

**OFFICIAL STATEMENT DATED NOVEMBER 15, 2023**

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW AND IS NOT INCLUDED IN THE ALTERNATIVE MINIMUM TAXABLE INCOME OF 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" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The District has designated the Bonds as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions" herein.

NEW ISSUE—Book Entry Only

RATING: S&P Global Ratings (BAM Insured) ..... "AA"  
See "MUNICIPAL BOND INSURANCE" and "RATING" herein.

**EAST FORK FRESH WATER SUPPLY DISTRICT NO. 1-A OF COLLIN COUNTY**

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

**\$6,110,000  
Unlimited Tax Road Bonds  
Series 2023**

Dated: December 1, 2023

Interest Accrues: Date of Delivery

Due: September 1, as shown on inside cover

The \$6,110,000 Unlimited Tax Road Bonds, Series 2023 (the "Bonds"), are obligations of East Fork Fresh Water Supply District No. 1-A of Collin County (the "District") and are not obligations of the State of Texas; Collin County, Texas; the City of Weston, Texas (the "City"); or any entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Collin County, Texas; the City; nor any entity other than the District is pledged to the payment of 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. The Bonds are dated December 1, 2023, and interest on the Bonds accrues from the initial date of delivery (on or about December 21, 2023) (the "Delivery Date"), and is payable on March 1, 2024, and each September 1 and March 1 (each an "Interest Payment Date") 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 a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM")**.



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

At an election on May 1, 2021, voters of the District authorized the District's issuance of a total of \$62,200,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater, and storm drainage facilities to serve the District (the "Utility System"), \$77,750,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System, \$76,100,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a road system to serve the District (the "Road System"), and \$95,125,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System. The Bonds represent the District's first issuance of unlimited tax bonds for the purpose of acquiring or constructing the Road System. After issuance of the Bonds, \$62,200,000 principal amount of unlimited tax bonds for the Utility System, \$69,990,000 principal amount of unlimited tax bonds for the Road System and all of the unlimited tax bonds for refunding purposes will remain authorized but unissued. See "THE BONDS – Source of Payment." Investment in the Bonds is subject to special risk factors as described herein. Prospective purchasers should review this entire Official Statement, including particularly the section of this Official Statement entitled "RISK FACTORS," before making an investment decision.

The Bonds are offered, when, as and if issued by the District to the winning bidder of the Bonds (the "Initial Purchaser"), subject, among other things, to the approval of the Attorney General of Texas and of Coats Rose, P.C., Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about December 21, 2023.

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

**\$6,110,000 Unlimited Tax Road Bonds, Series 2023**

**\$5,235,000 Serial Bonds**

Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 27219S (b)	Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 27219S (b)
2025	\$125,000	7.250%	4.000%	AA6	2036 (c)	\$230,000	5.000%	4.500%	AM0
2026	130,000	7.250%	4.000%	AB4	2037 (c)	245,000	5.000%	4.600%	AN8
2027	140,000	7.250%	4.000%	AC2	2038 (c)	255,000	5.000%	4.700%	AP3
2028	145,000	7.250%	4.000%	AD0	2039 (c)	270,000	4.750%	4.800%	AQ1
2029	155,000	7.250%	4.050%	AE8	2040 (c)	290,000	4.750%	4.850%	AR9
2030 (c)	165,000	7.250%	4.050%	AF5	2041 (c)	305,000	4.750%	4.880%	AS7
2031 (c)	175,000	7.250%	4.100%	AG3	2042 (c)	320,000	4.750%	4.900%	AT5
2032 (c)	185,000	7.250%	4.150%	AH1	2043 (c)	340,000	4.750%	4.920%	AU2
2033 (c)	195,000	5.250%	4.200%	AJ7	2044 (c)	360,000	4.750%	4.940%	AV0
2034 (c)	205,000	5.000%	4.300%	AK4	2045 (c)	380,000	4.750%	4.960%	AW8
2035 (c)	220,000	5.000%	4.400%	AL2	2046 (c)	400,000	4.750%	4.980%	AX6

**\$875,000 Term Bonds**

\$875,000 Term Bonds Due September 1, 2048 (c)(d), Interest Rate: 4.750% (Price: \$96.469) (a), CUSIP No. 27219S AZ1 (b)

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- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers will be assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems, Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) The Bonds maturing on and after September 1, 2030, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on December 1, 2029, or any date thereafter, at a price equal to the principal thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds – 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 of the Bonds – Mandatory Redemption."

**USE OF INFORMATION IN OFFICIAL STATEMENT**

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

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., 16000 N. Dallas Parkway, Suite 350, Dallas, Texas 75248, upon payment of the costs for duplication thereof.

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

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 Purchaser, and thereafter only as specified in "OFFICIAL STATEMENT – Updating of Official Statement."

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under "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 purposes of, and as that term is defined in, SEC Rule 15c2-12, as amended.

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## SALE AND DISTRIBUTION OF THE BONDS

### Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser"). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS" on the inside cover page of this Official Statement, at a price of 98.016474% of the principal amount thereof, which resulted in a net effective interest rate of 5.097368%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

### Prices and Marketability

Subject to certain restrictions regarding the "hold-the-offering-price" rule as described in the Official Notice 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 Notice 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 Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

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

### Securities Laws

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

## MUNICIPAL BOND INSURANCE

### Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX B 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 [www.standardandpoors.com](http://www.standardandpoors.com). The rating of BAM should be evaluated independently. The rating reflects 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 September 30, 2023 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$502.8 million, \$217.0 million and \$285.8 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 of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

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

#### **RATING**

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

The District is not aware of any rating assigned the Bonds other than as discussed above.

*[Remainder of this page intentionally left blank.]*



**OFFICIAL STATEMENT SUMMARY**

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

**THE BONDS**

The District..... East Fork Fresh Water Supply District No. 1-A of Collin County (the “District”), a political subdivision of the State of Texas, is located within the city limits of the City of Weston (the “City”) in Collin County, Texas. See “THE DISTRICT.”

The Bonds..... The \$6,110,000 Unlimited Tax Road Bonds, Series 2023 (the “Bonds”), are dated December 1, 2023, and mature on September 1 in the years and in the principal amounts as shown on the inside cover page hereof.

Interest on the Bonds accrues from the initial date of delivery (on or about December 21, 2023) (the “Date of Delivery”), at the rates set forth on the inside cover page hereof, and is payable March 1, 2024, and each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. See “THE BONDS – General.”

Redemption of the Bonds ..... Optional Redemption: Bonds maturing on and after September 1, 2030, are subject to redemption, in whole or from time to time in part, at the option of the District, on December 1, 2029, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See “THE BONDS – Redemption of the Bonds – *Optional Redemption.*”

Mandatory Redemption: The Bonds maturing on September 1 in the year 2048 are term bonds (the “Term Bonds”). The Term Bonds are subject to certain mandatory sinking fund redemption provisions as set forth herein under “THE BONDS – Redemption of the Bonds – *Mandatory Redemption.*”

Source of Payment ..... Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Collin County, Texas; the City of Weston, Texas (the “City”); or any political subdivision or entity other than the District. See “THE BONDS – Source of Payment.”

Authority for Issuance..... The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 53 of the Texas Water Code, as amended, (ii) an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board on the date of the sale of the Bonds, and (iii) an election held within the District on May 1, 2021. See “THE BONDS – Authority for Issuance” and “THE DISTRICT – General.”

Voted Authorization..... At an election on May 1, 2021, voters of the District authorized the District’s issuance of a total of \$62,200,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater, and storm drainage facilities to serve the District

(the "Utility System") as well as a total of \$77,750,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System.

At an election on May 1, 2021, voters of the District also authorized the District's issuance of a total of \$76,100,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a road system to serve the District (the "Road System") as well as a total of \$95,125,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System. The Bonds constitute the District's first issuance of unlimited tax bonds for the purpose of acquiring or constructing the Road System.

After the issuance of the Bonds, the following voted authorization will remain authorized but unissued: \$62,200,000 principal amount of unlimited tax bonds for the Utility System; \$77,750,000 principal amount of unlimited tax refunding bonds for the Utility System; \$69,990,000 principal amount of unlimited tax bonds for the Road System; and \$95,125,000 principal amount of unlimited tax refunding bonds for the Road System. See "THE BONDS – Authority for Issuance."

Payment Record.....	The Bonds constitute the first series of unlimited tax bonds issued by the District.
Use of Bond Proceeds.....	Proceeds from the sale of the Bonds will be used to reimburse the Developers (as defined herein) for the road improvements and related engineering and land costs as shown herein under "THE BONDS – Use and Distribution of Proceeds of the Bonds." Additionally, a portion of the proceeds of the Bonds will be used to pay eighteen (18) months of capitalized interest and certain costs associated with the issuance of the Bonds. See "THE BONDS –Use and Distribution of Proceeds of the Bonds."
Qualified Tax-Exempt Obligations.....	The Bonds have been designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."
Municipal Bond Insurance .....	Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND INSURANCE" above.
Rating.....	S&P Global Ratings (BAM insured) – "AA/Stable." See "MUNICIPAL BOND INSURANCE" and "RATING" above.
Bond Counsel .....	Coats Rose, P.C., Dallas, Texas.
Disclosure Counsel .....	McCall, Parkhurst & Horton L.L.P., Dallas, Texas.
Financial Advisor.....	Robert W. Baird & Co. Incorporated, Irving, Texas.
Paying Agent/Registrar.....	BOKF, NA, Dallas, Texas.
Engineer .....	Westwood Professional Services, Inc.

**THE DISTRICT**

Description.....	East Fork Fresh Water Supply District No. 1 of Collin County (the "Original District") was created by the Commissioners Court of Collin County on December 3, 2007. The District was created via an election to divide the Original District on May 4, 2019. The District's creation was confirmed by election held within the District on May
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1, 2021. The District operates under general laws of the State of Texas pursuant to Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 53 of the Texas Water Code, applicable to fresh water supply districts. The District was created for the purposes of (i) providing, operating, and maintaining facilities to control storm water, distributing potable water, and collecting and treating wastewater and (ii) constructing, maintaining, or operating road projects. The District contains approximately 325.320 total acres and is located entirely within Collin County, Texas, McKinney Independent School District, and the corporate boundaries of the City. See "THE DISTRICT."

