Phase II – Wastewater Treatment Plant	378,691
4. Pecan Square, Phase 1A – W, WW, & D	356,828
5. Engineering – Pecan Square, Phase II – Wastewater Treatment Plant	67,778
6. Land Costs for Pecan Square, Phase 1B	274,487
7. Land Costs for Pecan Square, Phase 1D	37,031
8. Land Costs for Pecan Square, Phase 2B-2	271,335
9. Land Interest	163,160
10. Inspection Fees – Pecan Square, Phase 1A	104,746
11. Inspection Fees – Pecan Square, Phase 1B	126,325
12. Inspection Fees – Pecan Square, Phase 1C	72,042
13. WWTP Lease Payments	76,829
14. Developer Advances	171,000
15. Operating Expenses	<u>68,810</u>
Total Developer Contribution Items	\$ 5,336,251

**TOTAL CONSTRUCTION COSTS (81% of BIR) \$ 5,336,251**

### NON-CONSTRUCTION COSTS

A. Legal Fees	\$ 170,200
B. Fiscal Advisor Fees	130,200
C. Interest	
1. Capitalized Interest (6 Months)	160,559
2. Developer Interest	451,959
D. Bond Discount	129,748
E. Bond Engineering Report	65,285
F. Bond Issuance Expense	43,014
G. Attorney General's Fee	6,510
H. TCEQ Bond Issuance Fee	<u>16,275</u>
<b>TOTAL NON-CONSTRUCTION COSTS</b>	<b>\$ 1,173,749</b>

**TOTAL BOND ISSUE REQUIREMENT \$ 6,510,000**

Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and the Financial Advisor. 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.

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

## Use and Distribution of Road Bond Proceeds

Proceeds from sale of the Road Bonds will be used to reimburse the Developer for the construction costs set out below. Proceeds of the Road Bonds will also be used to pay six (6) months of capitalized interest, developer interest, and the below miscellaneous costs of issuance associated with the Road Bonds.

### CONSTRUCTION COSTS

#### A. Construction Costs

1. Pecan Square Phase 2B-1 – Paving	\$ 448,422
2. Pecan Square Phase 2B-2 – Paving & Mass Grading	758,149
3. Pecan Square Phase 2B-3 – Paving & Mass Grading	490,953
4. Pecan Square Cleveland Gibbs	224,144
5. Pecan Square Phase 3A, Mulkey Lane & Phase 4A – Mass Grading	824,875
6. Pecan Square Phase 3A, Phase 3C Pond & Mulkey Lane – Utilities	2,181,230
7. Pecan Square Phase 3A, Mulkey Lane & Phase 3C – TXDOT Paving	4,203,375
8. Pecan Square Phase 3C – Mass Grading, Paving & Utilities	3,022,167
9. Pecan Square Phase 4C – Mass Grading & Utilities	<u>819,264</u>
<i>Subtotal Construction Costs</i>	<i>\$ 12,977,567</i>

#### B. Engineering Costs

1. Pecan Square Cleveland Gibbs – Phase 2 Engineering	80,072
2. Pecan Square Mulkey Lane –Engineering	158,344
3. Pecan Square Phases 3, 3A, 3B, 3C, 4, 4A & 4C - Engineering	<u>1,249,363</u>
<i>Subtotal Engineering Costs</i>	<i>\$ 1,487,779</i>

#### C. Land Costs

1. Pecan Square Phases 2B-1, 2B-2, 2B-3, 3A & 3C – Land Costs	2,554,047
2. Pecan Square Mulkey Lane – Land Costs	216,194
3. Land Interest	<u>801,240</u>
<i>Subtotal Land Costs</i>	<i>\$ 3,571,481</i>

### TOTAL CONSTRUCTION COSTS

**\$ 18,036,828**

### NON-CONSTRUCTION COSTS

A. Legal Fees	\$ 450,000
B. Fiscal Advisor Fees	305,000
C. Interest	
1. Capitalized Interest (6 Months)	506,619
2. Developer Interest	685,655
D. Bond Discount	405,498
E. Bond Issuance Expense	55,500
F. Bond Engineering Fee	45,401
G. Attorney General's Fee	<u>9,500</u>
<b>TOTAL NON-CONSTRUCTION COSTS</b>	<b>\$ 2,463,172</b>

### TOTAL BOND ISSUE REQUIREMENT

**\$ 20,500,000**

Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Road 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 purpose for which the Road Bonds were issued.



The Engineer has advised the District that proceeds of the sale of the Road 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.

## THE DISTRICT

### General

The District, a conservation and reclamation district and a body politic and a political subdivision of the State of Texas, was created by an order of the Commission dated August 9, 2017 under the authority of Article III, Section 52; Article III, Section 52-a; and Article XVI, Section 59 of the Texas Constitution; and operates pursuant to Chapter 375, Texas Local Government Code, as amended, and Chapter 49, Texas Water Code, as amended. The District, which lies wholly within the corporate limits of the Town, is subject to the continuing supervisory jurisdiction of the TCEQ with respect to water, sewer, and drainage facilities.

The District is empowered, among other things, to purchase, construct, operate, and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District is also empowered to purchase, construct, operate and maintain certain road improvements, and fire-fighting facilities, separately or jointly with one or more conservation and reclamation districts, municipalities or other political subdivisions, after approval by the Town and the voters of the District. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. See “THE BONDS – Issuance of Additional Debt.”

### Location of the District

The District is located approximately 32 miles northwest of the City of Dallas in southwest Denton County at the southwest corner of Cleveland-Gibbs Road and Mulkey Lane and lies wholly within the corporate limits of the Town and Denton County. The District is located within the Northwest Independent School District (“NWISD”). Access to the District may be achieved via Cleveland-Gibbs Road approximately 1 mile south of Farm-to-Market 407.

At the time of creation, the District contained approximately 876.83 acres and after various annexations now contains approximately 1,182.03 acres.

### Management of the District

The District is governed by the Board, which consists of five directors and has control over, management, and supervision of all affairs of the District. All directors serve four-year staggered terms, and are appointed by the Town:

Name	Position	Term Expires
Rane Pearson	President	8/9/2025
Tanner Sheets	Vice President	8/9/2027
Justin Christ	Secretary	8/9/2027
Peter J Wangoe II	Assistant Secretary	8/9/2025
Drew Corn	Assistant Secretary	8/9/2025

The District does not have any employees but contracts for certain necessary services as described below:

**General Manager:** The District has contracted with FirstService Residential to perform general management services for the District.

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

**Bookkeeper:** The District’s Bookkeeper is L&S District Services, LLC.

**Utility System Operator:** The District’s Operator is Mustang Special Utility District.

**Auditor:** The District engaged Mark C. Eyring, CPA PLLC to audit its financial statements for the fiscal year ended August 31, 2022. A copy of such audited financial statements 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 Kimley-Horn and Associates, Inc. (the “Engineer”).

**Bond Counsel and General Counsel:** Coats Rose, P.C. (“Bond Counsel”) serves as bond counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Coats Rose, P.C. serves as general counsel to the District on matters other than the issuance of bonds.

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

**Financial Advisor:** Robert W. Baird & Co. Incorporated serves as the District’s financial advisor (the “Financial Advisor”). The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold, and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement. See “PREPARATION OF OFFICIAL STATEMENT – Experts.”

### 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.

### General Fund Operating Statement

The following statement sets forth in condensed form the historical results of the District’s general fund. The figures for the fiscal years ended August 2018 through August 2022 were obtained from the District’s annual financial reports. See “APPENDIX A.” The District is required by statute to have a certified public accountant prepare and file an annual audit of its financial records with the TCEQ.

	Year Ended August 31,				
	2022	2021	2020	2019 (a)	2018
<b>Revenues</b>					
Property taxes	\$ 171,894	\$ 344,349	\$ 223,243	\$ 16,201	\$ -
Wastewater Treatment Service	248,930	155,605	39,539	-	-
Penalty and Interest	1,911	-	1,087	193	-
Total Revenues	\$ 422,735	\$ 499,954	\$ 263,869	\$ 16,394	\$ -
<b>Expenditures</b>					
Professional Fees	\$ 71,933	\$ 75,228	\$ 54,489	\$ 34,834	\$ 33,766
Contracted Services	10,640	15,118	4,714	1,667	1,190
Repairs and Maintenance	15,886	-	-	-	-
Administrative Expenditures	14,795	12,806	10,857	3,449	2,822
Total Expenditures	\$ 113,254	\$ 103,152	\$ 70,600	\$ 39,950	\$ 37,778
Excess Revenues (Expenditures)	\$ 309,481	\$ 396,802	\$ 193,809	\$ (23,556)	\$ (37,778)
Developer Advances	\$ -	\$ -	\$ 96,000	\$ 48,000	\$ 27,000
Reimbursement to (from) other fund	\$ (18,261)	\$ -	\$ -	\$ -	\$ -
Beginning Fund Balance	\$ 700,277	\$ 303,475	\$ 13,666	\$ (10,778)	\$ -
Ending Fund Balance	\$ 992,497	\$ 700,277	\$ 303,475	\$ 13,666	\$ (10,778)

(a) The District was funded by developer advances for fiscal years 2019 and prior.

## STATUS OF DEVELOPMENT

The District is being developed as the master-planned community of “Pecan Square.” As of June 1, 2023, approximately 1,857 single-family lots (417.93 acres) have been developed within the following residential subdivisions in the District: Pecan Square, Phases 1A, 1B, 1C, 1D, 2A, 2B, 3A and 3C. Currently, there are 254 single-family lots (69.06 acres) under development within Phase 4C. As of June 1, 2023, the District included approximately 1,319 completed homes (approximately 1,253 occupied, 54 unoccupied homes, and 12 model homes), approximately 221 homes under construction, and approximately 317 vacant developed lots available for home construction

The remaining land in the District includes approximately 181.32 acres planned for development as additional residential sections; approximately 164.50 acres planned for use as school sites; approximately 7.81 acres planned for use as a church site; approximately 71.49 acres that are planned for development as multi-use and commercial properties; and approximately 269.92 acres are undevelopable.

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

Subdivision	Section Acreage (a)	Section Lots	Homes Completed	Homes Construction	Vacant Lots
Pecan Square, Phase 1A	54.42	197	189	-	8
Pecan Square, Phase 1B	54.39	250	244	-	6
Pecan Square, Phase 1C	34.77	206	202	2	2
Pecan Square, Phase 1D	5.67	22	22	-	-
Pecan Square, Phase 2A	37.48	192	184	-	8
Pecan Square, Phase 2B	114.17	524	428	18	28
Pecan Square, Phase 3A	39.63	199	-	98	101
Pecan Square, Phase 3C	77.40	267	-	103	164
<b>Totals</b>	<b>417.93</b>	<b>1,857</b>	<b>1,319</b>	<b>221</b>	<b>317</b>
Single-Family Developed	417.93				
Single-Family Under Construction	69.06				
Single-Family Remaining Developable	181.32				
Future Church Site	7.81				
Future School Sites	164.50				
Future Commercial Site	71.49				
Undevelopable	269.92				
<b>District Total</b>	<b>1,182.03</b>				

(a) Represents the total acreage shown on the plat of each developed subdivision, including acreage associated with residential lots and roads.

## HOMEBUILDERS WITHIN THE DISTRICT

Builders currently building homes within the District include Ashton Woods Homes, Coventry Homes, D.R. Horton, Highland Homes, Toll Brothers, Pulte Homes, and David Weekley Homes. The homes being marketed in the District range in size from approximately 1,504 to 4,509 square feet and in price from approximately \$375,000 to \$1,000,000. Homebuilding in the District began in May 2019.

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**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT**

**(May 2023)**



**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT**

**(May 2023)**



## **THE DEVELOPER**

### **The Role of a Developer**

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

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

None of the Developer, or any affiliate entities, is obligated to pay principal of or interest on the Bonds. Furthermore, none of the Developer or its affiliate entities 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 its affiliate entities should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the District's boundaries.