Location.....The District is located in Collin County approximately 40 miles northeast of downtown Dallas and is entirely within the corporate limits of the City of Weston. The District is generally bounded by Weston Road on the west, County Road 206 on the south, County Road 208 on the north and County Road 209 on the east.

Developer.....The The current developer of land located within the District is HoneyCreek Venetian LLC., a Wyoming limited liability company ("HoneyCreek"). The only current homebuilder in the District is Megatel Venetian, LLC., a Texas limited liability company ("Megatel Venetian"). HoneyCreek and Megatel Venetian are affiliates of Megatel Homes, LLC. ("Megatel"). Megatel is owned and operated by Zach Ipour and Aaron Ipour. HoneyCreek and Megatel Venetian are thinly capitalized companies. Assets of HoneyCreek and Megatel Venetian primarily consist of land (HoneyCreek) and homes under construction (Megatel Venetian) within the District.

HoneyCreek has developed 204 lots on approximately 44.579 acres within the District as Venetian at Weston, Phase 1 and continues to own approximately 210.663 acres of undeveloped but developable land within the District. In addition, there are 301 single-family residential lots on approximately 70.078 acres under construction as Venetian at Weston, Phase 2. See "STATUS OF DEVELOPMENT" and "TAX DATA—Principal Taxpayers." The District makes no representation as to the likelihood of the planned development to occur or the pace at which the planned development might occur.

Megatel and its affiliates are actively developing and building homes in 14 communities (including the District) and also function as a homebuilder in an additional 5 active communities around Texas.

Development within the District.....The District is being developed as the single-family subdivision known as "Venetian at Weston". To date, approximately 44.579 acres have been developed as 204 single-family lots within Venetian at Weston Phase 1. Additionally, 301 single-family lots are under development on approximately 70.078 acres as Venetian at Weston Phase 2. As of November 1, 2023, the District included approximately 199 completed homes (approximately 193 occupied, 2 unoccupied, and 4 model homes); and approximately 5 vacant developed lots. Approximately 20.90 acres are undevelopable within the District. The remaining approximately 189.763 acres within the District consists of developable land. See "DEVELOPMENT WITHIN THE DISTRICT."

Homebuilder within the District.....Currently, Megatel Venetian, LLC is the only active homebuilders in the District. New homes being constructed in the District range in price from approximately \$390,000 to \$700,000 and range in size

from approximately 1,800 square feet to 3,500 square feet. See “DEVELOPMENT WITHIN THE DISTRICT – Homebuilder within the District.”

**RISK FACTORS**

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT RISKS. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, PARTICULARLY “RISK FACTORS.”

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**SELECTED FINANCIAL INFORMATION  
(UNAUDITED)**

2023 Taxable Assessed Valuation.....	\$ 59,795,089 (a)
Estimated Valuation as of October 31, 2023.....	\$ 105,188,287 (b)
Direct Debt:	
The Bonds .....	<u>\$ 6,110,000</u>
Total.....	\$ 6,110,000
Estimated Overlapping Debt.....	<u>\$ 1,667,578 (c)</u>
Total Direct and Estimated Overlapping Debt .....	\$ 7,777,578 (c)
Direct Debt Ratios:	
As a percentage of 2023 Taxable Assessed Valuation.....	10.22 %
As a percentage of the Estimate of Value as of October 31, 2023.....	5.81 %
Direct and Estimated Overlapping Debt Ratios:	
As a percentage of 2023 Taxable Assessed Valuation.....	13.30 %
As a percentage of the Estimate of Value as of October 31, 2023.....	7.39 %
Road System Debt Service Fund Cash Balance (as of Delivery Date) .....	\$ 481,163 (d)
General Operating Fund Cash Balance (as of November 3, 2023) .....	\$ 1,735 (e)
2023 Tax Rate	
Utility System Debt Service .....	\$0.00
Road System Debt Service .....	\$0.00 (f)
Maintenance & Operation.....	<u>\$0.85</u>
Total.....	\$0.85
Average Annual Debt Service Requirement (2024–2048) .....	\$ 436,286 (g)
Maximum Annual Debt Service Requirement (2048).....	\$ 471,375 (g)
Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay	
Average Annual Debt Service Requirement (2024–2048) at 95% Collections	
Based on 2023 Taxable Assessed Valuation.....	\$0.77
Based on the Estimate of Value as of October 31, 2023 .....	\$0.44
Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay	
Maximum Annual Debt Service Requirement (2048) at 95% Collections	
Based on 2023 Taxable Assessed Valuation.....	\$0.83
Based on the Estimate of Value as of October 31, 2023 .....	\$0.48

- (a) Represents the taxable assessed valuation of all taxable property in the District as of January 1, 2023, as certified by the Collin Central Appraisal District. See "TAX PROCEDURES" and "TAX DATA."
- (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 October 31, 2023, and includes an estimate of additional taxable value resulting from taxable improvements constructed in the District from January 1, 2023, through October 31, 2023. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."
- (d) Represents an estimate of eighteen (18) months of capitalized interest to be deposited into the Road System Debt Service Fund upon closing of the Bonds. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund.
- (e) See "RISK FACTORS – Operating Funds."
- (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 by the District for the Road System (e.g., the Bonds).
- (g) See "DISTRICT DEBT – Debt Service Requirement Schedule."

**OFFICIAL STATEMENT**  
relating to  
**EAST FORK FRESH WATER SUPPLY DISTRICT NO. 1-A OF COLLIN COUNTY**  
**\$6,110,000**  
**UNLIMITED TAX ROAD BONDS**  
**SERIES 2023**

**INTRODUCTION**

This Official Statement provides certain information in connection with the issuance by East Fork Fresh Water Supply District No. 1-A of Collin County (the "District") of its \$6,110,000 Unlimited Tax Road Bonds, Series 2023 (the "Bonds").

The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 53 of the Texas Water Code, as amended, (ii) an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board on the date of the sale of the Bonds, and (iii) an election held within the District on May 1, 2021. See "THE BONDS – Authority for Issuance, and – Issuance of Additional Debt."

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

**RISK FACTORS**

**General**

The Bonds, which are obligations solely of the District and are not obligations of the State of Texas; Collin County, Texas; the City of Weston (the "City"); or any political subdivision other than the District, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied by the District upon all taxable property located within the District. See "THE BONDS – Source of Payment." The ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no 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 development and construction industries, 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 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 gasoline 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 "DEVELOPMENT OF THE DISTRICT" herein.

**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 top ten principal taxpayers as of January 1, 2023, owned approximately 79.38% of the assessed value of property, located in the District. In addition, the HoneyCreek Venetian LLC (the "Developer") owned approximately 17.93% of the assessed value of property located in the District as of January 1, 2023 and

Megatel Venetian LLC (a homebuilder that is an affiliate of the Developer) owned approximately 52.68% of the assessed value of property located in the District as of January 1, 2023. 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 "RISK FACTORS – Tax Collections and Foreclosure Remedies" below and "THE DEVELOPER" herein.

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. For the 2023 tax year, the District has levied a total tax rate of \$0.85 per \$100 of assessed valuation comprised solely of a maintenance and operation tax.

***Developers 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.

***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 taxable assessed valuation as of January 1, 2023, of all taxable property located within the District is \$59,795.089 and the estimate of value as of October 31, 2023, is \$105,188,287. See "TAX DATA." After issuance of the Bonds, the maximum annual debt service requirement on the Bonds (2048) will be \$471,375, and the average annual debt service requirement on the Bonds (2024–2048) will be \$436,286. Assuming no decrease to the District's taxable assessed valuation as of January 1, 2023, debt service tax rates of \$0.83 and \$0.77 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no decrease from the estimate of value as of October 31, 2023, debt service tax rates of \$0.48 and \$0.44 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 Schedule" 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.

### **Operating Funds**

The District's only source of operating revenue is maintenance tax revenue. The District does not collect water and wastewater revenues from its residents. The District levied a 2023 maintenance tax of \$0.85 per \$100 of assessed valuation. The District's general fund cash balance as of November 3, 2023, was \$1,735. The revenue produced from a \$0.85 maintenance tax in 2023 or a reduced maintenance tax in subsequent years may not be sufficient to offset the operating expenses of the District. Continued maintenance of a positive general fund balance will depend upon (1) cash subsidies from the Developer and (2) continued development and increased amounts of maintenance tax revenues. If funds from these sources are not forthcoming, the District would have to increase its maintenance tax rate.

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

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

taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures; (b) a bankruptcy court's stay of tax collection proceedings against a taxpayer; or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. See "TAXING PROCEDURES – District's Rights in the Event of Tax Delinquencies."

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

### **Registered Owners' Remedies**

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

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

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

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

Notwithstanding noncompliance by 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 appealable, the concomitant delay and loss of remedies to the Registered Owner could potentially and adversely impair the value of the Registered Owner's claim.

If the petitioning District were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or



abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district. The District may not be placed into bankruptcy involuntarily.

### **Future Debt**

Following reimbursement to the Developer with proceeds of the Bonds, \$69,990,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$62,200,000 unlimited tax bonds for the purpose of acquiring and/or constructing the Utility System; \$95,125,000 principal amount of unlimited tax bonds for the purpose of refunding bonds previously issued for the Road System; and \$77,750,000 principal amount of unlimited tax bonds for the purpose of refunding bonds previously issued for the Utility System will remain authorized but unissued.

The District expects to submit a bond application to the TCEQ by the end of 2023 for the approval of unlimited tax bonds for the purpose of acquiring and constructing the Utility System. The amount of the bond application is yet to be determined. Additionally, the District may issue a Bond Anticipation Note in connection with the planned bond application. The District does not intend to issue additional unlimited tax bonds in the current calendar year.

Following the issuance of the Bonds, the District will owe the Developer approximately \$10,120,000 for Road System facilities on behalf of the District and \$4,680,000 for construction of Utility System facilities on behalf of the District based on the most recent information and estimations available to date.

Based on present engineering costs estimates and on development plans supplied by the Developer, in the opinion of the Engineer (hereinafter defined), following the issuance of the Bonds, the remaining principal amount of authorized but unissued bonds will be sufficient to fully reimburse the Developer for the existing facilities and to finance the water, sewer and drainage facilities and roads necessary to serve the remaining undeveloped but developable land within the District.

Additional bonds may hereafter be approved by the voters of the District. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt to property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

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

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

### **Future and Proposed Legislation**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

### **Marketability of the Bonds**

The District has no understanding with the winning bidder for the Bonds (the "Initial Purchaser") regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price 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.

## **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.

## **Environmental Regulations**

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

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

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

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

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

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

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the 2008 and 2015 DFW Areas setting emission control requirements,

some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the 2008 and 2015 DFW Areas to reach attainment with the ozone standards by the EPA's attainment deadlines. These additional controls could have a negative impact on the area's economic growth and development.

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

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

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

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain 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 District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

### **Potential Impact of Natural Disaster**

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

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

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

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

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

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

The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies. Neither the District nor the Initial Purchaser have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment

decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See “MUNICIPAL BOND INSURANCE” and “RATING” herein for further information provided by the Bond Insurer and the Insurance Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

## THE BONDS

### General

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

The Bonds are dated December 1, 2023, and interest on the Bonds accrues from the initial date of delivery (on or about December 21, 2023) (the “Delivery Date”), and is payable on March 1, 2024, and each September 1 and March 1 (each an “Interest Payment Date”) until the earlier of maturity or redemption. The Bonds mature on September 1 in the years and in the amounts shown under “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS” on the inside cover page hereof.

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

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

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

### Book-Entry-Only System

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

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be required by

an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds and will be deposited with DTC.

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or 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 Bondholders.

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

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

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

#### **Successor Paying Agent/Registrar**

Provision is made in the Bond Order for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a legally qualified national or state banking institution, a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority to act as and perform the services of Paying Agent/Registrar for the Bonds under the Bond Order.

#### **Record Date**

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

#### **Registration, Transfer and Exchange**

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Paying Agent/Registrar, or sent by the United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of the Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be of the same series and in any integral multiple of \$5,000 for

any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See “Book-Entry-Only System” herein defined for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

**Redemption Provisions**

Optional Redemption

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

Mandatory Redemption

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

<u>\$875,000 Term Bonds Maturing on September 1, 2048</u>	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2047	\$ 425,000
September 1, 2048 (Maturity)	\$ 450,000

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.

**Replacement of Bonds**

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

**Authority for Issuance**

The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution, (ii) the general laws of the State of Texas, including particularly Chapters 49 and 53 of the Texas Water Code, as amended, (iii) the Road Bond Order, and (iv) an election held within the District on May 1, 2021.



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

**Payment Record**

The Bonds constitute the first series of unlimited tax bonds issued by the District.

**Source of Payment**

The Bonds are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. 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 “RISK FACTORS.” The Bonds are obligations solely of the District and are not obligations of the State of Texas; the County; the City; or any political subdivision or entity other than the District.

**Issuance of Additional Debt**

The Bonds constitute the first series of unlimited tax bonds issued by the District for the Road System. At an election held on May 1, 2021, voters of the District authorized a total of \$76,100,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$62,200,000 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing the Utility System; \$95,125,000 principal amount of unlimited tax bonds for the purpose of refunding bonds previously issued for the Road System; and \$77,750,000 principal amount of unlimited tax bonds for the purpose of refunding bonds previously issued for the Utility System. Following the issuance of the Bonds, \$69,990,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$62,200,000 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing the Utility System; \$95,125,000 principal amount of unlimited tax bonds for the purpose of refunding bonds previously issued for the Road System; and \$77,750,000 principal amount of unlimited tax bonds for the purpose of refunding bonds previously issued for the Utility System will remain authorized but unissued. According to the Engineer the remaining bonds authorized should be sufficient to fully finance the reimbursable costs to fully develop the District.

The District expects to submit a bond application to the TCEQ by the end of 2023 for the approval of unlimited tax bonds for the purpose of acquiring and constructing the Utility System. The amount of the bond application is yet to be determined. Additionally, the District may issue a Bond Anticipation Note in connection with the planned bond application. The District does not intend to issue additional unlimited tax bonds in the current calendar year.

Following the issuance of the Bonds, the District will owe the Developer approximately \$10,120,000 for Road System facilities on behalf of the District and \$4,680,000 for construction of Utility System facilities on behalf of the District based on the most recent information and estimations available to date.

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

<u>Election Date</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Remaining Unissued</u>
5/1/2021	Road System	\$76,100,000	\$6,110,000 (a)	\$69,990,000
5/1/2021	Road System Refunding	\$95,125,000	-	\$95,125,000
5/1/2021	Utility System	\$62,200,000	-	\$62,200,000
5/1/2021	Utility System Refunding	\$77,750,000	-	\$77,750,000

(a) The Bonds.

**No Arbitrage**

The District will certify, on the date of delivery of the Bonds, that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or

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

### **Annexation, Dissolution and Consolidation**

In certain circumstances, under Texas law, the District may alter its boundaries to: (1) upon satisfying certain conditions, annex additional territory; and (2) exclude land subject to taxation within the District that is not served by District facilities if the District simultaneously annexes land of equal acreage and value that may be practicably served by District facilities. No representation is made concerning the likelihood that the District would affect any changes in its boundaries.

The District lies within the corporate city limits of Weston. Generally, under Texas law, Weston may abolish the District, pursuant to certain statutory provisions that allow for negotiations between Weston and the District as to the timing, terms, and conditions of the dissolution. Such statutory provisions state that if and when the District is dissolved, Weston would succeed to the rights, powers, duties, and obligations of the District, including the obligation to repay outstanding bonds of the District. However, Weston has agreed not to exercise its right to dissolve the District until all bonds of the District (including the Bonds) have been paid, pursuant to the terms of the Development Agreement, but no representation is made concerning the dissolution of the District by Weston.

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash), and liabilities (such as the Bonds), with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

### **Amendments to the Bond Order**

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

### **Funds**

The Bond Order establishes 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"). Eighteen (18) months of capitalized interest on the Bonds will be deposited into the Road System Debt Service Fund upon closing of the Bonds. All remaining proceeds of the 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 Bonds, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on bonds issued for the Road System, including the 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 Bonds.

### **Defeasance**

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place 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 Order.

### **Registered Owners' Remedies**

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

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

### **Bankruptcy Limitation to Bondholders' Rights**

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

### **Legal Investment and Eligibility to Secure Public Funds in Texas**

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

- (a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.
- (b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.

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

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

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**Estimated Use and Distribution of Proceeds of the Bonds**

Proceeds from the sale of the Bonds will be used to reimburse the Developer for the improvements and related engineering and land costs as shown below. Additionally, a portion of the proceeds of the Bonds will be used to pay eighteen (18) months of capitalized interest and certain costs associated with the issuance of the Bonds.

<u>Construction Costs</u>	<u>District's Share</u>
A. Construction Costs	
1. Venetian Phase 1 - Grading	\$ 629,731
2. Venetian Phase 1 - Drainage	368,364
3. Venetian Phase 1 - Paving	1,547,051
4. Venetian Phase 2 - Grading	50,500
5. Venetian Phase WWTP Access Road	209,255
6. Engineering & Surveying	608,636
7. CMT, Erosion Control, Hardscape	922,419
8. Construction Management	158,039
9. Legal Services and City Fees	242,494
Total Construction Costs	<u>\$ 4,736,489</u>
 <u>Non-Construction Costs</u>	
1. Legal Fees	\$ 157,750
2. Fiscal Agent Fees	122,200
3. Interest	
a. Capitalized Interest (18 months)	486,881
b. Developer Interest	426,594
4. Bond Discount	121,193
5. Bond Engineering Report	32,782
6. Attorney General's Fee	6,110
7. Bond Engineering Report	20,000
Total Non-Construction Costs	<u>\$ 1,373,511</u>
 <b>TOTAL BOND ISSUE REQUIREMENT</b>	 <b>\$ 6,110,000</b>

Non-construction costs are based upon either contract amounts or various cost estimates 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 Bonds and completion of agreed-upon procedures by the Auditor (herein defined).

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

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**DISTRICT DEBT**

2023 Taxable Assessed Valuation.....	\$ 59,795,089 (a)
Estimated Valuation as of October 31, 2023.....	\$ 105,188,287 (b)
Direct Debt:	
The Bonds .....	<u>\$ 6,110,000</u>
Total.....	\$ 6,110,000
Estimated Overlapping Debt.....	<u>\$ 1,667,578 (c)</u>
Total Direct and Estimated Overlapping Debt .....	\$ 7,777,578 (c)
Direct Debt Ratios:	
As a percentage of 2023 Taxable Assessed Valuation.....	10.22 %
As a percentage of the Estimate of Value as of October 31, 2023.....	5.81 %
Direct and Estimated Overlapping Debt Ratios:	
As a percentage of 2023 Taxable Assessed Valuation.....	13.30 %
As a percentage of the Estimate of Value as of October 31, 2023.....	7.39 %
Road System Debt Service Fund Cash Balance (as of Delivery Date) .....	\$ 481,163 (d)
General Operating Fund Cash Balance (as of November 3, 2023) .....	\$ 1,735 (e)
2023 Tax Rate	
Utility System Debt Service .....	\$0.00
Road System Debt Service .....	\$0.00 (f)
Maintenance & Operation .....	<u>\$0.85</u>
Total.....	\$0.85
Average Annual Debt Service Requirement (2024–2048) .....	\$ 436,286 (g)
Maximum Annual Debt Service Requirement (2048).....	\$ 471,375 (g)
Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay	
Average Annual Debt Service Requirement (2024–2048) at 95% Collections	
Based on 2023 Taxable Assessed Valuation.....	\$0.77
Based on the Estimate of Value as of October 31, 2023 .....	\$0.44
Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay	
Maximum Annual Debt Service Requirement (2048) at 95% Collections	
Based on 2023 Taxable Assessed Valuation.....	\$0.83
Based on the Estimate of Value as of October 31, 2023 .....	\$0.48

- (a) Represents the taxable assessed valuation of all taxable property in the District as of January 1, 2023, as certified by the Collin Central Appraisal District. See "TAX PROCEDURES" and "TAX DATA."
- (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 October 31, 2023, and includes an estimate of additional taxable value resulting from taxable improvements constructed in the District from January 1, 2023, through October 31, 2023. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."
- (d) Represents an estimate of eighteen (18) months of capitalized interest to be deposited into the Road System Debt Service Fund upon closing of the Bonds. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund.
- (e) See "RISK FACTORS – Operating Funds."
- (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 by the District for the Road System (e.g., the Bonds).
- (g) See "DISTRICT DEBT – Debt Service Requirement Schedule."