### **Description of the Developer**

HP Gibbs LP, a Texas limited partnership ("HP") was formed for the purpose of acquiring and holding for investment and selling tracts of land, including approximately 1,182.03 acres of land in the District by and through its affiliates including Pecan Square Phase 1 LLC, Pecan Square Phase 2A LLC, Pecan Square 2B LLC and Pecan Square Phase 3A LLC (collectively with HP, the "Developer"). The partners of HP include: BOH Investments GP, LLC, a Delaware limited liability company ("GP"), and BOH Subpartnership, L.P., a Texas limited partnership ("LP"). GP is the general partner of HP. The Developer determines the overall development plan for the land in the District and arranges for financing the construction of water, sewer, drainage and road facilities within the District either directly or through affiliate entities.

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

On August 31, 2021, the Developer sold approximately 294.21 acres of developable land within the District to Highland Homes (approximately 102.41 acres), David Weekley Homes (approximately 90.17 acres) and MHI Partnership (Coventry Homes) (approximately 101.63 acres). The Developer has been and is managing the development of such acreage on behalf of Highland Homes, David Weekley Homes and MHI Partnership acreage into 1,051 single family lots as Pecan Square Phases 3C, 4A, 4B, 4C, and 5B. These entities have assigned their reimbursements rights to the Developer. The Developer and its affiliate entities described herein currently own the remaining approximately 425.12 undeveloped but developable acres within the District.



**Development Financing**

The Developer has financed the development of a portion of the land within the District with the outstanding loan detailed below:

On January 7, 2022, the Developer financed the development of Pecan Square with a line of credit from Frost Bank in the amount of \$40,000,000 with a variable interest rate equal to the Secured Overnight Financing Rate (SOFR) plus 2.50%. Such line of credit matures on January 7, 2025, and is secured by certain land owned by the Developer within the District and the reimbursements the Developer expects to receive from proceeds from the bond sales of the District. As of June 1, 2023, the balance on such loan was \$7,528,748. According to the Developer, it is in compliance with all material terms of such line of credit.

**Lot Sales Contracts**

The Developer, through its subsidiary entities, has entered into lot sales contracts with each of Ashton Woods Homes, CB Jeni Homes, Coventry Homes, David Weekley Homes, Drees Custom Homes, D.R. Horton, Highland Homes, Perry Homes, Toll Brothers, and Pulte Homes. The contracts for the sale of lots between the Developer and the builders requires that earnest money be deposited with a title company, typically 20% of the total price of the completed lots. The sales contracts establish certain required lot purchases quarterly, with the earnest money deposit being returned to the builders upon purchase of the last lots under each contract. The Developer’s sole remedy for builders not purchasing lots in accordance with the contracts is cancellation of the contract and retention of the remaining earnest money on deposit, currently \$1,620,600.

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

Homebuilder	Total Lots Contracted	Total Lots Purchased
Ashton Woods Homes	188	168
CB Jeni Homes	43	43
Coventry Homes	145	126
David Weekley Homes	138	138
D.R. Horton	360	360
Drees Custom Homes	59	59
Highland Homes	199	183
Perry Homes	139	139
Pulte Homes	146	146
Toll Brothers	135	135
Totals	1,552	1,497

**THE ROAD SYSTEM**

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

## 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, Denton County, Texas, and the Town. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies and inspected by the TCEQ.

### Description of the Utility System

#### *Water Supply*

The area within the District lies wholly within the corporate limits of the Town. The Town is the provider of retail water service to the users within the District.

In 2017, the District entered into a development agreement with the Town (the "Development Agreement") to provide continuous and adequate water capacity for water service within the District. According to the Development Agreement, the Town will construct water plant improvements to serve full development of the District and the District will construct the distribution lines between the District and the Town.

#### *Wastewater Treatment*

According to the Development Agreement, the District will own, operate, and maintain a wastewater treatment plant (the "WWTP") with capacity limited to serving the full development of the District. According to the Development Agreement, the Town will pay the District to treat the wastewater. Currently, the District leases a 0.250 million gallon per day ("mgd") plant capable of serving approximately 2,825 esfcs based on current average flow rates. The District is in the process of expanding the WWTP by 0.30 mgd which would add approximately 3,750 esfcs of additional treatment capacity. Such expansion is expected to be completed by the fourth quarter of 2024.

#### *Wastewater Collection System*

The Town will own and operate the wastewater collection system. The Town agrees to continuously operate and maintain the wastewater collection system at its sole cost and expense. The Town is responsible for fixing and collecting the same retail sewer rates as it collects from customers of the Town.

The District's current wastewater capacity is capable of serving the 1,857 ESFCs within the District.

#### *Drainage*

The District naturally drains into Denton Creek Tributary 7.0. The drainage system serving the District consists of curbs and gutter streets directing drainage into underground storm sewers. The storm sewer collection system drains into the detention pond constructed within Pecan Square, Phase 1. Discharge from the basins ultimately flows out to Denton Creek Tributary 7.0. Additionally, the detention pond constructed with Pecan Square Phase 3A collects flow from the storm sewer collection system and will discharge into Denton Creek Tributary 7.2 then ultimately into Tributary 7.0. According to the District's Engineer, none of the developable land within the District is within the FEMA 100-year flood plain.

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**DISTRICT DEBT**

2023 Taxable Assessed Valuation.....	\$ 680,980,627	(a)
Estimate of Value as of May 15, 2023 .....	\$ 765,428,500	(b)
Direct Debt:		
The Outstanding Bonds.....	\$ 50,600,000	
The Utility Bonds .....	\$ 6,510,000	
The Road Bonds .....	<u>\$ 20,500,000</u>	
Total.....	\$ 77,610,000	
Estimated Overlapping Debt .....	<u>\$ 42,433,968</u>	(c)
Total Direct and Estimated Overlapping Debt .....	<u>\$ 120,043,968</u>	
Direct Debt Ratio:		
As a percentage of the 2023 Taxable Assessed Valuation.....	11.40	%
As a percentage of the Estimate of Value as of May 15, 2023.....	10.14	%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of the 2023 Taxable Assessed Valuation.....	17.63	%
As a percentage of the Estimate of Value as of May 15, 2023.....	15.68	%
Utility System Debt Service Fund Balance (as of June 19, 2023).....	\$ 1,020,863	(d)
Road System Debt Service Fund Balance (as of June 19, 2023).....	\$ 1,011,831	(e)
General Operating Fund Balance (as of June 19, 2023) .....	\$ 944,226	
2023 Tax Rate		
Utility System Debt Service .....	\$0.2650	(f)
Road System Debt Service .....	\$0.3700	(f)
Maintenance & Operation .....	<u>\$0.0700</u>	
Total.....	\$0.7050	
Average Annual Debt Service Requirement (2024–2048) .....	\$4,566,496	(g)
Maximum Annual Debt Service Requirement (2025).....	\$4,973,769	(g)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2024–2048) at 95% Tax Collections:		
Based on the 2023 Taxable Assessed Valuation.....	\$ 0.71	(h)
Based on the Estimate of Value as of May 15, 2023.....	\$0.63	(h)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2025) at 95% Tax Collections:		
Based on the 2023 Taxable Assessed Valuation.....	\$0.77	(h)
Based on the Estimate of Value as of May 15, 2023.....	\$0.69	(h)
Number of Single-Family Homes.....	1,540	(i)

- 
- (j) Represents the taxable amount of the assessed value of all taxable property within the District as of January 1, 2023, provided by the Denton Central Appraisal District (“DCAD” or the “Appraisal District”). Includes \$8,996,928 of uncertified value, which represents 80% of the uncertified value currently under review and is the estimated minimum amount that will ultimately be certified by the Appraisal District. See “TAX DATA” and “TAXING PROCEDURES.”
  - (k) 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 May 15, 2023, and includes an estimate of additional taxable value resulting from additional taxable improvements constructed in the District from January 1, 2023, through May 15, 2023. No taxes will be levied on this estimated value. See “TAX DATA” and “TAXING PROCEDURES.”
  - (l) See “DISTRICT DEBT – Estimated Overlapping Debt Statement.”
  - (m) Six (6) months of capitalized interest on the Utility Bonds will be deposited into the Utility System Debt Service Fund (herein defined) upon closing of the Utility Bonds. Neither Texas law nor the Utility Bond Order (herein 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 by the District for the Road System (herein defined), such as the Road Bonds.
  - (n) Six (6) months of capitalized interest on the Road Bonds will be deposited into the Road System Debt Service Fund (herein defined) upon closing of the Road Bonds. Neither Texas law nor the Road Bond Order (herein defined) requires that the District maintain any particular sum in the Road System Debt Service Fund (herein defined). Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Utility System (herein defined), such as the Utility Bonds.
  - (o) The District is authorized to levy separate taxes for payment of debt service on bonds issued by the District for the Utility System and for payment of debt service on bonds issued for the Road System; both such taxes are unlimited as to rate or amount. See “TAX DATA – Tax Rate Calculations” and “INVESTMENT CONSIDERATIONS – Future Debt.”
  - (p) Requirement of debt service on the Outstanding Bonds and the Bonds. See “DISTRICT DEBT – Debt Service Requirements.”
  - (q) Represents the amount of the combined debt service tax rate that is necessary to meet the applicable requirement of debt service based on the corresponding valuation of the District and a tax collection rate of 95%.
  - (r) Approximate number of homes, including 1,319 completed homes and 221 homes under construction, within the District as of June 1, 2023.

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**Estimated Overlapping Debt Statement**

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

Taxing Jurisdiction	Outstanding Debt	Overlapping	
	June 1, 2023	Percent	Amount
The Town of Northlake	\$ 45,145,000	24.48%	\$ 11,051,175
Denton County	661,240,000	0.38%	2,541,035
Northwest ISD	1,500,785,496	1.92%	<u>28,841,759</u>
Total Estimated Overlapping Debt			\$ 42,433,968
Direct Debt (a)			\$ <u>77,610,000</u> (a)
Total Direct and Estimated Overlapping Debt			\$120,043,968 (a)

(a) Includes the Outstanding Bonds and the Bonds.

**Debt Ratios**

Direct Debt Ratio:

As a percentage of the 2023 Taxable Assessed Valuation.....	11.40 %
As a percentage of the Estimate of Value as of May 15, 2023.....	10.14 %

Direct and Estimated Overlapping Debt Ratio:

As a percentage of the 2023 Taxable Assessed Valuation.....	17.63 %
As a percentage of the Estimate of Value as of May 15, 2023.....	15.68 %

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## Debt Service Requirements

### Utility System Debt Service

The following schedule sets forth the debt service requirements on the Outstanding Bonds for the Utility System plus the principal and interest requirements on the Utility Bonds.

Year Ending 12/31	Outstanding Utility System Debt Service (a)	Plus: The Utility Bonds		Total New Utility System Debt Service	Total Utility System Debt Service
		Principal	Interest		
2024	\$ 1,558,594	\$ -	\$ 298,819	\$ 298,819	\$ 1,857,413
2025	1,555,981	160,000	315,719	475,719	2,031,700
2026	1,556,456	165,000	304,750	469,750	2,026,206
2027	1,552,169	175,000	293,275	468,275	2,020,444
2028	1,545,781	180,000	281,294	461,294	2,007,075
2029	1,545,306	190,000	268,806	458,806	2,004,113
2030	1,538,888	195,000	255,813	450,813	1,989,700
2031	1,535,494	205,000	242,313	447,313	1,982,806
2032	1,531,956	215,000	228,138	443,138	1,975,094
2033	1,534,706	225,000	216,100	441,100	1,975,806
2034	1,536,756	235,000	206,325	441,325	1,978,081
2035	1,538,056	245,000	196,125	441,125	1,979,181
2036	1,538,100	255,000	185,500	440,500	1,978,600
2037	1,536,969	265,000	174,450	439,450	1,976,419
2038	1,534,850	275,000	162,975	437,975	1,972,825
2039	1,536,588	290,000	150,969	440,969	1,977,556
2040	1,536,850	300,000	138,244	438,244	1,975,094
2041	1,540,606	315,000	124,791	439,791	1,980,397
2042	1,538,366	330,000	110,475	440,475	1,978,841
2043	1,540,088	340,000	95,400	435,400	1,975,488
2044	1,540,106	355,000	79,763	434,763	1,974,869
2045	1,540,175	375,000	63,338	438,338	1,978,513
2046	1,081,109	390,000	46,125	436,125	1,517,234
2047	533,203	405,000	28,238	433,238	966,441
2048	-	425,000	315,719	434,563	434,563
	<u>\$ 35,527,153</u>	<u>\$ 6,510,000</u>	<u>\$ 4,477,303</u>	<u>\$ 10,987,303</u>	<u>\$ 46,514,456</u>

(a) Outstanding as of delivery of the Utility Bonds. Totals may not sum due to rounding.