**Direct and Estimated Overlapping Debt Statement**

The following statement indicates the direct and estimated overlapping debt of the District. The table includes the estimated amount of indebtedness of governmental entities overlapping the District, defined as outstanding bonds payable from ad valorem taxes, and the estimated percentages and amounts of such indebtedness attributable to property located within the District. This information is based upon data secured from the individual jurisdictions and/or the *Texas Municipal Reports* published by the Municipal Advisory Council of Texas. The calculations by which the statement was derived were made in part by comparing the reported assessed valuation of the property in the overlapping taxing jurisdictions with the 2023 Taxable Assessed Valuation of property within the District. No effect has been given to the tax burden levied by any applicable taxing jurisdiction for maintenance and operational or other purposes.

Taxing Jurisdiction	Outstanding Debt 10/31/2023	Overlapping	
		Percent	Amount
Collin County	\$ 721,825,000	0.03%	\$ 191,401
McKinney Independent School District	492,835,000	0.27	1,333,140
Collin College	480,350,000	0.03	143,037
City of Weston	-	68.51	-
<b>Total Estimated Overlapping Debt</b> .....			<b>\$ 1,667,578</b>
<b>Direct Debt (a)</b> .....			<b>\$ 6,110,000</b>
<b>Total Direct and Estimated Overlapping Debt</b> .....			<b>\$ 7,777,578</b>

(a) The Bonds.

**Debt Ratios**

Direct Debt Ratios (a):

As a percentage of 2023 Taxable Assessed Valuation.....	10.22 %
As a percentage of the Estimate of Value as of October 31, 2023.....	5.81 %

Direct and Estimated Overlapping Debt Ratios (a):

As a percentage of 2023 Taxable Assessed Valuation.....	13.01 %
As a percentage of the Estimate of Value as of October 31, 2023.....	7.39 %

(a) Includes the Bonds.

Under Texas law ad valorem taxes levied by each taxing authority other than the District create a lien which is on a parity with the lien in favor of the District on all taxable property within the District. In addition to the ad valorem taxes required to retire the foregoing direct and overlapping debt, the various taxing authorities mentioned above are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administration and/or general revenue purposes. Certain of the jurisdictions have in the past levied such taxes. The District has the power to assess, levy and collect ad valorem taxes for operation and maintenance purposes, and such taxes have been authorized by the duly qualified voters of the District. See "TAX DATA - Tax Rate Distribution."

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### Debt Service Requirement Schedule

The following schedule sets forth the annual principal and interest requirements of the Bonds. Totals may not sum due to rounding.

Calendar Year	The Bonds:		Total Debt Service
	Principal	Interest	
2024	\$ -	\$ 225,408	\$ 225,408
2025	140,000	324,588	449,588
2026	150,000	315,525	445,525
2027	155,000	306,100	446,100
2028	165,000	295,950	440,950
2029	170,000	285,438	440,438
2030	180,000	274,200	439,200
2031	190,000	262,238	437,238
2032	195,000	249,550	434,550
2033	205,000	236,138	431,138
2034	215,000	225,900	430,900
2035	225,000	215,650	435,650
2036	235,000	204,650	434,650
2037	250,000	193,150	438,150
2038	260,000	180,900	435,900
2039	270,000	168,150	438,150
2040	285,000	155,325	445,325
2041	300,000	141,550	446,550
2042	310,000	127,063	447,063
2043	325,000	111,863	451,863
2044	345,000	95,713	455,713
2045	360,000	78,613	458,613
2046	375,000	60,563	460,563
2047	395,000	41,563	466,563
2048	410,000	21,375	471,375
<b>Total</b>	<b>\$ 6,110,000</b>	<b>\$ 4,797,158</b>	<b>\$10,907,158</b>

Average Annual Debt Service Requirement (2024–2048) ..... \$436,286  
 Maximum Annual Debt Service Requirement (2048)..... \$471,375

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## **TAX PROCEDURES**

### **Authority to Levy Taxes**

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds, and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully above under "THE BONDS - Source of Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and for the payment of certain contractual obligations. The District levied a total tax of \$0.85 per \$100 of assessed valuation for the 2023 tax year composed of a maintenance and operations tax rate of \$0.85. See "TAX DATA- Tax Rate Limitation."

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

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

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

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

**General:** Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property

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

Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse, and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

**Freeport Goods Exemption and "Goods-in-Transit":** A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a

public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years

### **Valuation of Property for Taxation**

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. 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.

### **Tax Abatement**

Collin County may designate all or part of the area within the District as a reinvestment zone. The District, at the option and discretion of the District, and the County may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the

applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdiction. None of the area within the District has been designated as a reinvestment zone to date, and the District has not approved any such tax abatement agreements.

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

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. As of January 1, 2023, approximately 279.93 acres within the District were designated as agricultural, timberland, or open space land. See "TAX DATA – Analysis of Tax Base" and "THE DEVELOPER."

### **Tax Payment Installments After Disaster**

The Property Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property.

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

Additionally, the Property Tax Code authorizes a taxing jurisdiction such as the District, solely at the jurisdiction's discretion to adopt a similar installment payment option for taxes imposed on property that is located within a designated disaster area or emergency area and is owned or leased by certain qualified business entities, regardless of whether the property has been damaged as a direct result of the disaster or emergency.

### **Notice and Hearing Procedures**

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

### **District and Taxpayer Remedies**

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

## **Rollback of Operation and Maintenance Tax Rate**

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

### *Special Taxing Units*

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

### *Developed Districts*

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. 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 on an annual basis. For the 2023 tax year, the District was classified as a Developing District by the Board. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

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

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

### **Tax Abatement**

Collin County may designate all or part of the area within the District as a reinvestment zone, and Collin County, or the District may thereafter enter into tax abatement agreements with owners of real property within the zone, with each taxing jurisdiction's agreement affecting its own tax roll. The tax abatement agreements exempt from ad valorem taxation by the applicable taxing jurisdiction (including the District with the District's consent) for a period of up to 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. In certain instances, taxes on personal property also may be eligible for tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by other taxing jurisdictions.

*Freeport Goods and Goods-in-Transit Exemptions:* A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil or natural gas), and to aircraft or repair parts used

by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to certain tangible personal property as defined by the Tax Code. The exemption excludes oil, natural gas, petroleum products, aircraft, and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicles, dealer's heavy equipment, and retail manufactured housing inventory. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption is further limited to tangible personal property acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. For tax year 2012 and subsequent years, a taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before December 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has not taken official action to allow taxation of all such goods-in-transit personal property.

### **County-Wide Appraisal District**

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

The Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The 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 that such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation, and the appraiser is required by the 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 while claiming it as to another. If a landowner of qualified open-space land is a member of the United States Armed Forces, subject to certain conditions, the appraisal of the land as qualified open-space land does not change while the landowner is deployed or stationed outside of Texas. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

The Tax Code requires the CCAD to implement a plan for periodic reappraisal of property. The plan must provide for appraisal of all real property in the CCAD at least once every three years. It is not known what frequency of reappraisal will be utilized by the CCAD or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the CCAD a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the CCAD chooses formally to include such values on its appraisal roll.

### **Assessment and Levy of Taxes**

The District is responsible for the levy and collection of its taxes unless it elects to transfer the collection functions to another governmental entity or private tax assessor/collector approved by the Board. Each year the rate of taxation is set by the Board based upon the valuation of property within the District as of the

preceding January 1. Taxes are due when billed, 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. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. In addition, if the District engages an attorney for the collection of delinquent taxes, the Board may impose a further penalty not to exceed twenty percent (20%) on all taxes, penalty, and interest unpaid on July 1. The Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

### **District and Taxpayer Remedies**

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition of review in state district court. 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. Additionally, taxing units may bring suit against the CCAD to compel compliance with the Tax Code.

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

### **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 for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; 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 applicable 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. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "RISK FACTORS – Tax Collections and Foreclosure Remedies" and "– Registered Owners' Remedies."

## **TAX DATA**

### **General**

Taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds, and any future tax-supported bonds which may be issued from time to time as authorized. Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due December 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the



District’s tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an unlimited amount, for operation and maintenance purposes. The District levied a total tax of \$0.85 per \$100 of assessed valuation for the 2023 tax year composed of a maintenance and operations tax rate of \$0.85.

**Tax Rate Limitation**

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

**Debt Service Taxes**

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. The District has not yet levied a debt service tax rate. The District anticipates levying a debt service tax rate in tax year 2024 and thereafter.

Upon closing and delivery of the Bonds, eighteen (18) months of capitalized interest on the Bonds will be deposited into the Road System Debt Service Fund.

**Maintenance Taxes**

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District’s improvements if such maintenance tax is authorized by vote of the District’s electors. The Board is authorized by the District’s voters to levy such maintenance tax in an amount not to exceed \$1.20 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. In 2023, the District levied a maintenance tax of \$0.85 per \$100 of assessed valuation. See “Tax Rate Distribution” below.

**Tax Exemption**

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

**Additional Penalties**

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

**Historical Values and Tax Collection History**

The following table illustrates the collection history of the District for the 2022 and 2023 tax years:

Tax Year	Certified Taxable Value	Tax Rate	Adjusted Tax Levy	Collections Current Year	Current Year	
					Ending 09/30	Collections 5/31/23
2022(a)	\$ 1,474,116	\$ 0.85	\$12,530	100%	2023	100%
2023	59,795,089	0.85	508,258	(b)	2024	(b)

(a) The District levied its first tax rate for the 2022 tax year.  
 (b) In process of collection.

## Analysis of Tax Base

The following represents the types of property comprising the District's assessed taxable value for the years 2022-2023.

Type of Property	2023 Assessed Taxable Valuation	2022 Assessed Taxable Valuation (a)
Land	\$31,375,465	\$10,304,664
Improvements	38,078,390	-
Personal Property	95,959	-
Exemptions	(9,754,725)	(8,830,548)
Total	\$59,795,089	\$1,474,116

(a) First year the District levied taxes.

## Tax Rate Distribution

The following table sets out the components of the District's tax levy for each of the 2022-2023 tax years.

	2023	2022
Utility System Debt Service	\$ 0.0000	\$0.0000
Road System Debt Service	0.0000 (a)	0.0000
Maintenance & Operation	<u>0.8500</u>	<u>0.8500</u>
Total	\$ 0.8500	\$ 0.8500

(a) The District anticipates levying its initial debt service tax rate in tax year 2024.

## 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	Percent of 2023 Roll
Megatel Venetian LLC (a)	Land & Improvements	\$ 31,500,112	52.68%
Honeycreek Venetian LLC (b)	Land & Improvements	10,722,704	17.93%
SN Texas II LLC	Land & Improvements	1,163,270	1.95%
Homeowner	Land & Improvements	650,703	1.09%
Homeowner	Land & Improvements	648,419	1.08%
Homeowner	Land & Improvements	641,206	1.07%
Homeowner	Land & Improvements	582,785	0.97%
Homeowner	Land & Improvements	535,299	0.90%
Homeowner	Land & Improvements	511,138	0.85%
Homeowner	Land & Improvements	506,996	0.85%
Total		\$ 47,462,632	79.38%

(a) See "DEVELOPMENT WITHIN THE DISTRICT - Homebuilder within the District."

(b) See "THE DEVELOPER."

## 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 Bonds if no growth in the District's tax base occurs beyond the taxable assessed valuation as of January 1, 2023 (\$59,795,089), or the estimate of value as of October 31, 2023 (\$105,188,287). 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).....	\$436,286
Debt Service Tax Rate of \$0.77 on the 2023 Taxable Assessed Valuation produces .....	\$437,401
Debt Service Tax Rate of \$0.44 on the Estimate of Value as of October 31, 2023 produces .....	\$439,687
Maximum Annual Debt Service Requirement (2048) .....	\$471,375
Debt Service Tax Rate of \$0.85 on the 2023 Taxable Assessed Valuation produces .....	\$471,484
Debt Service Tax Rate of \$0.48 on the Estimate of Value as of October 31, 2023 produces .....	\$479,659

**Estimated Overlapping Taxes**

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Set forth below is a compilation of all 2023 taxes levied upon property located within the District. Under Texas law, ad valorem taxes levied by each taxing authority other than the District entitled to levy taxes against property located within the District create a lien which is on a parity with the tax lien of the District.

In addition to the ad valorem taxes required to make the debt service payments on bonded debt of the District and of such other jurisdictions (see “DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement”), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Taxing Jurisdiction	2023 Tax Rate Per \$100 of A.V.
The District	\$0.850000
City of Weston	0.360000
Collin County	0.149343
Collin College	0.081220
McKinney Independent School District	1.127500
Estimated Total Tax Rate	\$2.568063

**THE DISTRICT**

**General**

The District is a limited-purpose political subdivision of the State of Texas operating as a fresh water supply district pursuant to Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution. East Fork Fresh Water Supply District No. 1 of Collin County (the "Original District") was created by the Commissioners Court of Collin County on December 3, 2007. The District was created via an election to divide the Original District on May 4, 2019. The District's creation was confirmed by election held within the District on May 1, 2021. The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to utility districts, including without limitation those conferred by Chapters 49 and 53, Texas Water Code, as amended. In addition, the District is authorized to purchase, construct, operate and maintain roads. The District is also authorized to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; the control and diversion of storm water. The District may also provide solid waste collection and disposal service and operate and maintain recreational facilities. The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters and the TCEQ. The District does not operate and/or maintain a fire department. The District is subject to the continuing supervision of the TCEQ.

**Location**

The District is located in Collin County approximately 40 miles northeast of downtown Dallas and is entirely within the corporate limits of the City of Weston (“The City”). The District is generally bounded by Weston Road on the west, County Road 206 on the south, County Road 208 on the north and County Road 209 on the east.

**Management of the District**

The District is governed by the Board consisting of five supervisors, who have control over and management supervision of all affairs of the District. All of the supervisors own property within the District. The supervisors

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

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Patrick Vance	President	2024
Jordan Derryberry	Vice President	2026
Jagjit Singh	Secretary	2026
Chris Lander	Assistant Secretary	2024
Stephanie Mirshak	Assistant Secretary	2024

### **Investment Policy**

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

### **Consultants**

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

*Tax Assessor/Collector* – Land and improvements in the District are being appraised by the Collin Central Appraisal District. The Tax Assessor/Collector is appointed by the Board. Kenneth Maun, Chief Appraiser of the Collin Central Appraisal District, currently serves the District in this capacity under contract.

*Bookkeeper* – The District’s bookkeeper is Dye & Toverly, LLC.

*Engineer*: The District’s engineer is Westwood Professional Services, Inc. (the “Engineer”).

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

*Auditor* – The District engaged McCall Gibson Swedlund Barfoot PLLC to audit its financial statements for the fiscal year ended May 31, 2023. The District’s audited financial statements are attached as “APPENDIX A” to this Official Statement.

*Disclosure Counsel* – McCall, Parkhurst & Horton L.L.P., Dallas, 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* – The District has engaged the firm of Robert W. Baird & Co. Incorporated as financial advisor to the District (the “Financial Advisor”). Payment to the Financial Advisor by the District is contingent upon the issuance, sale and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

### **City of Weston Rebate**

Effective December 13, 2005, a predecessor of the Developer (Honey Creek Partners L.P.) entered into a Development Agreement (the “Development Agreement”) with the City. The Development Agreement provides for the City to rebate to the District up to 100.00% of the ad valorem tax revenue that the City actually collects on taxable property within the District (the “Rebate”). Pursuant to the Development Agreement, the Rebate will be used by the District to pay for solely for the purpose of paying interest and paying or prepaying principal

on the District's bonded indebtedness relating to the water, sanitary sewer, and drainage components of the System.

**DEVELOPMENT WITHIN THE DISTRICT**

**Current Status of Development**

The District is part of the development of Venetian at Weston, a master-planned community located in the city limits of Weston. The District consists of approximately 325.320 total acres. To date, approximately 44.579 acres have been developed as 204 single-family lots within Venetian at Weston, Phase 1. As of November 1, 2023, the District included approximately 199 completed homes (approximately 193 occupied, 2 unoccupied, and 4 model homes); and approximately 5 vacant developed lots. Additionally, approximately 70.078 acres (301 lots) are under development as Venetian at Weston, Phase 2.

The remainder of the District, approximately 189.763 acres, consists of developable land that is planned for additional residential subdivisions and commercial development.

The table below summarizes the development within the District as of November 1, 2023.

<u>Subdivision</u>	<u>Acreage</u>	<u>Section Lots</u>	<u>Homes Completed</u>	<u>Homes Under Construction</u>	<u>Vacant Lots</u>
Venetian at Weston, Phase 1	44.579	204	199	-	5
<b>Total</b>	<b>44.579</b>	<b>204</b>	<b>199</b>	<b>-</b>	<b>5</b>
Residential Developed (a)	44.579				
Residential Under Construction (b)	70.078				
Undevelopable	20.900				
Remaining Developable (c)	<u>189.763</u>				
<b>District Total</b>	<b>325.320</b>				

- (a) Acreage for open spaces and roads is included in the total acreage for each subdivision.
- (b) Consists of Venetian at Weston, Phase 2 (301 lots on 70.078 acres).
- (c) See "THE DEVELOPER – Description of the Developer."

**Homebuilder within the District**

Currently, Megatel Venetian, LLC is the only active homebuilder in the District. New homes being constructed in the District range in price from approximately \$390,000 to \$700,000 and range in size from approximately 1,800 square feet to 3,500 square feet.

*[Remainder of this page intentionally left blank.]*

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(July 2023)



## THE DEVELOPER

### Role of the Developer

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

### Description of the Developer

The current developer of land located within the District is HoneyCreek Venetian LLC., a Wyoming limited liability company ("HoneyCreek"). The only current homebuilder in the District is Megatel Venetian, LLC., a Texas limited liability company ("Megatel Venetian"). HoneyCreek and Megatel Venetian are affiliates of Megatel Homes, LLC. ("Megatel"). Megatel is owned and operated by Zach Ipour and Aaron Ipour. HoneyCreek and Megatel Venetian are thinly capitalized companies. Assets of HoneyCreek and Megatel Venetian primarily consist of land (HoneyCreek) and homes under construction (Megatel Venetian) within the District.

HoneyCreek has developed 204 lots on approximately 44.579 acres within the District as Venetian at Weston, Phase 1 and continues to own approximately 210.663 acres of undeveloped but developable land within the District. In addition, there are 301 single-family residential lots on approximately 70.078 acres under construction as Venetian at Weston, Phase 2. See "STATUS OF DEVELOPMENT" and "TAX DATA—Principal Taxpayers." The District makes no representation as to the likelihood of the planned development to occur or the pace at which the planned development might occur.

Megatel and its affiliates are actively developing and building homes in 14 communities (including the District) and also function as a homebuilder in an additional 5 active communities in Texas.

### Developer Financing

The Developer has obtained a development loan from MCI Preferred Income Fund II, LLC to finance the development of Venetian at Weston Phase 1. The loan has a maximum principal balance of \$34,225,000, an extended maturity date of October 1, 2024 and is secured by the lots and acreage owned by the Developer within the District. The outstanding balance of the loan as of July 15, 2023, was \$31,873,982, and, according to the Developer, it is in compliance with all material conditions of the loan.