*Road System Debt Service*

The following schedule sets forth the debt service requirements on the Outstanding Bonds for the Road System plus the principal and interest requirements on the Road Bonds.

Year Ending 12/31	Outstanding Road System Debt Service (a)	Plus: The Road Bonds		Total New Road System Debt Service	Total Road System Debt Service
		Principal	Interest		
2024	\$ 1,445,909	\$ -	\$ 942,874	\$ 942,874	\$ 2,388,783
2025	1,445,081	500,000	996,988	1,496,988	2,942,069
2026	1,442,488	525,000	963,019	1,488,019	2,930,506
2027	1,444,106	545,000	926,906	1,471,906	2,916,013
2028	1,440,422	570,000	889,275	1,459,275	2,899,697
2029	1,435,834	595,000	849,956	1,444,956	2,880,791
2030	1,435,463	620,000	812,825	1,432,825	2,868,288
2031	1,432,131	650,000	777,900	1,427,900	2,860,031
2032	1,430,791	675,000	741,463	1,416,463	2,847,253
2033	1,429,700	705,000	705,275	1,410,275	2,839,975
2034	1,428,881	735,000	669,275	1,404,275	2,833,156
2035	1,432,375	770,000	631,650	1,401,650	2,834,025
2036	1,430,022	800,000	592,400	1,392,400	2,822,422
2037	1,431,428	835,000	551,525	1,386,525	2,817,953
2038	1,431,641	870,000	508,900	1,378,900	2,810,541
2039	1,431,038	910,000	464,400	1,374,400	2,805,438
2040	1,429,441	950,000	417,900	1,367,900	2,797,341
2041	1,431,784	990,000	372,494	1,362,494	2,794,278
2042	1,433,144	1,035,000	328,844	1,363,844	2,796,988
2043	1,433,519	1,080,000	283,900	1,363,900	2,797,419
2044	1,432,753	1,125,000	237,044	1,362,044	2,794,797
2045	1,437,013	1,175,000	188,169	1,363,169	2,800,181
2046	1,130,141	1,225,000	137,169	1,362,169	2,492,309
2047	350,391	1,280,000	83,938	1,363,938	1,714,328
2048	-	1,335,000	28,369	1,363,369	1,363,369
	<u>\$ 33,045,494</u>	<u>\$ 20,500,000</u>	<u>\$ 14,102,455</u>	<u>\$ 34,602,455</u>	<u>\$ 67,647,949</u>

(a) Outstanding as of delivery of the Road Bonds. Totals may not sum due to rounding.

Average Annual Debt Service Requirement (2024–2048) .....	\$ 4,566,496
Maximum Annual Debt Service Requirement (2025).....	\$ 4,973,769

## **TAXING PROCEDURES**

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

### **Authority to Levy Taxes**

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Orders to levy such a tax from year to year as described more fully above under "THE BONDS - Source of Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and for the payment of certain contractual obligations. The District levied a total tax of \$0.705 per \$100 of assessed valuation for the 2023 tax year composed \$0.0700 per \$100 of assessed valuation for maintenance and operations purposes, \$0.2650 per \$100 of assessed valuation for Utility System debt service purposes, and \$0.3700 per \$100 of assessed valuation for Road System debt service purposes. See "TAX DATA- Tax Rate Distribution."

### **Property Tax Code and County-Wide Appraisal District**

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

The Property Tax Code requires the Appraisal District, by May 15 of each year, or as soon thereafter as practicable, to prepare appraisal records of property as of January 1 of each year based upon market value. The chief appraiser must give written notice before May 15, or as soon thereafter as practicable, to each property owner whose property value is appraised higher than the value in the prior tax year or the value rendered by the property owner, or whose property was not on the appraisal roll the preceding year, or whose property was reappraised in the current tax year. Notice must also be given if ownership of the property changed during the preceding year. The Appraisal Review Board has the ultimate responsibility for determining the value of all taxable property within the District; however, any property owner who has timely filed notice with the Appraisal Review Board may appeal a final determination by the Appraisal Review Board by filing suit in a Texas district court. Prior to such appeal or any tax delinquency date, however, the property owner must pay the tax due on the value of that portion of the property involved that is not in dispute or the amount of tax imposed in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. In such event, the value of the property in question will be determined by the court, or by a jury, if requested by any party. In addition, taxing units, such as the District, are entitled to challenge certain matters before the Appraisal Review Board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records of the granting in whole or in part of certain exemptions. A taxing unit may not, however, challenge the valuation of individual properties.

Although the District has the responsibility for establishing tax rates and levying and collecting its taxes each year, under the Property Tax Code, the District does not establish appraisal standards or determine the frequency of revaluation or reappraisal. The Appraisal District is governed by a board of directors elected by the governing bodies of the county and all cities, towns, school districts and, if entitled to vote, the conservation

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

### **Property Subject to Taxation by the District**

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board. 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.

To date, the District has not granted any residential homestead exemptions, including exemptions for persons 65 years of age or older or certain disabled persons.

### **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. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

The 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.

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.

### **District and Taxpayer Remedies**

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

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, Texas law provides for an additional notice and, upon petition by qualified voters, an election which could result in the repeal of certain tax rate increases on residential homesteads. 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.

### **Agricultural, Open Space, Timberland and Inventory Deferment**

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of the 2023 Taxable Assessed Valuation, approximately 11.54 acres of land within the District was designated for agricultural use, open space, inventory deferment, or timberland.

### **Tax Abatement**

The Town, Denton County, or the District may designate all or part of the District as a reinvestment zone, and the District, Denton County, and the Town may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and/or by 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 a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

### **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% physically 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.

### **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 date of delinquency may be postponed if the tax bills are mailed after January 1. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors of the District based on valuation of property within the District as of the preceding January 1.

Taxes are due September 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. 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 of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person at least sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas Law is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in equal installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes within the District in the preceding 24 months.

### **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 the State and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien, however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two (2) years for residential and agricultural property and six (6) months for commercial property and all other types of property after the purchasers deed at the foreclosure sale is filed in the county records.

### **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 "Low Tax Rate Districts." 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 are 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.

#### *Low Tax Rate Districts*

Low Tax Rate Districts 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 a rollback 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 Low Tax Rate District 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*

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

### *The District*

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. For the 2023 tax year, the District was designated as a Developing District by the Board of Directors. 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.

## **TAX DATA**

### **Debt Service Tax**

The Board covenants in the Bond Orders to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, two taxes adequate to provide funds to pay the principal of and interest on the Bonds. For the 2023 tax year, the District levied a total tax rate of \$0.705 per \$100 of assessed valuation composed of \$0.0700 per \$100 of assessed valuation for maintenance and operations purposes, \$0.2650 per \$100 of assessed valuation for Utility System debt service purposes, and \$0.3700 per \$100 of assessed valuation for Road System debt service purposes. See "Tax Rate Distribution" below, "TAXING PROCEDURES," and "INVESTMENT CONSIDERATIONS."

### **Maintenance Tax**

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was held on May 5, 2018, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.20 per \$100 of assessed valuation for general operations and maintenance costs. The District levied a \$0.0700 maintenance tax rate for the 2023 tax year. See "Tax Rate Distribution" below.

### **Historical Tax Collections**

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

Tax Year	Certified Taxable Value	Tax Rate (a)	Adjusted Tax Levy	Collections Current Year	Current Year Ending 8/31	Collections 7/1/2023
2018	\$ 747,914	\$ 0.705	\$ 5,273	100.00%	2019	100.00%
2019	31,665,756	0.705	223,244	100.00	2020	100.00
2020	96,955,475	0.705	683,536	99.37	2021	99.90
2021	234,513,236	0.705	1,653,318	99.01	2022	99.75
2022	413,458,724	0.705	2,914,884	99.93	2023	99.93

(a) See “– Tax Rate Distribution” below.

### Tax Rate Distribution

	2023	2022	2021	2020	2019
Road System Debt Service	\$0.370	\$0.3225	\$0.325	\$0.150	\$0.000
Utility System Debt Service	0.265	0.3150	0.310	0.200	0.000
Maintenance	0.070	0.0675	0.070	0.355	0.705
Total	\$0.705	\$0.7050	\$0.705	\$0.705	\$0.705

### Analysis of Tax Base

The following table illustrates the District’s total taxable assessed value in the 2019–2023 tax years by type of property.

Type of Property	2023 Assessed Valuation (a)	2022 Assessed Valuation	2021 Assessed Valuation	2020 Assessed Valuation	2019 Assessed Valuation
Land	\$ 234,511,769	\$ 158,678,403	\$ 105,701,164	\$ 70,172,397	\$ 34,073,582
Improvements	511,098,913	284,830,038	135,297,834	30,037,026	14,212
Personal Property	1,027,125	1,169,065	149,321	-	-
Exemptions	(65,657,180)	(31,218,782)	(6,635,083)	(3,253,948)	(2,422,038)
Total	\$ 680,980,627	\$ 413,458,724	\$ 234,513,236	\$ 96,955,475	\$ 31,665,756

(a) Includes \$8,996,928 of uncertified value, which represents 80% of the uncertified value currently under review and is the estimated minimum amount that will ultimately be certified by DCAD.

### Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2023:

Taxpayer	Type of Property	Assessed Valuation 2023 Tax Roll	% of Assessed Valuation
HHS-Pecan Square Development LLC (a)	Land & Improvements	\$ 29,489,139	4.33%
MHI Partnership Ltd. (b)	Land & Improvements	16,557,385	2.43%
CND-Pecan Square II LLC (a)	Land & Improvements	11,821,402	1.74%
Pecan Square Phase 2B LLC (a)	Land & Improvements	7,732,089	1.14%
DR Horton Texas (b)	Land & Improvements	5,273,982	0.77%
Ashton Dallas Residential (b)	Land & Improvements	5,231,758	0.77%
Highland Homes Dallas LLC (b)	Land & Improvements	4,285,961	0.63%
Pulte Homes of Texas LP (b)	Land & Improvements	3,216,030	0.47%
Pecan Square Phase 3A LLC (a)	Land & Improvements	2,725,469	0.40%
Pecan Square Phase 1 LLC (a)	Land & Improvements	2,592,604	0.38%
Total		\$ 88,925,819	13.06%

(a) See “THE DEVELOPER.”

(b) See “HOMEBUILDERS WITHIN THE DISTRICT.”

### 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

(\$680,980,627) or the Estimate of Value as of May 15, 2023 (\$765,428,500). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirement (2024 -2048).....	\$	4,566,496
Debt Service Tax Rate of \$0.71 on 2023 Taxable Assessed Valuation.....	\$	4,593,214
Debt Service Tax Rate of \$0.63 on Estimate of Value as of May 15, 2023.....	\$	4,581,090
Maximum Annual Debt Service Requirement (2025).....	\$	4,973,769
Debt Service Tax Rate of \$0.77 on 2023 Taxable Assessed Valuation.....	\$	4,981,373
Debt Service Tax Rate of \$0.69 on Estimate of Value as of May 15, 2023.....	\$	5,017,384

**Estimated Overlapping Taxes**

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

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

	2022 Tax Rate Per \$100 of Assessed Value
The District (a)	\$0.705000
Denton County	\$0.217543
Northwest Independent School District	\$1.274600
Denton County ESD No. 1	\$0.093330
The Town of Northlake	\$0.295000
Total Estimated Tax Rate	\$2.584730

(a) Represents the 2023 tax rate.

**INVESTMENT CONSIDERATIONS**

**General**

The Bonds are obligations of the District and are not obligations of the State of Texas; Denton County, Texas; the Town; or any political subdivision other than the District. Each series of the Bonds is secured by the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied by the District upon all taxable property located within the District. See “THE BONDS – Source and Security for Payment.”

The ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no 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, commercial, retail and multi-family housing industry, not only due to general economic conditions, but also due to the particular factors discussed below.

**Factors Affecting Taxable Values and Tax Payments**

**Economic Factors:** The rate of development within the District is directly related to the vitality of the residential, commercial, retail, and multi-family housing development industry in the Dallas-Fort Worth-

Denton metropolitan area. New construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. New construction can also be affected by energy availability and costs, including oil and natural gas prices, upon which the Texas economy is heavily dependent. Decreased levels of such construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District. See "STATUS OF DEVELOPMENT."