### Lot-Sales Contracts

The Developer has entered into lot sales contracts with an affiliated company Megatel Venetian, LLC,

According to the Developer, Megatel Venetian is in compliance with its respective lot sale contracts. As of November 1, 2023, the total number of lots contracted and purchased by the builder is listed below:

Builder	Total Lots Contracted	Total Lots Purchased
Megatel Venetian, LLC	204	199
Totals	204	199

### Construction and Reimbursement Agreements

The District is a party to agreements for the construction and purchase of facilities and reimbursement for costs and amendment thereto with the Developer, which define the conditions under which the District will issue additional bonds to reimburse the Developer for the water, wastewater, drainage and roadway facilities within and outside the District. Under the terms of the agreements, the District has agreed to repay the cost of facilities

through a series of bond sales over time. The District's obligation to issue bonds and reimburse the Developer for funds advanced for facilities is subject to various conditions, including approval of such facilities and bonds by the TCEQ, as required by the rules of the TCEQ, approval of the bonds by the Attorney General of Texas, and the recommendation of the District's financial advisor that the sale of the bonds is feasible and prudent.

## **THE UTILITY SYSTEM AND THE ROAD SYSTEM**

### **General**

The District's Utility System will be funded with advances from the Developer, and future utility bonds issued by the District. See "RISK FACTORS - Future Debt" and "THE BONDS – Issuance of Additional Debt."

According to the Engineer, the Utility System has been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the City, Weston Water Supply Corporation ("WWSC"), North Texas Municipal Water District ("NTMWD"), North Collin Special Utility District ("NCSUD"), and Collin County, Texas. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies and inspected by the TCEQ.

### **Description of the Utility System**

#### *- Water Supply and Distribution -*

The area within the District lies within the water certificate of convenience and necessity ("CCN") number 12330 held by WWSC as well as number 11035 held by NCSUD. Per the Developer's Agreement and pertinent Amendments, it has been agreed upon that WWSC and NCSUD will both provide retail water service to the District. WWSC and NCSUD will operate and maintain the portions of the water system that lie within their respective CCN areas. NCSUD currently provides water to the homes within Venetian at Weston, Phase 1. The water necessary to serve Venetian at Weston Phase 2 and beyond is expected to be provided by WWSC. WWSC is currently improving its facilities to be able to supply water service to the development expected within Venetian at Weston, Phase 2 and the future phases planned for development within the District.

#### *- Wastewater Treatment -*

The area within the District lies wholly within the wastewater CCN number 20999 held by the City. Weston is the provider of retail wastewater service to the users within the District. Pursuant to the Development Agreement and pertinent Amendments, the District agrees to designate the City as the exclusive retail sewer provider. As such, the agreement states that the District will construct a Waste Water Treatment Plant ("WWTP"), with an initial phase of 300,000 gallons per day ("gpd"), with a final build out of 350,000 gpd. The City will continue to hold the CCN as well as the WWTP permit from TCEQ, and will receive ownership of the WWTP once it has been constructed by the District.

It is also understood that the City may seek permanent wastewater treatment services from NTMWD, in which case the District will construct necessary offsite sewer trucklines and other required facilities to connect to the NTMWD system, which will be conveyed to the City.

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

### **Description of the Road System**

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



## 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., Dallas, Texas, Disclosure Counsel.

Coats Rose, P.C., Dallas, Texas, serves as Bond Counsel and General Counsel to the District. The legal fees paid to Bond Counsel, Disclosure Counsel, and General Counsel for services rendered in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

### No-Litigation Certificate

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

### No Material Adverse Change

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

## TAX MATTERS

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

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

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

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

maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

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

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

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

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

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

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

### **Qualified Tax-Exempt Obligations**

Section 265(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 designated, or deemed designated, the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the Bonds would not be "qualified tax-exempt obligations".**

#### CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission ("SEC") regarding the District's continuing disclosure obligations because the District does not have more than \$10,000,000 in aggregate amount of bonds outstanding and no person is committed by contract or other arrangement with respect to payment of the bonds. As required by the Rule, and in the Bond Order, the District has made the following covenants for the benefit of the holders of the Bonds. The District is required to observe these covenants for so long as it remains obligated to pay the Bonds. Under the covenants, the District will be obligated to provide certain updated financial information and operating data annually, as well as timely notice of specified events, to the Municipal Securities Rulemaking Board or any successor to its function as a repository (the "MSRB"), through its Electronic Municipal Market Access ("EMMA") system.

#### Annual Reports

The District will provide certain updated financial information and operating data to the EMMA annually. The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by United States Securities and Exchange Commission SEC Rule 15c2-12 of the Securities Exchange Act (the "Rule"). The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in "APPENDIX A" or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The financial information and operating data which will be provided with respect to the District is found in the APPENDIX A (the District's Audited Financial Report). In addition, the District has agreed to provide the information found in "TAX DTA - Principal Taxpayers" with respect to the Developer, any person or entity to whom the Developer voluntarily assigns (except as collateral) the right to receive a payment out of the proceeds from the sale of the bonds of the District, and each other or entity, if any, to whom the District voluntarily makes or agrees or has agreed to make a payment out of such proceeds to EMMA within such six month period, and audited financial statements when the audit report becomes available. The District will be obligated to provide information concerning the Developer and any such other person or entity only if and so long as (1) such persons own more than 20% of the taxable property within the District by value, as reflected by the most recently certified tax rolls (and without effect to special valuation provisions), (2) such persons have made tax or other payments to the District which were used or available to pay more than 20% of the District's debt service requirements in the applicable fiscal year, or (3) at the end of such fiscal year such persons are obligated to the District to provide or pay for District facilities or debt in an amount which exceeds 20% of the amount of the District's bonds then outstanding.

The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2024. 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 the audit report becomes available.

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

### **Event Notices**

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

### **Availability of Information from MSRB**

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

### **Limitations and Amendments**

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

continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

### **Compliance with Prior Undertakings**

The Bonds are the District's first issuance of unlimited tax bonds; therefore, the District has not previously entered into any continuing disclosure agreements in accordance with SEC Rule 15c2-12.

## **OFFICIAL STATEMENT**

### **General**

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

The District's audited financial statements for the year ended May 31, 2023, were prepared by McCall Gibson Swedlund Barfoot, PLLC, and have been included herein as "APPENDIX A." McCall Gibson Swedlund Barfoot, PLLC, has consented to the publication of such financial statements in this Official Statement.

### **Experts**

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

The information contained in this Official Statement relating to engineering and to the description of the Utility System and the Road System, and, in particular, that engineering information included in the sections entitled "THE BONDS", "THE DISTRICT," and "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 an expert in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by the Tax Assessor/Collector and the Appraisal District. Such

information has been included herein in reliance upon the Tax Assessor/Collector's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of property appraisal.

**Certification as to Official Statement**

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

**Updating of Official Statement**

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

**CONCLUDING STATEMENT**

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

/s/ Patrick Vance  
President, Board of Supervisors  
East Fork Fresh Water Supply District No. 1-A of Collin  
County

ATTEST:

/s/ Jagjit Singh  
Secretary, Board of Supervisors  
East Fork Fresh Water Supply District No. 1-A of Collin County

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



**EAST FORK FRESH WATER SUPPLY DISTRICT  
NO. 1-A OF COLLIN COUNTY**

**COLLIN COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**MAY 31, 2023**



**EAST FORK FRESH WATER SUPPLY DISTRICT  
NO. 1-A OF COLLIN COUNTY**

**COLLIN COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**MAY 31, 2023**



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**INDEPENDENT AUDITOR'S REPORT**

Board of Supervisors  
East Fork Fresh Water Supply District  
No. 1-A of Collin County  
Collin County, Texas

**Opinions**

We have audited the accompanying financial statements of the governmental activities and major fund of East Fork Fresh Water Supply District No. 1-A of Collin County (the "District") as of and for the year ended May 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

**Basis for Opinions**

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

**Responsibilities of Management for the Financial Statements**

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

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





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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

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



Board of Supervisors  
East Fork Fresh Water Supply District  
No. 1-A of Collin County

### Supplementary Information

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



McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

August 23, 2023



**EAST FORK FRESH WATER SUPPLY DISTRICT  
NO. 1-A OF COLLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MAY 31, 2023**

Management's discussion and analysis of the financial performance of East Fork Fresh Water Supply District No. 1-A of Collin County provides an overview of the District's financial activities for the fiscal year ended May 31, 2023. Please read it in conjunction with the District's financial statements.

**USING THIS ANNUAL REPORT**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

**FUND FINANCIAL STATEMENTS**

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund type. The General Fund accounts for maintenance tax revenues, developer advances, professional fees, and administrative expenditures.

**EAST FORK FRESH WATER SUPPLY DISTRICT  
NO. 1-A OF COLLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MAY 31, 2023**

**FUND FINANCIAL STATEMENTS (Continued)**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$172,014 as of May 31, 2023. This is the District's first audit. In future years a comparative analysis of government-wide changes in net position will be presented.

**EAST FORK FRESH WATER SUPPLY DISTRICT  
NO. 1-A OF COLLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MAY 31, 2023**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

The following table provides a summary of the Statement of Net Position for the year ended May 31, 2023:

	Summary of the Statement of Net Position
	2023
Current and Other Assets	\$ 4,916
Capital and Intangible Assets (Net of Accumulated Depreciation/Amortization)	7,337,014
Total Assets	\$ 7,341,930
Due to Developer	\$ 7,499,395
Other Liabilities	14,549
Total Liabilities	\$ 7,513,944
Net Position:	
Net Investment in Capital Assets	\$ (77,868)
Unrestricted	(94,146)
Total Net Position	\$ (172,014)

The following table provides a summary of the District's operations for the year ended May 31, 2023, which is the initial audit period for the District.

	Summary of the Statement of Activities
	2023
Revenues:	
Property Taxes	\$ 12,530
Other Revenues	7,577
Total Revenues	\$ 20,107
Total Expenses	148,220
Change in Net Position	\$ (128,113)
Net Position, Beginning of Year	(43,901)
Net Position, End of Year	\$ (172,014)

**EAST FORK FRESH WATER SUPPLY DISTRICT  
NO. 1-A OF COLLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MAY 31, 2023**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND**

The General Fund fund balance decreased by \$3,640, primarily due to professional and administrative costs exceeding property tax revenues and developer advances during the year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Supervisors did not adopt a budget for the fiscal year ending May 31, 2023.