**Location and Access:** The District is located in an outlying area of the Dallas-Fort Worth metropolitan area, approximately 32 miles northwest from the central business district of the City of Dallas, Texas. As a result, particularly during times of increased competition, the Developer within the District may be at a competitive disadvantage to the developers of other projects located closer to major urban centers or in a more developed state. See "STATUS OF DEVELOPMENT."

**Dependence on Major Taxpayers and the Developer:** The District's tax base is concentrated in a small number of taxpayers. As reflected in this Official Statement under the caption "TAX DATA – Principal Taxpayers," the District's ten principal taxpayers owned approximately 13.06% of the assessed value of property located in the District based on the 2023 Taxable Assessed Valuation. The District cannot represent that its tax base will in the future be (i) distributed among a significantly larger number of taxpayers or (ii) less concentrated in property owned by a relatively small number of property owners than it is currently. Failure by one or more of the District's principal property owners to make full and timely payments of taxes due may have an adverse effect on the investment quality or security of the Bonds. If any one or more of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meet its debt service requirements, the availability of which is uncertain. See "INVESTMENT CONSIDERATIONS – Tax Collections and Foreclosure Remedies" below.

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 2023, the District levied a total tax rate of \$0.7050 per \$100 of assessed valuation composed of \$0.0700 per \$100 of assessed valuation for maintenance and operations, \$0.2650 per \$100 of assessed valuation of Utility System debt service, and \$0.3700 per \$100 of assessed valuation for Road System debt service.

**Vacant Developed Lots:** As of July 1, 2023, approximately 317 developed lots within the District remained available for construction. Failure of the Developers and/or builders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of the District issued in the future. Future increases in value will result primarily from the construction of homes by builders. The District makes no representation that the lot sales and building program will be successful.

**Developer's Obligations to the District:** There is no commitment by or legal requirement of the Developer or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any owner of property to proceed at any particular pace with the construction of homes or commercial improvements 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, in the District. Failure to construct taxable improvements would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "STATUS OF DEVELOPMENT," "THE DEVELOPER," and "THE DISTRICT."

**Maximum Impact on District Tax Rate:** Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners within the District to pay their taxes. The 2023 Taxable Assessed Valuation of all taxable property within the District is \$680,980,627 and the Estimate of Value as of May 15, 2023 is \$765,428,500. See "TAX DATA." After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds and the Bonds (2025) will be \$4,973,769, and the average annual debt service requirement on the Outstanding Bonds and the Bonds (2024-2048) will be \$4,566,496. Assuming no decrease to the District's 2023 Taxable Assessed Valuation, tax rates of \$0.77 and \$0.71 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

Estimate of Value as of May 15, 2023, tax rates of \$0.69 and \$0.63 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. See “DISTRICT DEBT – Debt Service Requirements” and “TAX DATA – Tax Rate Calculations.”

Increases in the District’s tax rate to rates substantially higher than the levels discussed above may have an adverse impact upon future development of the District, the sale and construction of property within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District.

### **Competitive Nature of Dallas Residential Market**

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

### **Tax Collections and Foreclosure Remedies**

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

### **Registered Owners’ Remedies**

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

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government’s sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond 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 the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

### **Bankruptcy Limitation to Registered Owners' Rights**

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

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

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

The District may not be placed into bankruptcy involuntarily.

### **Future Debt**

Following the issuance of the Bonds, the District will have: \$240,526,860 principal amount of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing the Utility System; \$410,890,290 principal amount of unlimited tax bonds authorized but unissued for the purpose of refunding bonds issued by the District for the Utility System; \$191,257,017 principal amount of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing the Road System; and \$335,638,025 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

Based on current calculations, after the issuance of the Bonds, the District will still owe the Developer approximately \$6,695,000 for current expenditures related to the construction of the Road System and \$19,010,000 for current expenditures related to the construction of the Utility System on behalf of the District. The issuance of additional bonds will be necessary to finance the ultimate development of the remaining lands within the District. See "THE BONDS – Issuance of Additional Debt."

### **Marketability of the Bonds**

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



### **Continuing Compliance with Certain Covenants**

Failure of the District to comply with certain covenants contained in the Bond 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 – Tax Exemption.”

### **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.

### **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.

### **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.

### **Bond Insurance Risk Factors**

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

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

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no

assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

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

## **LEGAL MATTERS**

### **Legal Opinions**

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from an annual ad valorem tax levied without limit as to rate or amount upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of Bond Counsel that, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. The legal opinion will further state that the interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions as described below under "TAX MATTERS." The legal opinion of Bond Counsel will be printed on the Bonds, if certificated Bonds are issued. Such opinions will express no opinion with respect to the sufficiency of, the security for, or the marketability of the Bonds. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, Disclosure Counsel.

In addition to serving as Bond Counsel, Coats Rose, P.C. also acts as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid Bond Counsel and Disclosure 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.

### **Legal Review**

In its capacity as Bond Counsel, Coats Rose, P.C., has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS" (except for information under the subsections "- Book-Entry-Only System," "- Use and Distribution of Utility Bond Proceeds," "- Use and Distribution of Road Bond Proceeds," "THE DISTRICT - General" and "- Management of the District - Bond Counsel and General Counsel," "TAXING PROCEDURES," "LEGAL MATTERS," and "TAX MATTERS" solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of

responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

### **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 financial condition of the District subsequent to the date of sale from that set forth or contemplated in the Official Statement, as it may have been supplemented or amended through the date of sale.

### **No-Litigation Certificate**

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

## **TAX MATTERS**

### **Tax Exemption**

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, except that such interest is taken into account in determining the annual adjusted financial statement of income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986 (the "Code")) for the purpose of determining the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022, 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 Code (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

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

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

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

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

### **Federal Income Tax Accounting Treatment of Original Issue Discount**

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

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

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

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

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

### **Collateral Federal Income Tax Consequences**

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

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies,

individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

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

#### **State, Local and Foreign Taxes**

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

#### **Not Qualified Tax-Exempt Obligations**

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty percent (20%) as a "financial institution preference item."

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

#### **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 ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system which is available at [www.emma.msrb.org](http://www.emma.msrb.org).

## **Annual Reports**

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

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

The District's current fiscal year end is August 31. Accordingly, it must provide updated information by the end of February 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 term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Orders makes any provision for debt service reserves or liquidity enhancement. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."



### **Availability of Information**

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

### **Limitations and Amendments**

The District has agreed to update information and to provide notices of material 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 or Developer, 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 United States Securities and Exchange Commission 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**

During the last five years, the District has complied in all material respects with its prior continuing disclosure agreements in accordance with SEC Rule 15c2-12.

## PREPARATION OF OFFICIAL STATEMENT

### Sources and Compilation of Information

The financial data and other information contained in this Official Statement has been obtained primarily from the District's records, the Developer, the Engineer, the Tax Assessor/Collector, DCAD and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and its inclusion herein is not to be construed as a representation on the part of the District to such effect. Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this Official Statement are included herein 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 fiscal year ended August 31, 2022 has been provided by the District's auditor, Mark C. Eyring, CPA PLLC, and attached hereto as "APPENDIX A".

### Experts

In approving this Official Statement the District has relied upon the following consultants:

*Tax Assessor/Collector:* The information contained in this Official Statement relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by the Denton Central Appraisal District and is included herein in reliance upon the authority of such entity as an expert in assessing property values and collecting taxes.

*Engineer:* The information contained in this Official Statement relating to engineering and to the description of the water, sewer and drainage system and, in particular that information included in the sections entitled "THE DISTRICT," "STATUS OF DEVELOPMENT," "THE UTILITY SYSTEM," and "THE ROAD SYSTEM," has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

### Updating of Official Statement

For the period beginning on the date of the award of the sale of the Bonds to the Initial Purchasers and ending on the ninety-first (91st) day after the "end of the underwriting period" (as defined in Rule 15c2-12(f)(2) of the SEC), if any event shall occur of which the District has knowledge and as a result of which it is necessary to amend or supplement this Official Statement in order to make the statements herein, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, not materially misleading, the District will promptly notify the Initial Purchasers of the occurrence of such event and will cooperate in the preparation of a revised Official Statement, or amendments or supplements hereto, so that the statements in this Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, be materially misleading. The District assumes no responsibility for supplementing this Official Statement thereafter.

### Certification as to Official Statement

The District, acting by and through its Board in its official capacity in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge, 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.

**MISCELLANEOUS**

All estimates, statements and assumptions in this Official Statement and the appendices hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

This Official Statement was approved by the Board of Directors of Northlake Municipal Management District No. 1 of Denton County as of the date shown on the cover page hereof.

/s/ Rane Pearson  
President, Board of Directors  
Northlake Municipal Management District No. 1 of  
Denton County

ATTEST:

/s/ Justin Christ  
Secretary, Board of Directors  
Northlake Municipal Management District No. 1 of Denton County

**APPENDIX A**  
**Financial Statements of the District**

NORTHLAKE MUNICIPAL  
MANAGEMENT DISTRICT NO. 1  
DENTON COUNTY, TEXAS  
ANNUAL AUDIT REPORT  
AUGUST 31, 2022

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# Mark C. Eyring, CPA, PLLC

12702 Century Drive • Suite C2 • Stafford, Texas 77477 • 281-277-9595 • Mark@EyringCPA.com

December 15, 2022

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Northlake Municipal  
Management District No. 1  
Denton County, Texas

### **Opinions**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Northlake Municipal Management District No. 1 as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise Northlake Municipal Management District No. 1's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Northlake Municipal Management District No. 1, as of August 31, 2022, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

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

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northlake Municipal Management District No. 1's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## INDEPENDENT AUDITOR'S REPORT (Continued)

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Northlake Municipal Management District No. 1's internal control. Accordingly, no such opinion is expressed. I evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements. I conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northlake Municipal Management District No. 1's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.



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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Northlake Municipal Management District No. 1's basic financial statements. The supplementary information on Pages 22 to 41 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

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

## Management's Discussion and Analysis

### Using this Annual Report

Within this section of the Northlake Municipal Management District No. 1 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended August 31, 2022.

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

#### *Government-Wide Financial Statements*

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

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

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

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

#### *Fund Financial Statements*

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

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

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

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

### **Financial Analysis of the District as a Whole**

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

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

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

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

Summary of Net Position

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Current and other assets	\$ 2,509,351	\$ 1,313,929	\$ 1,195,422
Capital assets	6,448,432	17,514,722	(11,066,290)
Total assets	<u>8,957,783</u>	<u>18,828,651</u>	<u>(9,870,868)</u>
Long-term liabilities	53,931,345	32,399,380	21,531,965
Other liabilities	1,107,230	5,618,786	(4,511,556)
Total liabilities	<u>55,038,575</u>	<u>38,018,166</u>	<u>17,020,409</u>
Net position:			
Invested in capital assets, net of related debt	(48,139,735)	(20,061,552)	(28,078,183)
Restricted	1,235,597	340,374	895,223
Unrestricted	823,346	531,663	291,683
Total net position	<u>\$ (46,080,792)</u>	<u>\$ (19,189,515)</u>	<u>\$ (26,891,277)</u>

Summary of Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 1,665,840	\$ 687,169	\$ 978,671
Charges for services	248,930	155,605	93,325
Other revenues	6,002	99	5,903
Total revenues	<u>1,920,772</u>	<u>842,873</u>	<u>1,077,899</u>
Expenses:			
Service operations	202,852	103,237	99,615
Capital outlay	25,375,964	13,075,536	12,300,428
Debt service	3,233,233	1,571,091	1,662,142
Total expenses	<u>28,812,049</u>	<u>14,749,864</u>	<u>14,062,185</u>
Change in net position	(26,891,277)	(13,906,991)	(12,984,286)
Net position, beginning of year	<u>(19,189,515)</u>	<u>(5,282,524)</u>	<u>(13,906,991)</u>
Net position, end of year	<u>\$ (46,080,792)</u>	<u>\$ (19,189,515)</u>	<u>\$ (26,891,277)</u>

**Financial Analysis of the District's Funds**

The District's combined fund balances as of the end of the fiscal year ended August 31, 2022 were \$2,434,800, an increase of \$1,143,192 from the prior year.

The General Fund balance increased by \$291,220, in accordance with the District's financial plan.