**CAPITAL ASSETS**

Capital assets include roads which the District owns and maintains. Capital assets and accumulated depreciation as of May 31, 2023, are summarized in the following table:

Capital Assets At Year-End	
	2023
Capital Assets Subject to Depreciation:	
Roads	\$ 2,027,744
Less Accumulated Depreciation	(56,419)
Total Net Capital Assets	\$ 1,971,325

**INTANGIBLE ASSETS**

Intangible assets include certain utilities infrastructure constructed by the District with funds provided by Developers for the purposes of providing utility services to District residents. These assets are conveyed to other entities for ownership and maintenance and are recorded as intangible assets and amortized over 45 years. Intangible assets and accumulated amortization as of May 31, 2023, are summarized in the following table:

Intangible Assets At Year-End	
	2023
Intangible Assets Subject to Depreciation:	
Utilities Infrastructure	\$ 5,387,137
Less Accumulated Amortization	(21,448)
Total Net Intangible Assets	\$ 5,365,689



**EAST FORK FRESH WATER SUPPLY DISTRICT  
NO. 1-A OF COLLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MAY 31, 2023**

**LONG-TERM DEBT**

As of May 31, 2023, the District recorded an amount due to Developer of \$7,499,395 which consists of payments made by the Developer for utilities and road infrastructure as well as District operating advances. The District plans to reimburse these costs through the issuance of bonds.

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to East Fork Fresh Water Supply District No. 1-A of Collin County, c/o Coats Rose, P.C., 16000 North Dallas Parkway, Suite 350, Dallas, TX 75248.

**EAST FORK FRESH WATER SUPPLY DISTRICT  
NO. 1-A OF COLLIN COUNTY  
STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUND BALANCE SHEET  
MAY 31, 2023**

	General Fund	Adjustments	Statement of Net Position
<b>ASSETS</b>			
Cash	\$ 4,916	\$	\$ 4,916
Intangible Assets (Net of Accumulated Amortization)		5,365,689	5,365,689
Capital Assets (Net of Accumulated Depreciation)		1,971,325	1,971,325
<b>TOTAL ASSETS</b>	\$ 4,916	\$ 7,337,014	\$ 7,341,930
 <b>LIABILITIES</b>			
Accounts Payable	\$ 14,549	\$	\$ 14,549
Due to Developer		7,499,395	7,499,395
<b>TOTAL LIABILITIES</b>	\$ 14,549	\$ 7,499,395	\$ 7,513,944
 <b>FUND BALANCE (DEFICIT)</b>			
Unrestricted	\$ (9,633)	\$ 9,633	\$ - 0 -
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	\$ 4,916		
 <b>NET POSITION</b>			
Net Investment in Capital Assets		\$ (77,868)	\$ (77,868)
Unrestricted		(94,146)	(94,146)
<b>TOTAL NET POSITION</b>		\$ (172,014)	\$ (172,014)

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

**EAST FORK FRESH WATER SUPPLY DISTRICT  
NO. 1-A OF COLLIN COUNTY  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
MAY 31, 2023**

Total Fund Balance - Governmental Fund	\$	(9,633)
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets and intangible assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.</p>		7,337,014
<p>Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of developer advances.</p>		<u>(7,499,395)</u>
Total Net Position - Governmental Activities	\$	<u>(172,014)</u>

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

**EAST FORK FRESH WATER SUPPLY DISTRICT  
NO. 1-A OF COLLIN COUNTY  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED MAY 31, 2023**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>REVENUES</b>			
Property Taxes	\$ 12,530	\$	\$ 12,530
Penalty, Interest and Miscellaneous Revenues	<u>7,577</u>	<u></u>	<u>7,577</u>
<b>TOTAL REVENUES</b>	<u>\$ 20,107</u>	<u>\$ - 0 -</u>	<u>\$ 20,107</u>
<b>EXPENDITURES/EXPENSES</b>			
Service Operations:			
Professional Fees	\$ 51,034	\$	\$ 51,034
Contracted Services	9,895		9,895
Depreciation		56,419	56,419
Amortization		21,448	21,448
Other	<u>9,424</u>		<u>9,424</u>
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>\$ 70,353</u>	<u>\$ 77,867</u>	<u>\$ 148,220</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES</b>	<u>\$ (50,246)</u>	<u>\$ (77,867)</u>	<u>\$ (128,113)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer Advances	<u>\$ 46,606</u>	<u>\$ (46,606)</u>	<u>\$ - 0 -</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ (3,640)	\$ 3,640	\$
<b>CHANGE IN NET POSITION</b>		(128,113)	(128,113)
<b>FUND BALANCE (DEFICIT)/NET POSITION - JUNE 1, 2022</b>	<u>(5,993)</u>	<u>(37,908)</u>	<u>(43,901)</u>
<b>FUND BALANCE (DEFICIT)/NET POSITION - MAY 31, 2023</b>	<u>\$ (9,633)</u>	<u>\$ (162,381)</u>	<u>\$ (172,014)</u>

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

**EAST FORK FRESH WATER SUPPLY DISTRICT  
NO. 1-A OF COLLIN COUNTY  
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MAY 31, 2023**

Net Change in Fund Balance - Governmental Fund	\$	(3,640)
--	----	---------

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

Governmental funds do not account for depreciation and amortization. In governmental activities, capital assets are depreciated and intangible assets are amortized over the estimated useful lives or contract terms.		(77,867)
--	--	----------

Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances are recorded as a liability.		(46,606)
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Change in Net Position - Governmental Activities	\$	<u>(128,113)</u>
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The accompanying notes to the financial statements are an integral part of this report.

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**EAST FORK FRESH WATER SUPPLY DISTRICT  
NO. 1-A OF COLLIN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
MAY 31, 2023**

**NOTE 1. CREATION OF DISTRICT**

East Fork Fresh Water Supply District No. 1-A of Collin County (the “District”) is a fresh water supply district which operates under Chapters 49, and 53, Texas Water Code, together with all amendments and additions thereto and Article XVI, Section 59 of the Texas Constitution and Article III, Section 52(b), Texas Constitution. The District was duly created by division of East Fork Fresh Water Supply District No. 1 at an election held May 4, 2019. On May 1, 2021, an election was held in which the voters confirmed the creation of the District. The District has the power to purchase, construct, acquire, own, operate, repair, improve and extend sanitary sewer systems to control wastes within the District as well as the rights, authority, privileges and functions of a road district. The District is subject to the continuing supervision of the TCEQ.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted.

**EAST FORK FRESH WATER SUPPLY DISTRICT  
NO. 1-A OF COLLIN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
MAY 31, 2023**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

These classifications are defined as follows:

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

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

Government-Wide Financial Statements

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

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

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



**EAST FORK FRESH WATER SUPPLY DISTRICT  
NO. 1-A OF COLLIN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
MAY 31, 2023**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Financial Statements

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

Governmental Fund

The District has one governmental fund and considers it to be a major fund.

General Fund - To account for maintenance tax revenues, developer advances, professional fees and administrative expenditures.

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

**EAST FORK FRESH WATER SUPPLY DISTRICT  
NO. 1-A OF COLLIN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
MAY 31, 2023**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets

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

Intangible Assets

Intangible assets include certain infrastructure constructed by the District with funds provided by developers for the purposes of providing utility services to District residents. These assets are conveyed to other entities for ownership and maintenance and are recorded as intangible assets and amortized over the life of the asset or terms of the contract.

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The District did not adopt a budget during the current fiscal year.

Pensions

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

Measurement Focus

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

**EAST FORK FRESH WATER SUPPLY DISTRICT  
NO. 1-A OF COLLIN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
MAY 31, 2023**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus (Continued)

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

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

*Restricted*: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. The District does not have any restricted fund balances.

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

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

*Unassigned*: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

**EAST FORK FRESH WATER SUPPLY DISTRICT  
NO. 1-A OF COLLIN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
MAY 31, 2023**

**NOTE 3. LONG-TERM DEBT**

At an election held within the District on May 1, 2021, voters authorized the issuance of bonds in the following amounts: \$62,200,000 for the purchase or construction of water, wastewater, drainage, and storm drainage facilities; \$76,100,000 for the purchase or construction of roads; \$77,750,000 for refunding water, wastewater, drainage, and storm drainage facilities bonds; and \$95,125,000 for refunding road bonds.

**NOTE 4. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant changes in coverage from the prior year and settlements have not exceeded coverage in since inception.

**NOTE 5. DEPOSITS AND INVESTMENTS**

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$4,916 and the bank balance was \$4,916. The District was not exposed to custodial credit risk at year-end.

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth.

**EAST FORK FRESH WATER SUPPLY DISTRICT  
NO. 1-A OF COLLIN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
MAY 31, 2023**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

The District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

As of May 31, 2023, the District did not own any investments.

**NOTE 6. CAPITAL ASSETS AND INTANGIBLE ASSETS**

Certain infrastructure constructed by the District with funds provided by Developers for the purposes of providing utility services to District residents is conveyed to other entities for ownership and maintenance. These costs are recorded as intangible assets and amortized over the life of the asset or terms of the contract.

Intangible asset activity for the fiscal year ending May 31, 2023, is summarized in the following table:

	June 1, 2022	Increases	Decreases	May 31, 2023
<b>Intangible Assets Subject to Amortization</b>				
Utilities Infrastructure	\$ - 0 -	\$ 5,387,137	\$ - 0 -	\$ 5,387,137
<b>Less Accumulated Amortization</b>				
Utilities Infrastructure	\$ - 0 -	\$ 21,448	\$ - 0 -	\$ 21,448
<b>Intangible Assets Net of Accumulated Amortization</b>	\$ - 0 -	\$ 5,365,689	\$ - 0 -	\$ 5,365,689

**EAST FORK FRESH WATER SUPPLY DISTRICT  
NO. 1-A OF COLLIN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
MAY 31, 2023**

**NOTE 6. CAPITAL ASSETS AND INTANGIBLE ASSETS (Continued)**

Capital asset activity for the current fiscal year is summarized in the following table:

<b>Capital Assets Subject to Depreciation</b>	<u>June 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>May 31, 2023</u>
Roads	\$ - 0 -	\$ 2,027,744	\$ - 0 -	\$ 2,027,744
<b>Less Accumulated Depreciation</b>				
Roads	\$ - 0 -	\$ 56,419	\$ - 0 -	\$ 56,419
<b>Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ - 0 -</u>	<u>\$ 1,971,325</u>	<u>\$ - 0 -</u>	<u>\$ 1,971,325</u>

**NOTE 7. MAINTENANCE TAX**

On May 1, 2021, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed \$1.20 per \$100 of assessed valuation of taxable property within the District. Maintenance tax revenues may be used to pay any legally authorized expenditures of the District. During the current fiscal year, the District levied an ad valorem maintenance tax rate of \$0.85 per \$100 of assessed valuation, which resulted in a tax levy of \$12,530 on the adjusted taxable valuation of \$1,474,116 for the 2022 tax year.