The Debt Service Fund balance increased by \$799,903, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by \$52,069 as proceeds of the District's road and utility bonds and interest earnings exceeded authorized expenditures.

#### *General Fund Budgetary Highlights*

The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 21 of this report. The budgetary fund balance as of August 31, 2022 was expected to be \$1,069,514 and the actual end of year fund balance was \$991,497.

#### **Capital Asset and Debt Administration**

##### *Capital Assets*

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

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2022</u>	<u>2021</u>	<u>Change</u>
Construction in progress	\$ 4,459,237	\$ 17,514,722	\$ (13,055,485)
Wastewater treatment facilities	1,989,195	0	1,989,195
Totals	<u>\$ 6,448,432</u>	<u>\$ 17,514,722</u>	<u>\$ (11,066,290)</u>

Changes to capital assets during the fiscal year ended August 31, 2022, are summarized as follows:

Additions:		
Utilities and roads constructed by developer		\$ 13,278,288
Decreases:		
Utilities and roads transferred to other entities		(24,266,245)
Depreciation		<u>(78,333)</u>
Net change to capital assets		<u>\$ (11,066,290)</u>

##### *Debt*

Changes in the bonded debt position of the District during the fiscal year ended August 31, 2022, are summarized as follows:

Bonded debt payable, beginning of year	\$ 15,570,000
Bonds sold	36,655,000
Bonds paid	<u>(465,000)</u>
Bonded debt payable, end of year	<u>\$ 51,760,000</u>

At August 31, 2022, the District had \$247,036,860 of bonds authorized but unissued for the purposes of acquiring, constructing and improving a water, sanitary sewer and drainage system within the District and \$211,757,017 for road purposes authorized but unissued

The District's Series 2021 and 2022 road and utility bonds have an underlying rating of Baa3 by Moody's. The Series 2020, 2021 and 2022 road and utility bonds are insured by Build America Mutual Assurance Company. The insured rating of the Series 2020, 2021 and 2022 road and utility bonds is AA by Standard & Poor's. There were no changes in the bond ratings during the fiscal year ended August 31, 2022.

As further described in Note 5 of the notes to the financial statements, the developer within the District has advanced funds to the District to cover initial operating deficits. As of August 31, 2022, the cumulative amount of developer advances for this purpose was \$171,000.

As further described in Note 5 of the notes to the financial statements, the developer within the District is constructing water, sewer and drainage facilities and road improvements on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality as applicable. At August 31, 2022, the estimated amount due to the developer was \$4,459,237.

## **RELEVANT FACTORS AND WATER SUPPLY ISSUES**

### *Property Tax Base*

The District's tax base increased approximately \$137,640,000 for the 2021 tax year.

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

### *Relationship to the Town of Northlake*

The District lies wholly within the corporate limits of the Town of Northlake (the "Town") and obtains water, sewer and drainage service from the Town. Effective April 13, 2017, the developer (on behalf of the District) entered into an agreement (the "Agreement") with the Town to provide a water distribution system, sanitary sewer collection system, a drainage system and a road system to serve the area within the District. In consideration of the District's acquiring and constructing these systems on behalf of the Town, the Town agreed, pursuant to the terms and conditions of the Agreement, to own, operate and maintain such systems. The District constructed a wastewater treatment plant ("WWTP") with capacity to serve the District. The WWTP is owned, maintained and operated by the District.

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

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

AUGUST 31, 2022

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
<b>ASSETS</b>						
Cash, including interest-bearing accounts, Note 7	\$ 889,996	\$ 279,990	\$ 178,531	\$ 1,348,517	\$	\$ 1,348,517
Certificates of deposit, at cost, Note 7		1,110,000		1,110,000		1,110,000
Receivables:						
Property taxes	2,849	10,008		12,857		12,857
Accrued interest		739		739		739
Due from other entity, Note 9	37,238			37,238		37,238
Due from other funds	87,624	787		88,411	(88,411)	0
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	4,459,237	4,459,237
Depreciable capital assets				0	1,989,195	1,989,195
<b>Total assets</b>	<b><u>\$1,017,707</u></b>	<b><u>\$1,401,524</u></b>	<b><u>\$ 178,531</u></b>	<b><u>\$ 2,597,762</u></b>	<b><u>6,360,021</u></b>	<b><u>8,957,783</u></b>
<b>LIABILITIES</b>						
Accounts payable	\$ 22,574	\$ 282	38,838	\$ 61,694		61,694
Due to other funds	787		87,624	88,411	(88,411)	0
Long-term liabilities, Note 5:						
Due within one year				0	1,045,536	1,045,536
Due in more than one year				0	53,931,345	53,931,345
<b>Total liabilities</b>	<b><u>23,361</u></b>	<b><u>282</u></b>	<b><u>126,462</u></b>	<b><u>150,105</u></b>	<b><u>54,888,470</u></b>	<b><u>55,038,575</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property tax revenues	<u>2,849</u>	<u>10,008</u>	<u>0</u>	<u>12,857</u>	<u>(12,857)</u>	<u>0</u>
<b>FUND BALANCES / NET POSITION</b>						
Fund balances:						
Restricted for bond interest, Note 5		217,714		217,714	(217,714)	0
Assigned to:						
Debt service		1,173,520		1,173,520	(1,173,520)	0
Capital projects			52,069	52,069	(52,069)	0
Unassigned	<u>991,497</u>			<u>991,497</u>	<u>(991,497)</u>	<u>0</u>
<b>Total fund balances</b>	<b><u>991,497</u></b>	<b><u>1,391,234</u></b>	<b><u>52,069</u></b>	<b><u>2,434,800</u></b>	<b><u>(2,434,800)</u></b>	<b><u>0</u></b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b><u>\$1,017,707</u></b>	<b><u>\$1,401,524</u></b>	<b><u>\$ 178,531</u></b>	<b><u>\$ 2,597,762</u></b>		
Net position:						
Invested in capital assets, net of related debt, Note 4					(48,139,735)	(48,139,735)
Restricted for debt service					1,183,528	1,183,528
Restricted for capital projects					52,069	52,069
Unrestricted, Note 5					<u>823,346</u>	<u>823,346</u>
<b>Total net position</b>					<b><u>\$(46,080,792)</u></b>	<b><u>\$(46,080,792)</u></b>

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

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1

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

FOR THE YEAR ENDED AUGUST 31, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
<b>REVENUES</b>						
Property taxes	\$ 171,894	\$ 1,481,881	\$	\$ 1,653,775	\$ 8,119	\$ 1,661,894
Wastewater treatment service	248,930			248,930		248,930
Penalty and interest		3,946		3,946		3,946
Accrued interest on bonds received at date of sale		44,476		44,476	(44,476)	0
Interest on deposits	1,911	4,024	67	6,002		6,002
<b>Total revenues</b>	<b>422,735</b>	<b>1,534,327</b>	<b>67</b>	<b>1,957,129</b>	<b>(36,357)</b>	<b>1,920,772</b>
<b>EXPENDITURES / EXPENSES</b>						
Service operations:						
Professional fees	71,933	388		72,321		72,321
Contracted services	10,640	9,637		20,277		20,277
Repairs and maintenance	15,886			15,886		15,886
Administrative expenditures	14,795	425	815	16,035		16,035
Depreciation				0	78,333	78,333
Capital outlay / non-capital outlay			26,333,773	26,333,773	(2,067,528)	24,266,245
Interest on developer construction			1,109,719	1,109,719		1,109,719
Debt service:						
Principal retirement		465,000		465,000	(465,000)	0
Bond issuance expenditures			2,197,074	2,197,074		2,197,074
Interest		994,705		994,705	41,454	1,036,159
<b>Total expenditures / expenses</b>	<b>113,254</b>	<b>1,470,155</b>	<b>29,641,381</b>	<b>31,224,790</b>	<b>(2,412,741)</b>	<b>28,812,049</b>
Excess (deficiency) of revenues over expenditures	309,481	64,172	(29,641,314)	(29,267,661)	2,376,384	(26,891,277)
<b>OTHER FINANCING SOURCES (USES)</b>						
Bonds issued, Note 5		1,806,878	34,848,122	36,655,000	(36,655,000)	0
Bond issuance discount, Note 5		(1,071,147)		(1,071,147)	1,071,147	0
Bond Anticipation Note proceeds, Note 5			4,873,000	4,873,000	(4,873,000)	0
Bond Anticipation Note repayment, Note 5			(10,046,000)	(10,046,000)	10,046,000	0
Reimbursement to (from) other fund	(18,261)		18,261	0	0	0
<b>Total other financing sources (uses)</b>	<b>(18,261)</b>	<b>735,731</b>	<b>29,693,383</b>	<b>30,410,853</b>	<b>(30,410,853)</b>	<b>0</b>
Net change in fund balances / net position	291,220	799,903	52,069	1,143,192	(28,034,469)	(26,891,277)
Beginning of year	700,277	591,331	0	1,291,608	(20,481,123)	(19,189,515)
End of year	\$ 991,497	\$ 1,391,234	\$ 52,069	\$ 2,434,800	\$ (48,515,592)	\$ (46,080,792)

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



NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1NOTES TO THE FINANCIAL STATEMENTSAUGUST 31, 2022

## NOTE 1: REPORTING ENTITY

Northlake Municipal Management District No. 1 (the "District") was created by the Texas Commission on Environmental Quality on August 9, 2017. The District operates in accordance with Texas Water Code Chapter 49, Chapter 375 of the Texas Local Government Code and Article XVI, Section 59 and Article III, Sections 52 and 52(a) of the Texas Constitution. The District is located within the corporate limits of the Town of Northlake and within Denton County, Texas. The District is a political subdivision of the State of Texas, governed by a five member Board of Directors appointed by the Town of Northlake. The Board of Directors held its first meeting on November 29, 2017. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

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

Basic Financial Statements

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Basis of Accounting

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

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

### Interfund Activity

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

### Receivables

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

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

### Long-term Liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 2,434,800
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		6,448,432
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (51,760,000)	
Less: Issuance discount (to be amortized as interest expense)	1,413,356	
Due to developers for operating advances	(171,000)	
Due to developers for construction	<u>(4,459,237)</u>	(54,976,881)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Uncollected property taxes		<u>12,857</u>
Net position, end of year		<u>\$ (46,080,792)</u>

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

Total net change in fund balances		\$ 1,143,192
The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay	\$ 2,067,528	
Depreciation	<u>(78,333)</u>	1,989,195
The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:		
Bonds issued	(36,655,000)	
Bond Anticipation Note issued	(4,873,000)	
Bond Anticipation Note repaid	<u>10,511,000</u>	(31,017,000)
The funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:		
Issuance discount		985,217
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:		
Uncollected property taxes		<u>8,119</u>
Change in net position		<u>\$ (26,891,277)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4: CAPITAL ASSETS

At August 31, 2022, "Invested in capital assets, net of related debt" was \$(20,061,552). As further described in Note 9, under the terms of agreements with the Town of Northlake (the "Town"), the District transfers the ownership of certain capital assets (other than the wastewater treatment plant) constructed by the District to the Town. Under the terms of the agreements, the District is to pay for construction of a water distribution system, a sanitary sewer collection system, a drainage system and roads to serve the District. The District shall be the owner of each phase of the systems until such phase is completed and approved by the Town, at which time ownership of such phase shall be transferred to the Town. However, the District shall have a security interest therein until all bonds issued by the District pursuant to the respective agreement are retired. The District will permit and construct a wastewater treatment plant ("WWTP") with capacity to serve the District. The WWTP is owned, maintained and operated by the District.

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ 17,514,722	\$ 13,278,288	\$ 26,333,773	\$ 4,459,237
Total capital assets not being depreciated	17,514,722	13,278,288	26,333,773	4,459,237
Depreciable capital assets:				
Wastewater treatment facilities	0	2,067,528		2,067,528
Total depreciable capital assets	0	2,067,528	0	2,067,528
Less accumulated depreciation for:				
Wastewater treatment facilities	0	(78,333)		(78,333)
Total accumulated depreciation	0	(78,333)	0	(78,333)
Total depreciable capital assets, net	0	1,989,195	0	1,989,195
Total capital assets, net	\$ 17,514,722	\$ 15,267,483	\$ 26,333,773	\$ 6,448,432
Changes to capital assets:				
Capital outlay		\$ 2,067,528	\$	
Assets transferred to depreciable assets		2,067,528	2,067,528	
Assets transferred to other entities		24,266,245	24,266,245	
Capital outlay paid (decrease in liability) to developer		(26,333,773)		
Increase in liability to developer for construction		13,278,288		
Less depreciation expense for the fiscal year		(78,333)		
Net increases / decreases to capital assets		\$ 15,267,483	\$ 26,333,773	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended August 31, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 15,570,000	\$ 36,655,000	\$ 465,000	\$ 51,760,000	\$ 1,160,000
Less deferred amounts:					
For issuance discounts	<u>(428,139)</u>	<u>(1,071,147)</u>	<u>(85,930)</u>	<u>(1,413,356)</u>	<u>(114,464)</u>
Total bonds payable	<u>15,141,861</u>	<u>35,583,853</u>	<u>379,070</u>	<u>50,346,644</u>	<u>1,045,536</u>
Bond Anticipation Note payable	<u>5,173,000</u>	<u>4,873,000</u>	<u>10,046,000</u>	<u>0</u>	<u>0</u>
Due to developer for operating advances (see below)	171,000			171,000	-----
Due to developer for construction (see below)	<u>17,514,722</u>	<u>13,278,288</u>	<u>26,333,773</u>	<u>4,459,237</u>	<u>-----</u>
Total due to developers	<u>17,685,722</u>	<u>13,278,288</u>	<u>26,333,773</u>	<u>4,630,237</u>	<u>0</u>
Total long-term liabilities	<u>\$ 38,000,583</u>	<u>\$ 53,735,141</u>	<u>\$ 36,758,843</u>	<u>\$ 54,976,881</u>	<u>\$ 1,045,536</u>

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

The District pays the amount due September 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future. As of August 31, 2022, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,160,000	\$ 1,566,198	\$ 2,726,198
2024	1,510,000	1,494,502	3,004,502
2025	1,580,000	1,421,062	3,001,062
2026	1,655,000	1,343,945	2,998,945
2027	1,725,000	1,271,274	2,996,274
2028 - 2032	9,480,000	5,392,068	14,872,068
2033 - 2037	10,870,000	3,966,995	14,836,995
2038 - 2042	12,425,000	2,419,304	14,844,304
2043 - 2047	<u>11,355,000</u>	<u>663,498</u>	<u>12,018,498</u>
	<u>\$ 51,760,000</u>	<u>\$ 19,538,846</u>	<u>\$ 71,298,846</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Utility bonds voted	\$ 273,926,860
Utility bonds approved for sale and sold	26,890,000
Utility bonds voted and not issued	247,036,860
Road bonds voted	237,092,017
Road bonds approved for sale and sold	25,335,000
Road bonds voted and not issued	211,757,017

Refunding bonds voted One and one-half times the  
amount of unlimited tax  
bonds previously issued

The bond issues payable at August 31, 2022, were as follows:

	<u>Series 2020 Utility</u>	<u>Series 2020 Road</u>	<u>Series 2021 Utility</u>
Amounts outstanding, August 31, 2022	\$9,435,000	\$5,670,000	\$9,010,000
Interest rates	2.00% to 4.50%	2.00% to 4.50%	2.00% to 4.50%
Maturity dates, serially beginning/ending	March 1, 2023/2045	March 1, 2023/2045	March 1, 2023/2046
Interest payment dates	March 1/September 1	March 1/September 1	March 1/September 1
Callable dates	March 1, 2025*	March 1, 2025*	March 1, 2026*
	<u>Series 2021 Road</u>	<u>Series 2022 Utility</u>	<u>Series 2022 Road</u>
Amounts outstanding, August 31, 2022	\$14,155,000	\$8,155,000	\$5,335,000
Interest rates	2.125% to 4.625%	3.125% to 5.50%	3.125% to 5.50%
Maturity dates, serially beginning/ending	March 1, 2023/2046	March 1, 2024/2047	March 1, 2024/2047
Interest payment dates	March 1/September 1	March 1/September 1	March 1/September 1
Callable dates	March 1, 2026*	March 1, 2028*	March 1, 2028*

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

In accordance with the Series 2020 and 2021 road and utility and the Series 2022 utility Bond Orders, a portion of the bond proceeds was deposited into the Debt Service Fund and reserved for the payment of bond interest. This bond interest reserve is reduced as the interest is paid. Transactions for the current year are summarized as follows:

Bond interest reserve, beginning of year:		\$ 253,309
Series 2021 utility bonds:		
12 months' interest from sale of bonds	\$ 226,713	
Accrued interest received at date of sale	<u>17,003</u>	243,716
Series 2021 road bonds:		
12 months' interest from sale of bonds	366,306	
Accrued interest received at date of sale	<u>27,473</u>	393,779
Series 2022 utility bonds:		
12 months' interest from sale of bonds		142,712
Deduct appropriation for bond interest paid:		
Series 2020 utility bonds	(157,068)	
Series 2020 road bonds	(96,241)	
Series 2021 utility bonds	(226,713)	
Series 2021 road bonds	<u>(335,781)</u>	<u>(815,803)</u>
Bond interest reserve, end of year:		
Series 2021 utility bonds	17,003	
Series 2021 road bonds	57,999	
Series 2022 utility bonds	<u>142,712</u>	<u>\$ 217,714</u>

Developer Construction Commitments, Liabilities and Advances

The developer within the District is constructing certain facilities within the District's boundaries. The District has agreed to reimburse the developer for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality as applicable. The District's engineer stated that cost of the construction in progress at August 31, 2022, was \$4,459,237. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

The developer within the District has advanced funds to the District to cover initial operating deficits. At August 31, 2022, the cumulative amount of unreimbursed developer advances was \$171,000. These amounts have been recorded in the government-wide financial statements and in the schedules in Note 5. This amount has been recorded as a decrease in "Unrestricted net position" in the government-wide financial statements. Without this decrease, "Unrestricted net position" would have a balance of \$994,346.

**NOTE 6: PROPERTY TAXES**

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



NOTES TO THE FINANCIAL STATEMENTS (Continued)

At an election held May 5, 2018, the voters within the District authorized a maintenance tax not to exceed \$1.20 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District. The voters also authorized a road maintenance tax not to exceed \$1.20 per \$100 valuation on all property subject to taxation within the District. This road maintenance tax is to be used for the operation and maintenance of a road system and related storm drainage system within the District.

On August 26, 2021, the District levied the following ad valorem taxes for the 2021 tax year on the adjusted taxable valuation of \$234,572,708:

	<u>Rate</u>	<u>Amount</u>
Debt service, Utilities	\$ 0.3100	\$ 727,176
Debt service, Roads	0.3250	762,362
Maintenance	<u>0.0700</u>	<u>164,201</u>
	<u>\$ 0.7050</u>	<u>\$ 1,653,739</u>

A reconciliation of the tax levy to property tax revenues on the Statement of Activities is as follows:

2021 tax year total property tax levy	\$ 1,653,739
Appraisal district adjustments to prior year taxes	<u>8,155</u>
Statement of Activities property tax revenues	<u>\$ 1,661,894</u>

Concentration of Tax Base

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

NOTE 7: DEPOSITS

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 8: RISK MANAGEMENT

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

On August 31, 2022, the District had physical damage and boiler and machinery coverage of \$3,380,000, comprehensive general liability coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general aggregate and consultant’s crime coverage of \$10,000.

NOTE 9: AGREEMENTS WITH THE TOWN OF NORTHLAKE

The District lies wholly within the corporate limits of the Town of Northlake (the “Town”) and obtains water, sewer and drainage service from the Town. Effective April 13, 2017, the developer (on behalf of the District) entered into an agreement (the “Agreement”) with the Town to provide a water distribution system, sanitary sewer collection system, a drainage system and a road system to serve the area within the District. In consideration of the District’s acquiring and constructing these systems on behalf of the Town, the Town agreed, pursuant to the terms and conditions of the Agreement, to own, operate and maintain such systems except for the wastewater treatment plant (the “WWTP”). The District has constructed a WWTP with capacity to serve the District. The WWTP is owned, maintained and operated by the District.

Services provided by the WWTP to the Town will be billed to the Town in accordance with the Interlocal Agreement Regarding Wastewater Treatment Services (the “WWTP Agreement”) between the District and the Town. For the wastewater treatment services provided by the District, the Town shall pay the same projected rate per gallon (the “Projected Rate”) that the Town pays the Trinity River Authority, currently or as amended, for similar services under Section 12 of that certain Trinity River Authority of Texas - Denton Creek Regional Wastewater Treatment System Sixth Supplemental Contract (Town of Northlake, Texas), dated December 1, 2001 (the “TRA Contract”). The monthly amount owed by the Town will be calculated by multiplying the monthly metered flow by the Projected Rate. At the close of each Annual Payment Period (as defined by the TRA Contract), the TRA shall determine the Town’s actual rate per gallon (the “Adjusted Rate”) for the previous Annual Payment Period. The District shall then multiply the Town’s Adjusted Rate by the actual metered gallons during the Annual Payment Period resulting in the “Town’s Adjusted Annual Payment”. The difference between the amounts which have actually been paid by the Town and the Town’s Adjusted Annual Payment shall be applied as a credit or debit to the Town’s account with the District. In the event the Town terminates the TRA Contract, the Town shall pay the District the same rate per gallon the Town pays the new provider. The District first received flow from the Town on September 11, 2019. The District accrued wastewater treatment service revenues of \$248,930 from the Town for the fiscal year ended August 31, 2022. At this date, \$37,238 was receivable from the Town.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 343,500	\$ 343,500	\$ 171,894	\$ (171,606)
Wastewater treatment service	133,050	133,050	248,930	115,880
Interest on deposits and investments	<u>0</u>	<u>0</u>	<u>1,911</u>	<u>1,911</u>
<b>TOTAL REVENUES</b>	<u>476,550</u>	<u>476,550</u>	<u>422,735</u>	<u>(53,815)</u>
<b>EXPENDITURES</b>				
Service operations:				
Professional fees	79,450	79,450	71,933	(7,517)
Contracted services	14,300	14,300	10,640	(3,660)
Repairs and maintenance	0	0	15,886	15,886
Administrative expenditures	<u>13,563</u>	<u>13,563</u>	<u>14,795</u>	<u>1,232</u>
<b>TOTAL EXPENDITURES</b>	<u>107,313</u>	<u>107,313</u>	<u>113,254</u>	<u>5,941</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	369,237	369,237	309,481	(59,756)
<b>OTHER FINANCING SOURCES (USES)</b>				
Reimbursement to other fund	<u>0</u>	<u>0</u>	<u>(18,261)</u>	<u>(18,261)</u>
<b>TOTAL OTHER FINANCIAL SOURCES (USES)</b>	<u>0</u>	<u>0</u>	<u>(18,261)</u>	<u>(18,261)</u>
<b>EXCESS SOURCES (USES)</b>	369,237	369,237	291,220	(78,017)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>700,277</u>	<u>700,277</u>	<u>700,277</u>	<u>0</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 1,069,514</u>	<u>\$ 1,069,514</u>	<u>\$ 991,497</u>	<u>\$ (78,017)</u>

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

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

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1  
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION  
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY  
AUGUST 31, 2022

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

- [X] TSI-1. Services and Rates
- [X] TSI-2. General Fund Expenditures
- [X] TSI-3. Temporary Investments
- [X] TSI-4. Taxes Levied and Receivable
- [X] TSI-5. Long-Term Debt Service Requirements by Years
- [X] TSI-6. Changes in Long-Term Bonded Debt
- [X] TSI-7. Comparative Schedule of Revenues and Expenditures -  
General Fund and Debt Service Fund - Five Year
- [X] TSI-8. Board Members, Key Personnel and Consultants

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1

SCHEDULE OF SERVICES AND RATES

AUGUST 31, 2022

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

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

2. Retail Service Providers

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

Contact the Town of Northlake.

b. Water and Wastewater Retail Connections:

Contact the Town of Northlake.

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

Contact the Town of Northlake.

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

Does the District have Debt Service standby fees? Yes  No

If yes, date of the most recent Commission Order: \_\_\_\_\_

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

If yes, date of the most recent Commission Order: \_\_\_\_\_

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1

EXPENDITURES

FOR THE YEAR ENDED AUGUST 31, 2022

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>CURRENT</b>				
Professional fees:				
Auditing	\$ 8,500	\$ 388	\$ 0	\$ 8,500
Legal	43,709	388		44,097
Engineering	19,724			19,724
	<u>71,933</u>	<u>388</u>	<u>0</u>	<u>72,321</u>
Contracted services:				
Bookkeeping	9,917			9,917
Tax assessor-collector	723			723
Central appraisal district		9,637		9,637
	<u>10,640</u>	<u>9,637</u>	<u>0</u>	<u>20,277</u>
Repairs and maintenance	<u>15,886</u>	<u>0</u>	<u>0</u>	<u>15,886</u>
Administrative expenditures:				
Insurance	11,636			11,636
Other	3,159	425	815	4,399
	<u>14,795</u>	<u>425</u>	<u>815</u>	<u>16,035</u>
<b>CAPITAL OUTLAY</b>				
Authorized expenditures	<u>0</u>	<u>0</u>	<u>26,333,773</u>	<u>26,333,773</u>
Interest on developer construction	<u>0</u>	<u>0</u>	<u>1,109,719</u>	<u>1,109,719</u>
<b>DEBT SERVICE</b>				
Principal retirement	<u>0</u>	<u>465,000</u>	<u>0</u>	<u>465,000</u>
Bond issuance expenditures	<u>0</u>	<u>0</u>	<u>2,197,074</u>	<u>2,197,074</u>
Interest and fees:				
Interest		993,337		993,337
Paying agent fees		1,368		1,368
	<u>0</u>	<u>994,705</u>	<u>0</u>	<u>994,705</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 113,254</u>	<u>\$ 1,470,155</u>	<u>\$ 29,641,381</u>	<u>\$ 31,224,790</u>

See accompanying independent auditor's report.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1

ANALYSIS OF CHANGES IN DEPOSITS  
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED AUGUST 31, 2022

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>SOURCES OF DEPOSITS</b>				
Cash receipts from revenues excluding maintenance taxes	\$ 228,016	\$ 1,533,588	\$ 67	\$ 1,761,671
Maintenance tax receipts		171,894		171,894
Proceeds from sale of bonds		735,731	34,848,122	35,583,853
Proceeds from Bond Anticipation Note			4,873,000	4,873,000
Reimbursement from other fund	1,558		18,261	19,819
Transfer of maintenance taxes	<u>183,664</u>			<u>183,664</u>
<b>TOTAL DEPOSITS PROVIDED</b>	<u>413,238</u>	<u>2,441,213</u>	<u>39,739,450</u>	<u>42,593,901</u>
<b>APPLICATIONS OF DEPOSITS</b>				
Cash disbursements for:				
Current expenditures	108,713	10,955	815	120,483
Capital outlay			27,317,030	27,317,030
Debt service		1,459,705	2,197,074	3,656,779
Bond Anticipation Note repayment			10,046,000	10,046,000
Reimbursement to other fund	18,261		1,558	19,819
Transfer of maintenance taxes		<u>183,664</u>		<u>183,664</u>
<b>TOTAL DEPOSITS APPLIED</b>	<u>126,974</u>	<u>1,654,324</u>	<u>39,562,477</u>	<u>41,343,775</u>
<b>INCREASE (DECREASE) IN DEPOSITS</b>	286,264	786,889	176,973	1,250,126
<b>DEPOSITS BALANCES, BEGINNING OF YEAR</b>	<u>603,732</u>	<u>603,101</u>	<u>1,558</u>	<u>1,208,391</u>
<b>DEPOSITS BALANCES, END OF YEAR</b>	<u>\$ 889,996</u>	<u>\$ 1,389,990</u>	<u>\$ 178,531</u>	<u>\$ 2,458,517</u>

See accompanying independent auditor's report.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1SCHEDULE OF CERTIFICATES OF DEPOSITAUGUST 31, 2022

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
DEBT SERVICE FUND				
Certificates of Deposit				
No. 9009004960	2.70%	2/22/23	\$ 450,000	\$ 300
No. 9009004961	2.70%	2/22/23	<u>660,000</u>	<u>439</u>
			<u>\$ 1,110,000</u>	<u>\$ 739</u>

See accompanying independent auditor's report.



NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED AUGUST 31, 2022

	<u>Maintenance Taxes</u>	<u>Road Debt Service Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 2,387	\$ 1,008	\$ 1,344
Additions and corrections to prior year taxes	<u>8,155</u>	<u>0</u>	<u>0</u>
Adjusted receivable, beginning of year	10,542	1,008	1,344
2021 ADJUSTED TAX ROLL	<u>164,201</u>	<u>762,362</u>	<u>727,176</u>
Total to be accounted for	174,743	763,370	727,176
Tax collections: Current tax year	(163,310)	(758,227)	(723,232)
Prior tax years	<u>(8,584)</u>	<u>(181)</u>	<u>(241)</u>
RECEIVABLE, END OF YEAR	<u>\$ 2,849</u>	<u>\$ 4,962</u>	<u>\$ 5,047</u>
RECEIVABLE, BY TAX YEAR			
2020	\$ 1,957	\$ 827	\$ 1,102
2021	<u>891</u>	<u>4,135</u>	<u>3,944</u>
RECEIVABLE, END OF YEAR	<u>\$ 2,849</u>	<u>\$ 4,962</u>	<u>\$ 5,046</u>

See accompanying independent auditor's report.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED AUGUST 31, 2022

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018**</u>
Land	\$ 105,837,364	\$ 70,172,397	\$ 34,073,582	\$ 15,565,213
Improvements	135,297,834	30,037,026	14,212	596,136
Personal property	149,321	0	0	0
Less exemptions	<u>(6,711,811)</u>	<u>(3,275,835)</u>	<u>(2,422,038)</u>	<u>(15,413,435)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 234,572,708</u>	 <u>\$ 96,933,588</u>	 <u>\$ 31,665,756</u>	 <u>\$ 747,914</u>
 Debt service tax rates, utilities	 \$ 0.31000	 \$ 0.20000	 \$ 0.00000	 \$ 0.00000
Debt service tax rates, roads	0.32500	0.15000	0.00000	0.00000
Maintenance tax rates*	<u>0.07000</u>	<u>0.35500</u>	<u>0.70500</u>	<u>0.70500</u>
 TOTAL TAX RATES PER \$100 VALUATION	 <u>\$ 0.70500</u>	 <u>\$ 0.70500</u>	 <u>\$ 0.70500</u>	 <u>\$ 0.70500</u>
 TAX ROLLS	 <u>\$ 1,653,739</u>	 <u>\$ 683,536</u>	 <u>\$ 223,244</u>	 <u>\$ 16,201</u>
 PERCENT OF TAXES COLLECTED TO TAXES LEVIED	 <u>99.5 %</u>	 <u>99.4 %</u>	 <u>100 %</u>	 <u>100 %</u>

\*Maximum tax rate approved by voters on May 5, 2018: \$1.20

\*\*The District first levied taxes for tax year 2018.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS  
AUGUST 31, 2022

The District pays the amount due September 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future.

Due During Fiscal Years Ending August 31	Series 2020 Utility.		
	Principal Due March 1,	Interest Due March 1, September 1	Total
2023	\$ 300,000	\$ 253,875	\$ 553,875
2024	310,000	240,150	550,150
2025	315,000	226,087	541,087
2026	325,000	211,688	536,688
2027	335,000	196,837	531,837
2028	345,000	182,400	527,400
2029	350,000	168,500	518,500
2030	360,000	154,300	514,300
2031	370,000	143,400	513,400
2032	380,000	135,900	515,900
2033	395,000	128,150	523,150
2034	405,000	120,150	525,150
2035	415,000	111,950	526,950
2036	425,000	103,284	528,284
2037	440,000	94,094	534,094
2038	450,000	84,638	534,638
2039	460,000	74,969	534,969
2040	475,000	64,737	539,737
2041	490,000	53,881	543,881
2042	500,000	42,744	542,744
2043	515,000	31,325	546,325
2044	530,000	19,238	549,238
2045	545,000	6,472	551,472
TOTALS	\$ 9,435,000	\$ 2,848,769	\$ 12,283,769

See accompanying independent auditor's report.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

AUGUST 31, 2022

The District pays the amount due September 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future.

<u>Due During Fiscal Years Ending August 31</u>	<u>Series 2020 Road</u>		
<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>	
2023	\$ 180,000	\$ 155,706	\$ 335,706
2024	185,000	147,494	332,494
2025	190,000	139,057	329,057
2026	195,000	130,393	325,393
2027	200,000	121,506	321,506
2028	205,000	112,394	317,394
2029	210,000	103,057	313,057
2030	220,000	93,381	313,381
2031	225,000	86,181	311,181
2032	230,000	81,631	311,631
2033	235,000	76,981	311,981
2034	240,000	72,232	312,232
2035	250,000	67,331	317,331
2036	255,000	62,121	317,121
2037	265,000	56,597	321,597
2038	270,000	50,912	320,912
2039	280,000	45,069	325,069
2040	285,000	38,888	323,888
2041	295,000	32,362	327,362
2042	300,000	25,669	325,669
2043	310,000	18,806	328,806
2044	320,000	11,519	331,519
2045	325,000	3,860	328,860
TOTALS	<u>\$ 5,670,000</u>	<u>\$ 1,733,147</u>	<u>\$ 7,403,147</u>

See accompanying independent auditor's report.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)  
AUGUST 31, 2022

The District pays the amount due September 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future.

<u>Due During Fiscal Years Ending August 31</u>	<u>Series 2021 Utility</u>		
	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2023	\$ 245,000	\$ 221,200	\$ 466,200
2024	255,000	209,950	464,950
2025	260,000	198,362	458,362
2026	270,000	186,438	456,438
2027	280,000	176,162	456,162
2028	290,000	169,063	459,063
2029	300,000	163,162	463,162
2030	310,000	157,063	467,063
2031	325,000	150,712	475,712
2032	335,000	144,113	479,113
2033	345,000	137,312	482,312
2034	360,000	130,263	490,263
2035	370,000	122,962	492,962
2036	385,000	115,172	500,172
2037	400,000	106,832	506,832
2038	410,000	97,969	507,969
2039	425,000	88,575	513,575
2040	440,000	78,569	518,569
2041	460,000	67,881	527,881
2042	475,000	56,778	531,778
2043	490,000	45,319	535,319
2044	510,000	33,125	543,125
2045	525,000	20,187	545,187
2046	545,000	6,812	551,812
TOTALS	<u>\$ 9,010,000</u>	<u>\$ 2,883,981</u>	<u>\$ 11,893,981</u>

See accompanying independent auditor's report.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)  
AUGUST 31, 2022

The District pays the amount due September 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future.

<u>Due During Fiscal Years Ending August 31</u>	<u>Series 2021 Road</u>		
	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2023	\$ 435,000	\$ 356,247	\$ 791,247
2024	445,000	335,896	780,896
2025	460,000	314,969	774,969
2026	470,000	293,463	763,463
2027	480,000	277,494	757,494
2028	495,000	267,135	762,135
2029	505,000	256,509	761,509
2030	520,000	245,619	765,619
2031	530,000	234,463	764,463
2032	545,000	223,041	768,041
2033	560,000	210,950	770,950
2034	575,000	198,181	773,181
2035	590,000	185,075	775,075
2036	605,000	171,632	776,632
2037	620,000	157,462	777,462
2038	635,000	142,559	777,559
2039	650,000	127,300	777,300
2040	665,000	111,685	776,685
2041	685,000	95,652	780,652
2042	700,000	79,206	779,206
2043	720,000	62,344	782,344
2044	735,000	45,066	780,066
2045	755,000	27,372	782,372
2046	775,000	9,203	784,203
TOTALS	<u>\$ 14,155,000</u>	<u>\$ 4,428,523</u>	<u>\$ 18,583,523</u>

See accompanying independent auditor's report.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

AUGUST 31, 2022

The District pays the amount due September 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future.

<u>Due During Fiscal Years Ending August 31</u>	<u>Series 2022 Utility</u>		
	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2023	\$	\$ 349,867	\$ 349,867
2024	205,000	338,493	543,493
2025	230,000	326,531	556,531
2026	250,000	313,331	563,331
2027	265,000	299,169	564,169
2028	275,000	284,318	559,318
2029	295,000	268,644	563,644
2030	305,000	252,525	557,525
2031	310,000	236,381	546,381
2032	315,000	221,944	536,944
2033	320,000	209,244	529,244
2034	325,000	196,344	521,344
2035	335,000	183,144	518,144
2036	340,000	169,643	509,643
2037	340,000	156,044	496,044
2038	350,000	142,244	492,244
2039	360,000	128,044	488,044
2040	365,000	113,544	478,544
2041	370,000	98,843	468,843
2042	380,000	83,844	463,844
2043	390,000	68,444	458,444
2044	395,000	52,744	447,744
2045	405,000	38,516	443,516
2046	505,000	24,297	529,297
2047	525,000	8,203	533,203
TOTALS	<u>\$ 8,155,000</u>	<u>\$ 4,564,345</u>	<u>\$ 12,719,345</u>

See accompanying independent auditor's report.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

AUGUST 31, 2022

The District pays the amount due September 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future.

Series 2022 Road			
Due During Fiscal Years Ending August 31	Principal Due March 1	Interest Due March 1, September 1	Total
2023	\$	\$ 229,303	\$ 229,303
2024	110,000	222,519	332,519
2025	125,000	216,056	341,056
2026	145,000	208,632	353,632
2027	165,000	200,106	365,106
2028	170,000	190,894	360,894
2029	180,000	181,269	361,269
2030	185,000	171,463	356,463
2031	195,000	161,487	356,487
2032	200,000	151,119	351,119
2033	205,000	141,769	346,769
2034	210,000	133,469	343,469
2035	215,000	124,969	339,969
2036	220,000	116,269	336,269
2037	225,000	107,369	332,369
2038	235,000	98,169	333,169
2039	240,000	88,669	328,669
2040	250,000	78,868	328,868
2041	255,000	68,768	323,768
2042	270,000	58,268	328,268
2043	275,000	47,368	322,368
2044	285,000	36,168	321,168
2045	300,000	25,781	325,781
2046	330,000	15,938	345,938
2047	345,000	5,391	350,391
TOTALS	\$ 5,335,000	\$ 3,080,081	\$ 8,415,081

See accompanying independent auditor's report.



NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

AUGUST 31, 2022

The District pays the amount due September 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future.

Annual Requirements for All Series			
Due During Fiscal Years Ending August 31	Total Principal Due	Total Interest Due	Total
2023	\$ 1,160,000	\$ 1,566,198	\$ 2,726,198
2024	1,510,000	1,494,502	3,004,502
2025	1,580,000	1,421,062	3,001,062
2026	1,655,000	1,343,945	2,998,945
2027	1,725,000	1,271,274	2,996,274
2028	1,780,000	1,206,204	2,986,204
2029	1,840,000	1,141,141	2,981,141
2030	1,900,000	1,074,351	2,974,351
2031	1,955,000	1,012,624	2,967,624
2032	2,005,000	957,748	2,962,748
2033	2,060,000	904,406	2,964,406
2034	2,115,000	850,639	2,965,639
2035	2,175,000	795,431	2,970,431
2036	2,230,000	738,121	2,968,121
2037	2,290,000	678,398	2,968,398
2038	2,350,000	616,491	2,966,491
2039	2,415,000	552,626	2,967,626
2040	2,480,000	486,291	2,966,291
2041	2,555,000	417,387	2,972,387
2042	2,625,000	346,509	2,971,509
2043	2,700,000	273,606	2,973,606
2044	2,775,000	197,860	2,972,860
2045	2,855,000	122,188	2,977,188
2046	2,155,000	56,250	2,211,250
2047	870,000	13,594	883,594
TOTALS	\$ 51,760,000	\$ 19,538,846	\$ 71,298,846

See accompanying independent auditor's report.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1  
ANALYSIS OF CHANGES IN GENERAL LONG-TERM BONDED DEBT  
FOR THE YEAR ENDED AUGUST 31, 2022

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>
Bond Series:	2020 Utility	2020 Road	2021 Utility	2021 Road
Interest Rate:	2.00% to 4.50%	2.00% to 4.50%	2.00% to 4.50%	2.125% to 4.625%
Dates Interest Payable:	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1
Maturity Dates:	March 1, 2023/2045	March 1, 2023/2045	March 1, 2023/2046	March 1, 2023/2046
Bonds Outstanding at Beginning of Current Year	\$ 9,725,000	\$ 5,845,000	\$	\$
Add Bonds Sold			9,010,000	14,155,000
Less Retirements	<u>(290,000)</u>	<u>(175,000)</u>	<u>0</u>	<u>0</u>
Bonds Outstanding at End of Current Year	<u>\$ 9,435,000</u>	<u>\$ 5,670,000</u>	<u>\$ 9,010,000</u>	<u>\$ 14,155,000</u>
Current Year Interest Paid:	<u>\$ 267,150</u>	<u>\$ 163,694</u>	<u>\$ 226,712</u>	<u>\$ 335,781</u>

Bond Descriptions and Original Amount of Issue

- (1) Northlake Municipal Management District No. 1 Unlimited Tax Utility Bonds, Series 2020 (\$9,725,000)
- (2) Northlake Municipal Management District No. 1 Unlimited Tax Road Bonds, Series 2020 (\$5,845,000)
- (3) Northlake Municipal Management District No. 1 Unlimited Tax Utility Bonds, Series 2021 (\$9,010,000)
- (4) Northlake Municipal Management District No. 1 Unlimited Tax Road Bonds, Series 2021 (\$14,155,000)

Paying Agent/Registrar

- (1) (2) (3) (4) BOKF, Dallas, Texas

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1

ANALYSIS OF CHANGES IN GENERAL LONG-TERM BONDED DEBT (Continued)

FOR THE YEAR ENDED AUGUST 31, 2022

	<u>(5)</u>	<u>(6)</u>	<u>Totals</u>
Bond Series:	2022 Utility	2022 Road	
Interest Rate:	3.125% to 5.50%	3.125% to 5.50%	
Dates Interest Payable:	March 1/ September 1	March 1/ September 1	
Maturity Dates:	March 1, 2024/2047	March 1, 2024/2047	
Bonds Outstanding at Beginning of Current Year	\$	\$	\$ 15,570,000
Add Bonds Sold	8,155,000	5,335,000	36,655,000
Less Retirements	<u>0</u>	<u>0</u>	<u>(465,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 8,155,000</u>	<u>\$ 5,335,000</u>	<u>\$ 51,760,000</u>
Current Year Interest Paid:	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 993,337</u>

Bond Descriptions and Original Amount of Issue

(5) Northlake Municipal Management District No. 1 Unlimited Tax Utility Bonds, Series 2022 (\$8,155,000)

(6) Northlake Municipal Management District No. 1 Unlimited Tax Road Bonds, Series 2022 (\$5,335,000)

Paying Agent/Registrar

(5) (6) BOKF, Dallas, Texas

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Road Tax Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 273,926,860	\$ 237,092,017	One and one-half times the amount of unlimited tax bonds previously issued
Amount Issued:	26,890,000	25,335,000	
Remaining to be Issued:	247,036,860	211,757,017	

Net Debt Service Fund deposits balances as of August 31, 2022:	\$1,391,234
Average annual debt service payment for remaining term of all debt:	2,851,954

See accompanying independent auditor's report.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1  
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
GENERAL FUND  
FOR YEARS ENDED AUGUST 31

	<u>AMOUNT</u>					<u>PERCENT OF TOTAL REVENUES</u>				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019*</u>	<u>2018**</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
REVENUES										
Property taxes	\$ 171,894	\$ 344,349	\$ 223,243	\$ 16,201	\$	40.7 %	68.9 %	84.6 %	98.8 %	%
Wastewater treatment service	248,930	155,605	39,539	0		58.8	31.1	15.0		
Penalty and interest	1,911	0	1,087	193		0.5	0.0	0.4	1.2	
TOTAL REVENUES	<u>422,735</u>	<u>499,954</u>	<u>263,869</u>	<u>16,394</u>	<u>0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>N/A</u>
EXPENDITURES										
Service operations:										
Professional fees	71,933	75,228	54,489	34,834	33,766	17.0	15.0	20.7	212.5	
Contracted services	10,640	15,118	4,714	1,667	1,190	2.5	3.0	1.8	10.2	
Repairs and maintenance	15,886	0	0	0	0	3.8	0.0	0.0	0.0	
Administrative expenditures	14,795	12,806	10,857	3,449	2,822	3.5	2.6	4.1	21.0	
TOTAL EXPENDITURES	<u>113,254</u>	<u>103,152</u>	<u>70,060</u>	<u>39,950</u>	<u>37,778</u>	<u>26.8</u>	<u>20.6</u>	<u>26.6</u>	<u>243.7</u>	<u>N/A</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ 309,481</u>	<u>\$ 396,802</u>	<u>\$ 193,809</u>	<u>\$ (23,556)</u>	<u>\$ (37,778)</u>	<u>73.2 %</u>	<u>79.4 %</u>	<u>73.4 %</u>	<u>(143.7) %</u>	<u>N/A %</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>					

\*District was funded by developer advances for fiscal years 2019 and prior.

\*\*First year of financial activity.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1  
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
DEBT SERVICE FUND  
FOR YEARS ENDED AUGUST 31

	AMOUNT		PERCENT OF TOTAL REVENUES	
	2022	2021*	2022	2021
<b>REVENUES</b>				
Property taxes	\$ 1,481,881	\$ 336,992	96.5 %	99.1 %
Penalty and interest	3,946	1,091	0.3	0.2
Accrued interest on bonds received at date of sale	44,476	34,324	2.9	0.7
Interest on deposits and investments and other	4,024	99	0.3	0.0
<b>TOTAL REVENUES</b>	<b><u>1,534,327</u></b>	<b><u>372,506</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>
<b>EXPENDITURES</b>				
Current:				
Professional fees	388	0	0.0	0.0
Contracted services	9,637	0	0.6	0.0
Other expenditures	425	15	0.0	0.1
Debt service:				
Principal retirement	465,000	0	30.3	0.0
Interest and fees	994,705	441,452	64.9	118.4
<b>TOTAL EXPENDITURES</b>	<b><u>1,470,155</u></b>	<b><u>441,467</u></b>	<b><u>95.8</u></b>	<b><u>118.5</u></b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b><u>\$ 64,172</u></b>	<b><u>\$ (68,961)</u></b>	<b><u>4.2 %</u></b>	<b><u>(18.5) %</u></b>

\*First year of activity.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

AUGUST 31, 2022

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

District Business Telephone No.: 972-982-8450

Submission date of the most recent District Registration Form: July 6, 2022

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

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Ryan Griffin c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 77524	Appointed 8/09/21- 8/09/25	\$ 0	\$ 177	President
Rane Pearson c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 77524	Appointed 8/09/21- 8/09/25	0	89	Vice President
Tim Coltart c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 77524	Appointed 8/09/19- 8/09/23	0	38	Secretary
Justin Christ c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 77524	Appointed 8/09/19- 8/09/23	0	206	Assistant Secretary
Drew Corn c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 77524	Appointed 8/09/21- 8/09/25	0	0	Assistant Secretary

See accompanying independent auditor's report.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)AUGUST 31, 2022CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 77524	11/29/17	\$ 43,709 961,309 Bonds	Attorney
L & S District Services, LLC P.O. Box 170 Tomball, Texas 77377	11/29/17	9,917 4,200 Bonds	Bookkeeper
Kimley-Horn & Associates, Inc. 5750 Genesis Court Frisco, Texas 75034	11/29/17	19,724 162,020 Bonds	Engineer
Denton County Tax Assessor Collector Denton County Annex 101 N. Washington Kaufman, Texas 75142	9/07/18	723	Tax Assessor- Collector
Denton Central Appraisal District P.O. Box 2816 Denton, Texas 76202	Legislative Action	9,637	Central Appraisal District
Robert W. Baird & Co. 1331 Lamar, Suite 1360 Houston, Texas 77010	11/29/17	788,908 Bonds	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	8/20/19	8,500 28,700 Bonds	Independent Auditor

See accompanying independent auditor's report.

**APPENDIX B**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**





**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

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

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_

Member Surplus Contribution: \$ \_\_\_\_\_

Total Insurance Payment: \$ \_\_\_\_\_

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIMEN

**Notices (Unless Otherwise Specified by BAM)**

Email:

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