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

**NOTE 8. WATER AND WASTEWATER SERVICES**

Water Supply and Distribution

The area within the District lies within the water certificate of convenience and necessity ("CCN") number 12330 held by Weston Water Supply Corporation ("WWSC") as well as number 11035 held by North Collin Special Utility District ("NCSUD"). Per the Developer's Agreement and pertinent Amendments, it has been agreed upon that WWSC and NCSUD will both provide water services to the District.

**EAST FORK FRESH WATER SUPPLY DISTRICT  
NO. 1-A OF COLLIN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
MAY 31, 2023**

**NOTE 8. WATER AND WASTEWATER SERVICES (Continued)**

Wastewater Treatment

The area within the District lies wholly within the wastewater CCN number 20999 held by the City of Weston (the “City”). The City is the provider of retail wastewater service to the users within the District. Pursuant to the Development Agreement and pertinent Amendments, the District agrees to designate the City as the exclusive retail sewer provider. As such, the agreement states that the District will construct a Waste Water Treatment Plant ("WWTP"), with an initial phase of 300,000 gallons per day ("gpd"), with a final build out of 350,000 gpd. The City will continue to hold the CCN as well as the WWTP permit from the TCEQ, and will receive ownership of the WWTP once it has been constructed by the District.

It is also understood that the City may seek permanent wastewater treatment services from North Texas Municipal Water District (“NTMWD”), in which case the District will construct necessary offsite sewer trunklines and other required facilities to connect to the NTMWD system, which will be conveyed to the City.

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

**NOTE 9. UNREIMBURSED DEVELOPER COSTS**

The District and the Developers have entered into agreements which require the Developers to fund costs associated with construction of roads as well as water, sanitary sewer and drainage facilities serving the residents of the District in addition to operating advances during the early stages of District development. Reimbursement to the Developers for these projects and operating advances is contingent upon the future sale of bonds.

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

Due to Developers, beginning of year	\$ -0-
Current year additions	<u>7,499,395</u>
Due to Developers, end of year	<u>\$ 7,499,395</u>

**EAST FORK FRESH WATER SUPPLY DISTRICT  
NO. 1-A OF COLLIN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
MAY 31, 2023**

**NOTE 10. ECONOMIC DEPENDENCY AND DEFICIT FUND BALANCE**

The District's Developer owns a substantial portion of the taxable property within the District. The Developer's ability to make full and timely payments of taxes and provide operating advances directly affects the District's ability to meet its financial obligations.

The District has experienced a deficit General Fund fund balance during its early stages of development. It is anticipated that the future growth and development within the District will alleviate these deficits.

**NOTE 11. SUBSEQUENT EVENT – PENDING BOND SALE**

The District anticipates closing on the sale of its Series 2023 Unlimited Tax Road Bonds in the 4<sup>th</sup> quarter of 2023. Proceeds of the bonds will be used to reimburse Developers for construction and engineering costs associated with paving, grading and drainage within the District. Bond proceeds will also provide for bond issuance costs, Developer interest, and capitalized interest.



**EAST FORK FRESH WATER SUPPLY DISTRICT  
NO. 1-A OF COLLIN COUNTY**

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

**MAY 31, 2023**



**EAST FORK FRESH WATER SUPPLY DISTRICT  
NO. 1-A OF COLLIN COUNTY  
SERVICES AND RATES  
FOR THE YEAR ENDED MAY 31, 2023**

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

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

Note: North Collin SUD provides water utility services and the City of Weston provides wastewater to District customers.

**2. RETAIL SERVICE PROVIDERS: NOT APPLICABLE**

**3. TOTAL WATER CONSUMPTION: NOT APPLICABLE**

**4. STANDBY FEES: NOT APPLICABLE**

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes  No

County in which District is located:

Collin County, Texas

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

Entirely  Partly  Not at all

Is the District located within a city?

Entirely  Partly  Not at all

City in which District is located:

City of Weston, Texas

Are Board Members appointed by an office outside the District?

Yes  No

See accompanying independent auditor's report.

**EAST FORK FRESH WATER SUPPLY DISTRICT  
NO. 1-A OF COLLIN COUNTY  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED MAY 31, 2023**

PROFESSIONAL FEES:	
Engineering	\$ 29,333
Legal	<u>21,701</u>
TOTAL PROFESSIONAL FEES	<u>\$ 51,034</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 85
Bookkeeping	<u>9,810</u>
TOTAL CONTRACTED SERVICES	<u>\$ 9,895</u>
ADMINISTRATIVE EXPENDITURES:	
Supervisor Fees, Including Payroll Taxes	\$ 4,037
Insurance	3,069
Website, Office Supplies, Postage and Other	<u>2,318</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 9,424</u>
TOTAL EXPENDITURES	<u><u>\$ 70,353</u></u>

See accompanying independent auditor's report.

**EAST FORK FRESH WATER SUPPLY DISTRICT  
NO. 1-A OF COLLIN COUNTY  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED MAY 31, 2023**

	Maintenance Taxes	
TAXES RECEIVABLE -		
JUNE 1, 2022	\$ -0-	
Adjustments to Beginning		
Balance	_____	\$ -0-
Original 2022 Tax Levy	\$	
Adjustment to 2022 Tax Levy	12,530	12,530
TOTAL TO BE		
ACCOUNTED FOR		\$ 12,530
 TAX COLLECTIONS:		
Prior Years	\$	
Current Year	12,530	12,530
 TAXES RECEIVABLE -		
MAY 31, 2023		\$ -0-

See accompanying independent auditor's report.

**EAST FORK FRESH WATER SUPPLY DISTRICT  
NO. 1-A OF COLLIN COUNTY  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED MAY 31, 2023**

	2022
PROPERTY VALUATIONS:	
Land	\$ 10,304,664
Exemptions	(8,830,548)
TOTAL PROPERTY VALUATIONS	\$ 1,474,116
 TOTAL TAX RATES PER \$100 VALUATION	 \$ 0.85
 ADJUSTED TAX LEVY*	 \$ 12,530
 PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	 100.00 %

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

\* Maintenance Tax – Maximum tax rate of \$1.20 per \$100 assessed valuation was approved by voters on May 1, 2021.

See accompanying independent auditor’s report.

**EAST FORK FRESH WATER SUPPLY DISTRICT  
NO. 1-A OF COLLIN COUNTY  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
GENERAL FUND - ONE YEAR**

	Amounts	Percentage of Total Revenues
	2023	2023
<b>REVENUES</b>		
Property Taxes	\$ 12,530	62.3 %
Penalty, Interest and Miscellaneous Revenues	7,577	37.7
<b>TOTAL REVENUES</b>	<b>\$ 20,107</b>	<b>100.0 %</b>
<b>EXPENDITURES</b>		
Professional Fees	\$ 51,034	253.8 %
Contracted Services	9,895	49.2
Other	9,424	46.9
<b>TOTAL EXPENDITURES</b>	<b>\$ 70,353</b>	<b>349.9 %</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (50,246)</b>	<b>(249.9) %</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Developer Advances	\$ 46,606	
<b>NET CHANGE IN FUND BALANCE</b>	\$ (3,640)	
<b>BEGINNING FUND BALANCE (DEFICIT)</b>	(5,993)	
<b>ENDING FUND BALANCE (DEFICIT)</b>	<b>\$ (9,633)</b>	

See accompanying independent auditor's report.

**EAST FORK FRESH WATER SUPPLY DISTRICT  
NO. 1-A OF COLLIN COUNTY  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
MAY 31, 2023**

District Mailing Address - East Fork Fresh Water Supply District No. 1-A of Collin County  
c/o Coats Rose, P.C.  
16000 North Dallas Parkway, Suite 350  
Dallas, TX 75248

District Telephone Number - (972) 788-1600

<b>Board Members</b>	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>May 31, 2023</u>	Expense Reimbursements for the year ended <u>May 31, 2023</u>	<u>Title</u>
Patrick Vance	07/20 05/24 (Appointed)	\$ 450	\$ 109	President
Jordan Derryberry	06/22 05/26 (Appointed)	\$ 1,050	\$ 213	Vice President
Jagjit Singh	05/22 05/26 (Elected)	\$ 750	\$ 145	Secretary
Chris Lander	07/20 05/24 (Appointed)	\$ 750	\$ 61	Assistant Secretary
Stephanie Mirshak	07/20 05/24 (Appointed)	\$ 750	\$ 75	Assistant Secretary

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

Submission date of most recent District Registration Form: March 31, 2023

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

See accompanying independent auditor's report.



**EAST FORK FRESH WATER SUPPLY DISTRICT  
NO. 1-A OF COLLIN COUNTY  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
MAY 31, 2023**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended May 1, 2023</u>	<u>Title</u>
Coats Rose, P.C.	03/29/23	\$ 21,701	General Counsel
McCall Gibson Swedlund Barfoot PLLC	05/24/23	\$ -0-	Auditor
Dye & Tovey, LLC	07/21/20	\$ 9,810	Bookkeeper/
Kathi Dye		\$ -0-	Investment Officer
Peloton Land Solutions	07/21/20	\$ 29,333	Engineer
Robert W. Baird & Co.	02/28/22	\$ -0-	Financial Advisor

See accompanying independent auditor's report.



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



## MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

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

MEMBER: [NAME OF MEMBER]

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

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

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

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

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

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

SPECIMEN

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

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN