

OFFICIAL STATEMENT DATED NOVEMBER 15, 2023

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

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

NEW ISSUE—Book Entry Only

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

VAN ALSTYNE MUNICIPAL UTILITY DISTRICT NO. 1 OF GRAYSON COUNTY

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

\$3,010,000

UNLIMITED TAX ROAD BONDS

SERIES 2023

Dated: December 1, 2023

Due: September 1, as shown on inside cover page

Interest Accrues: Date of Delivery

The \$3,010,000 Unlimited Tax Road Bonds, Series 2023 (the "Bonds") are obligations of Van Alstyne Municipal Utility District No. 1 of Grayson County (the "District") and are not obligations of the State of Texas; Grayson County, Texas; the City of Van Alstyne, Texas; or any entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Grayson County, Texas; the City of Van Alstyne, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

The Bonds will be initially registered and delivered only to Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by BOKF, NA, Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent/Registrar") directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS—Book-Entry-Only System." Principal of the Bonds is payable to the registered owner(s) of the Bonds (the "Registered Owner(s)") at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. The Bonds are dated December 1, 2023, and interest on the Bonds accrues from the initial date of delivery (on or about December 14, 2023) (the "Date of Delivery"), and is payable on September 1, 2024, and each March 1 and September 1 thereafter until maturity or prior redemption to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each interest payment date. The Bonds are issuable in principal denominations of \$5,000 or any integral multiple thereof in fully registered form only.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under 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.

The Bonds constitute the second (2nd) series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing road improvements to serve the District (the "Road System"), and, when issued, will constitute valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied against all taxable property within the District. See "THE BONDS—Source of Payment."

Investment in the Bonds is subject to risk factors as described herein. See "RISK FACTORS."

The Bonds are offered when, as and if issued by the District and accepted by the winning bidder of the Bonds (the "Initial Purchaser"), subject among other things to the approval of the initial Bonds by the Attorney General of Texas and the approval of certain legal matters by Coats Rose, P.C., Dallas, Texas, Bond Counsel. The Bonds are expected to be available for delivery through the facilities of DTC on or about December 14, 2023. See "LEGAL MATTERS."

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

\$3,010,000 UNLIMITED TAX ROAD BONDS, SERIES 2023

\$2,230,000 SERIAL BONDS

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	Cusip No. 920499 (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	Cusip No. 920499 (b)
2025	\$ 60,000	10.000%	4.100%	CA6	2038(c)	\$ 125,000	4.625%	4.750%	CP3
2026	65,000	10.000%	4.100%	CB4	2039(c)	135,000	4.625%	4.800%	CQ1
2027	70,000	10.000%	4.100%	CC2	2040(c)	140,000	4.750%	4.850%	CR9
2028	75,000	10.000%	4.100%	CD0	2041(c)	150,000	4.750%	4.880%	CS7
2029	75,000	10.000%	4.100%	CE8	2042(c)	160,000	4.750%	4.900%	CT5
****	****	****	****	****	2043(c)	170,000	4.750%	4.920%	CU2
2034(c)	100,000	4.250%	4.500%	CK4	2044(c)	175,000	4.750%	4.940%	CV0
2035(c)	105,000	4.375%	4.600%	CL2	2045(c)	190,000	4.750%	4.960%	CW8
2036(c)	115,000	4.500%	4.650%	CM0	2046(c)	200,000	4.750%	4.980%	CX6
2037(c)	120,000	4.500%	4.700%	CN8					

\$780,000 TERM BONDS

\$165,000 Term Bonds Due September 1, 2031 (c)(d) Interest Rate: 6.875% (Price: \$113.727) (a) CUSIP No. 920499 CG3 (b)

\$185,000 Term Bonds Due on September 1, 2033 (c)(d) Interest Rate: 4.250% (Price: \$98.818) (a) CUSIP No. 920499 CJ7 (b)

\$430,000 Term Bonds Due September 1, 2048 (c)(d) Interest Rate: 4.750% (Price: \$96.468 (a) CUSIP No. 920499 CZ1 (b)

- (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 have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems, Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on September 1, 2031, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on September 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS—Redemption of the Bonds—*Optional Redemption*."
- (d) Subject to certain mandatory sinking fund redemption provisions as 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.

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

All of the summaries of the statutes, orders, resolutions, contracts, audits, 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 Robert W. Baird & Co. Incorporated, 6363 State Highway 161, Suite 310, Irving, Texas 75038, the Financial Advisor to the District.

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.

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “MUNICIPAL BOND INSURANCE” and “APPENDIX B—Specimen Municipal Bond Insurance Policy.”

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser"). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS" on the inside cover page of this Official Statement, at a price of 97.002357% of the principal amount thereof, which resulted in a net effective interest rate of 5.072642%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

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

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

Securities Laws

No registration statement relating to the Bonds has been filed with the 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.

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

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects 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, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

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

Additional Information Available from BAM

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

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

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

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OFFICIAL STATEMENT SUMMARY

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

THE BONDS

- The District* Van Alstyne Municipal Utility District No. 1 of Grayson County (the “District”), a political subdivision of the State of Texas, is located within Grayson County, Texas. See “THE DISTRICT.”
- The Bonds* The District is issuing its \$3,010,000 Unlimited Tax Road Bonds, Series 2023 (the “Bonds”). The Bonds are dated December 1, 2023. Interest on the Bonds accrues from the initial date of delivery (on or about December 14, 2023) (the “Date of Delivery”), at the rates shown on the inside cover page hereof and is payable on September 1, 2024, and on each March 1 and September 1 thereafter until maturity or prior redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See “THE BONDS.”
- Redemption of the Bonds*..... Optional Redemption: The Bonds maturing on and after September 1, 2031, are subject to redemption, in whole or from time to time in part, at the option of the District on September 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 years 2031, 2033 and 2048 are term bonds (the “Term Bonds”) and are also subject to certain mandatory sinking fund 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, levied upon all taxable property within the District, without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Grayson County, Texas; the City of Van Alstyne, Texas; or any other political subdivision or entity other than the District. See “THE BONDS—Source of Payment.”
- Outstanding Bonds*..... The District has previously issued one (1) series of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District (the “Road System”) and one (1) series of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater, and drainage facilities to serve the District (the “Utility System”). As of October 1, 2023, \$10,605,000 principal amount of such previously issued bonds remained outstanding (the “Outstanding Bonds”).
- Payment Record*..... The District has never defaulted on the timely payment of principal and interest on its Outstanding Bonds. See “THE BONDS—Source of Payment.”
- Authority for Issuance*..... Voters in the District have authorized \$284,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$426,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System; \$370,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the

Utility System; \$555,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; \$7,615,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring, owning, leasing or operating fire protection facilities and equipment to serve the District (the “Fire System”); and \$11,422,500 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Fire System.

The Bonds are issued pursuant to (i) an order authorizing the issuance of the Bonds adopted by the Board on the date of sale of the Bonds (the “Bond Order”); (ii) Article III, Section 52 of the Texas Constitution; (iii) the general laws of the State of Texas, particularly Chapters 49 and 54, Texas Water Code, as amended; and (iv) an election held within the District on November 5, 2019. See “THE BONDS—Authority for Issuance.”

After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$275,370,000 for the purpose of acquiring or constructing the Road System; \$426,000,000 for the purpose of refunding bonds issued by the District for the Road System; \$365,015,000 for the purpose of acquiring or constructing the Utility System; \$555,000,000 for the purpose of refunding bonds issued by the District for the Utility System; \$7,615,000 for the purpose of purchasing, constructing, acquiring, owning, leasing or operating the Fire System; and \$11,422,500 for the purpose of refunding bonds issued by the District for the Fire System. See “THE BONDS—Issuance of Additional Debt.”

- Use and Distribution of Bond Proceeds*..... A portion of the proceeds of the Bonds will be used to reimburse the Developer for the road improvements and related engineering and land costs as shown herein under “THE BONDS—Use and Distribution of Bond Proceeds.” Additionally, proceeds from the Bonds will be used to pay developer interest, twelve (12) months of capitalized interest, and other certain costs associated with the issuance of the Bonds. See “THE BONDS—Use and Distribution of Bond Proceeds.”
- Qualified Tax-Exempt Obligations*..... The Bonds have been designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS—Qualified Tax-Exempt Obligations.”
- Municipal Bond Insurance*..... Build America Mutual Assurance Company (“BAM”). See “MUNICIPAL BOND INSURANCE” 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, Bond Counsel. See “LEGAL MATTERS.”
- Disclosure Counsel*..... McCall, Parkhurst & Horton L.L.P., Dallas, Texas.
- Financial Advisor*..... Robert W. Baird & Co. Incorporated, Dallas, Texas.
- Paying Agent/Registrar*..... BOKF, NA, Dallas, Texas.

THE DISTRICT

- Description*..... The District is a political subdivision of the State of Texas, located in Grayson County. The District is located north of Panther Parkway and extending east and west of US Hwy 75. The District is located in the Van Alstyne Independent School District. All of the land within the District is within the extraterritorial jurisdiction of the City of Van Alstyne, Texas. The District contains approximately 365 acres. See “THE DISTRICT—General” and “—Description.”
- Authority*..... The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended and Chapter 8311 of the Texas Special District Local Laws Code. See “THE DISTRICT—General.”
- Mantua*..... The District is part of the approximately 2,000-acre master-planned community known as “Mantua.” Mantua is located along US Highway 75.

Mantua is comprised of the District and Van Alstyne Municipal Utility District No. 2 of Collin County (“VA MUD 2”) (collectively referred to herein as the “Mantua Districts”).
- Development within the District*..... To date, approximately 109 acres within the District have been developed with water, wastewater, and drainage facilities and road improvements to serve the single-family residential subdivision of Mantua Point, Phases 1, 2A and 2B (494 lots). As of October 1, 2023, the District was comprised of approximately 203 completed homes (196 occupied and 7 unoccupied) and 291 vacant developed lots. The remaining acreage within the District is comprised of approximately 148 undeveloped but developable acres, approximately 21 acres reserved for future school sites, approximately 2 acres reserved for a future fire station, and approximately 85 acres of collectors, parks, open space and detention. See “DEVELOPMENT WITHIN THE DISTRICT.”
- Development within Mantua* To date, approximately 128 acres (547 lots) have been developed with water, wastewater, and drainage facilities and road improvements to serve Mantua. As of October 1, 2023, Mantua consisted of 219 completed homes and 328 vacant developed lots. The remaining land within Mantua is comprised of approximately 1,534 undeveloped but developable acres, approximately 21 acres reserved for future school sites, approximately 2 acres reserved for a future fire station, and approximately 315 undevelopable acres. See “MANTUA.”
- The Developer*..... Risland Mantua LLC, a Delaware limited liability company (“Risland Mantua” or the “Developer”), a subsidiary of Risland US Holdings LLC, was created for the purpose of acquiring and developing tracts of land within Mantua. Risland Mantua has determined the overall development plan for such land and arranged for the construction of water, sanitary sewer, drainage and road facilities within the District either directly or through affiliate entities, including Risland Mantua Eagle Point LLC and Risland Mantua Point Phase 2 LLC. The Developer has developed approximately 109 acres (494 lots) within the District as the residential subdivision of Mantua Point, Phases 1, 2A and 2B, and approximately 19 acres (53 lots) within VA MUD 2 as Mantua Point, Phases 1 and 2B. As of October 1, 2023, the

Developer continued to own approximately 148 undeveloped but developable acres and 274 vacant developed lots within the District.

Risland US Holdings LLC is a subsidiary of Risland Holdings, a Hong Kong-based multinational real estate conglomerate which offers a wide range of services such as residential development, commercial real estate operation, property management and infrastructure construction and operation. See “THE DEVELOPER.”

Homebuilder Within the District..... Homebuilders active within the District are David Weekley Homes, Highland Homes, Perry Homes and Risland Homes. Risland Homes is an affiliate of the Developer. Home prices currently range from approximately \$450,000 to approximately \$800,000 and homes range in size from approximately 1,800 to 3,100 square feet. See “DEVELOPMENT WITHIN THE DISTRICT—Homebuilders within the District.”

RISK FACTORS

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

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**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2023 Taxable Assessed Valuation.....	\$ 98,569,870	(a)
Estimated Valuation as of September 1, 2023	\$ 127,586,500	(b)
Direct Debt		
The Outstanding Bonds.....	\$ 10,605,000	
The Bonds.....	<u>\$ 3,010,000</u>	
Total.....	\$ 13,615,000	
Estimated Overlapping Debt	<u>\$ 9,892,578</u>	(c)
Total Direct and Estimated Overlapping Debt	<u>\$ 23,507,578</u>	(c)
Direct Debt Ratios:		
As a Percentage of the 2023 Taxable Assessed Valuation	13.81	%
As a Percentage of the Estimated Valuation as of September 1, 2023	10.67	%
Direct and Estimated Overlapping Debt Ratios:		
As a Percentage of the 2023 Taxable Assessed Valuation	23.85	%
As a Percentage of the Estimated Valuation as of September 1, 2023	18.42	%
Utility System Debt Service Fund Balance (as of October 23, 2023).....	\$ 160,160	(d)
Road System Debt Service Fund Balance (as of October 23, 2023)	\$ 228,316	(e)
General Operating Fund Balance (as of October 23, 2023).....	\$ 180,691	
2023 Tax Rate		
Utility System Debt Service	\$0.345	
Road System Debt Service	0.385	
Maintenance and Operations.....	<u>0.270</u>	
Total.....	\$1.000	
Average Annual Debt Service Requirement (2024–2047, the high years).....	\$ 930,332	(f)
Maximum Annual Debt Service Requirement (2047)	\$ 994,825	(f)
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2024–2047, the high years):		
Based on the 2023 Taxable Assessed Valuation at 95% Tax Collections	\$ 1.00	
Based on the Estimated Valuation as of September 1, 2023, at 95% Tax Collections	\$ 0.77	
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2047):		
Based on the 2023 Taxable Assessed Valuation at 95% Tax Collections	\$ 1.07	
Based on the Estimated Valuation as of September 1, 2023, at 95% Tax Collections	\$ 0.83	
Single-Family Homes within the District as of October 1, 2023.....	203	(g)

- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2023, provided by the Appraisal District (hereinafter defined). See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of September 1, 2023, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2023, through September 1, 2023. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT—Direct and Estimated Overlapping Debt Statement."
- (d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund (hereinafter defined). Funds in the Utility System Debt Service Fund are pledged only to pay debt service on bonds issued for the purpose of acquiring or constructing the Utility System (hereinafter defined). Funds in the Utility System Debt Service Fund are not pledged to pay debt service on any bonds issued for the purpose of acquiring or constructing the Road System (herein defined), such as the Bonds.
- (e) Upon closing of the Bonds, twelve (12) months of capitalized interest on the Bonds will be deposited into the Road System Debt Service Fund (herein defined). Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are pledged only to pay debt service on the Bonds and any other bonds issued for the purpose of acquiring or constructing the Road System (hereinafter defined). Funds in the Road System Debt Service Fund are not pledged to pay debt service on any bonds issued for the purpose of acquiring or constructing the Utility System.
- (f) See "DISTRICT DEBT—Debt Service Requirements."
- (g) Approximately 196 homes are occupied and 7 homes are unoccupied.

OFFICIAL STATEMENT
relating to
VAN ALSTYNE MUNICIPAL UTILITY DISTRICT NO. 1 OF GRAYSON COUNTY
(A political subdivision of the State of Texas, located within Grayson County)
\$3,010,000
UNLIMITED TAX ROAD BONDS
SERIES 2023

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Van Alstyne Municipal Utility District No. 1 of Grayson County (the “District”), of its \$3,010,000 Unlimited Tax Road Bonds, Series 2023 (the “Bonds”).

The Bonds are issued pursuant to (i) the bond order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the board of directors of the District (the “Board”) on the date of sale of the Bonds, (ii) Article III, Section 52 of the Texas Constitution, (iii) the general laws of the State of Texas, particularly Chapters 49 and 54, Texas Water Code, as amended, and (iv) an election held within the District on November 5, 2019.

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

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

Economic Factors Affecting Taxable Values and Tax Payments

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

Developer: There is no commitment by, or legal requirement of the Developer (as defined herein) or any other landowner in the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any homebuilder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on any landowner’s right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on

developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See “DEVELOPMENT WITHIN THE DISTRICT,” “THE DEVELOPER,” and “TAX DATA—Principal Taxpayers.”

Dependence on Principal Taxpayers and the Developer: The ten principal taxpayers represent \$12,829,511 or 13.02% of the 2023 Taxable Assessed Valuation, which represents ownership as of January 1, 2023. The Developer (including its affiliates) represents \$6,363,100 or 6.46% of such value. If the Developer or other principal taxpayers were to default in the payment of taxes in an amount which exceeds the District’s debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds would be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its debt service funds. See “TAX DATA—Principal Taxpayers” and “TAXING PROCEDURES—Levy and Collection of Taxes.”

Maximum Impact on District Tax 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 to pay their taxes. The 2023 Taxable Assessed Valuation of property located within the District is \$98,569,870 and the Estimated Valuation as of September 1, 2023, is \$127,586,500. See “TAX DATA.”

After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds (hereinafter defined) and the Bonds will be \$994,825 (2047) and the average annual debt service requirement on the Outstanding Bonds and the Bonds will be \$930,332 (2024–2047, the high years). Assuming no decrease to the 2023 Taxable Assessed Valuation, tax rates of \$1.07 and \$1.00 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively.

Assuming no decrease from the Estimated Valuation as of September 1, 2023, tax rates of \$0.83 and \$0.77 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively.

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

Vacant Developed Lots: As of October 1, 2023, approximately 291 developed lots within the District remained available for construction. Future increases in value will result primarily from the construction of homes by homebuilders. The District makes no representation that the lot sales and building program will be successful.

Competitive Nature of Residential Housing Market

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

Tax Collection Limitations

The District’s ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District’s ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court’s stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer’s right to redeem the property within two years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding.

Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

Registered Owners' Remedies

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

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

Bankruptcy Limitation to Registered Owners' Rights

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

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

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

part) other securities, and otherwise compromising and modifying the rights and remedies of such Beneficial Owners' claims against the District.

The District may not be placed into bankruptcy involuntarily.

Marketability

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

Future Debt

Voters in the District have authorized \$284,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District (the "Road System"); \$426,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System; \$370,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater, and drainage facilities to serve the District (the "Utility System"); \$555,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; \$7,615,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring, owning, leasing or operating fire protection facilities and equipment to serve the District (the "Fire System"); and \$11,422,500 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Fire System.

After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$275,370,000 for the purpose of acquiring or constructing the Road System; \$426,000,000 for the purpose of refunding bonds issued by the District for the Road System; \$365,015,000 for the purpose of acquiring or constructing the Utility System; \$555,000,000 for the purpose of refunding bonds issued by the District for the Utility System; \$7,615,000 for the purpose of purchasing, constructing, acquiring, owning, leasing or operating the Fire System; and \$11,422,500 for the purpose of refunding bonds issued by the District for the Fire System. The District may also issue any additional bonds as may hereafter be approved by both the Board of Directors and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Order. See "THE BONDS—Issuance of Additional Debt."

The District's issuance of the remaining \$365,015,000 unlimited tax bonds authorized for the Utility System is subject to approval by the TCEQ.

According to the District's Engineer (hereinafter defined), based on current calculations and information available and provided to-date, following the reimbursement with the proceeds of the Bonds, the District will owe the Developer (hereinafter defined) approximately \$6,060,000 for expenditures related to the construction of the Road System and approximately \$2,450,000 for expenditures related to the Utility System. Such expenditures are expected to increase as development continues within the District.

Continuing Compliance with Certain Covenants

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

Approval of the Bonds

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

Environmental Regulations

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

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

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

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

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

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

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

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the DFW Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the DFW Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the DFW Area to reach attainment with the ozone standards by the EPA’s attainment deadlines. These additional controls could have a negative impact on the DFW Area’s economic growth and development. As a result of the DFW Area’s

reclassification, the TCEQ must submit revisions of the SIP to the EPA no later than January 1, 2023, addressing the “moderate” nonattainment classification and by May 2024 addressing the “severe” nonattainment classification.

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

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

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

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

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

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

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

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

Potential Impact of Natural Disaster

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

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

Future and Proposed Legislation

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

2023 Legislative Session

The 88th Texas Legislature began on January 10, 2023 and ended on May 29, 2023 (the "88th Regular Legislative Session"). The Texas Legislature meets in regular session in odd numbered years for 140 days. When the Texas Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During this time, the Texas Legislature may enact laws that materially change current law as it relates to the District. On November 7, 2023, the Governor called the Fourth Special Session to begin on November 7, 2023. The District can make no representations or predictions regarding any actions the Texas Legislature has taken or may take concerning the substance or the effect of any legislation passed in a previous session or a future session of the Texas Legislature.

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 prescribe the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will mature on September 1 of the years and in principal amounts, and will bear interest from the initial date of delivery (on or about December 14, 2023) (the "Date of Delivery"), at the rates per annum, set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable September 1, 2024, and semiannually thereafter on each March 1 and September 1 until maturity or redemption.

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

In the event the Book-Entry-Only System is discontinued and physical bond certificates issued, interest on the Bonds shall be payable by check mailed by the Paying Agent/Registrar on or before each interest payment date, to the registered owners ("Registered Owners") as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date 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 (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as a 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, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Paying Agent/Registrar

The Board has selected BOKF, NA, Dallas, Texas, as the initial Paying Agent/Registrar for the Bonds. The initial designated payment office for the Bonds is located in Dallas, Texas. Provision is made in the Bond Order for removal of the Paying Agent/Registrar, provided that no such removal shall be effective until a successor paying agent/registrar shall have accepted the duties of the Paying Agent/Registrar under the provisions of the Bond Order. Any successor paying agent/registrar selected by the District shall be 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, shall have a combined capital and surplus of at least \$50,000,000, shall be subject to supervision or examination by federal or state authority, shall be registered as a transfer agent with the SEC and shall have a corporate trust office in the State of Texas.

Record Date

The 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 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.

Mutilated, Lost, Stolen or Destroyed Bonds

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

Authority for Issuance

At an election held within the District on November 5, 2019, voters of the District authorized the issuance of \$284,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$426,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System; \$370,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System; and \$555,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System. At an election held within the District on November 2, 2021, voters of the District authorized the District’s issuance of \$7,615,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring, owning, leasing or operating the Fire System; and \$11,422,500 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Fire System.

The Bonds are issued by the District pursuant to (i) the Bond Order, (ii) Article III, Section 52 of the Texas Constitution, (iii) the general laws of the State of Texas, particularly Chapters 49 and 54, Texas Water Code, as amended, and (iv) an election held within the District on November 5, 2019.

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.

Outstanding Bonds

The District has previously issued one (1) series of unlimited tax bonds for the purpose of acquiring or constructing the Road System and one (1) series of unlimited tax bonds for the purpose of acquiring or constructing the Utility System. As of October 1, 2023, \$10,605,000 principal amount of such previously issued bonds remained outstanding (the “Outstanding Bonds”).

Source of Payment

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

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

Redemption of the Bonds

Optional Redemption: The Bonds maturing on and after September 1, 2031, shall be subject to redemption at the option of the District, in whole or from time to time in part, on September 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the 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 a random selection method 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 years 2031, 2033 and 2048 are term bonds (the "Term Bonds") and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), and in the principal amounts set forth in the following schedule:

\$165,000 Term Bond Maturing on September 1, 2031

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2030	\$ 80,000
September 1, 2031 (Maturity)	85,000

\$185,000 Term Bond Maturing on September 1, 2033

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2032	\$ 90,000
September 1, 2033 (Maturity)	95,000

\$430,000 Term Bond Maturing on September 1, 2048

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2047	\$ 210,000
September 1, 2048 (Maturity)	220,000

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

Annexation

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

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

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater system of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation, but the District currently has no plans to do so.

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.

Funds

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

The District's fund for debt service on bonds issued for the Utility System (the "Utility System Debt Service Fund") constitutes a trust fund for the benefit of the owners of unlimited tax bonds issued by the District for the Utility System. Funds in the Utility System Debt Service Fund are to be kept separate from all other funds of the District, and is to be used for payment of debt service unlimited tax bonds issued by the District for the Utility System and on any of the District's other duly authorized bonds issued for the Utility System payable in whole or in part from taxes. Amounts on deposit in the Utility System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of unlimited tax bonds issued by the District for the Utility System and any additional bonds for the Utility System payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. Amounts on deposit in the Utility System Debt Service Fund may not be used to pay debt service on bonds issued by the District 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 ad valorem taxes, 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.

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

Issuance of Additional Debt

The District may issue additional bonds with the approval of the TCEQ (with respect to bonds for the Utility System) necessary to provide improvements and facilities consistent with the purposes for which the District was created. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$275,370,000 for the purpose of acquiring or constructing the Road System; \$426,000,000 for the purpose of refunding bonds issued by the District for the Road System; \$365,015,000 for the purpose of acquiring or constructing the Utility System; \$555,000,000 for the purpose of refunding bonds issued by the District for the Utility System; \$7,615,000 for the purpose of purchasing, constructing, acquiring, owning, leasing or operating the Fire System; and \$11,422,500 for the purpose of refunding bonds issued by the District for the Fire System. The District may also issue any additional bonds as may hereafter be approved

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

Based on present engineering cost estimates and development plans, in the opinion of the District's Engineer, the remaining \$275,370,000 principal amount of authorized but unissued unlimited tax bonds for purpose of acquiring or constructing the Road System will be sufficient to fully finance road improvements to serve the remaining undeveloped but developable land within the District.

Based on present engineering cost estimates and development plans, in the opinion of the District's Engineer, the remaining \$365,015,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing the Utility System will be sufficient to fully finance utility facilities to serve the remaining undeveloped but developable land within the District.

According to the District's Engineer, based on current calculations and information available and provided to-date, following the reimbursement with the proceeds of the Bonds, the District will owe the Developer approximately \$6,060,000 for expenditures related to the construction of the Road System and approximately \$2,450,000 for expenditures related to the Utility System. Such expenditures are expected to increase as development continues within the District.

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.

Registered Owners' Remedies

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

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners

cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

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

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Use and Distribution of Bond Proceeds

A portion of the proceeds from the sale of the Bonds will be used to reimburse the Developer for the road improvements and related engineering and land costs shown below.

The construction costs described below were compiled by the Engineer, based, in some cases, on the estimated costs of facilities. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and the Financial Advisor.

Construction Costs	
1. Road Improvements (a)	\$ 643,699
2. Land Costs (b)	1,791,755
3. Engineering Costs (c)	<u>102,706</u>
Total Construction Costs	\$ 2,538,160
Non-Construction Costs	
1. Legal Fees	\$ 90,250
2. Fiscal Agent Fees	60,200
3. Interest Costs	
i. Capitalized Interest (12 Months)	161,863
ii. Developer Interest	6,451
4. Bond Discount	90,229
5. Engineering Report	15,050
6. Bond Issuance Expenses	33,504
7. Attorney General Fee	3,010
8. Contingency (d)	<u>11,283</u>
Total Non-Construction Costs	\$ 471,840
Total Bond Issue Requirement	\$ 3,010,000

(a) Includes costs for mass grading and paving attributable to Mantua Point, Phases 1, 2A and 2B.

(b) Includes costs for right-of-way attributable to Mantua Point, Phases 1 and 2A and accrued interest associated for land costs.

(c) Includes miscellaneous engineering costs.

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

Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used, limited, however, to the purposes for which the Bonds were issued.

The Engineer has advised the District that proceeds of the sale of the Bonds should be sufficient to pay the costs of the above-described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

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THE DISTRICT

General

The District was created on June 19, 2009, by special act of the 81st Texas Legislature. The District was created and operates pursuant to Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution and Chapter 8311, Texas Special District Local Laws Code. The District operates under Chapters 49 and 54 of the Texas Water Code, as amended.

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

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

Description

The District is located within the County and is located wholly within the ETJ of the City and wholly within Van Alstyne Independent School District. The District contains approximately 365 acres and is part of the approximately 2,000-acre master-planned community known as "Mantua."

Management of the District

The District is governed by the Board consisting of five directors, who have control over and management supervision of all affairs of the District. All of the Directors own property within the District. The directors serve four-year staggered terms. 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>
Bill Senkel	President	2024
Ryan Patterson	Vice President	2024
Scott Spurr	Secretary	2026
Clay Grasso	Assistant Secretary	2026
Alessandro Cola	Assistant Secretary	2024

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: The District's Tax Assessor/Collector is the Grayson County Tax Office.

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

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

Engineer: The consulting engineer retained by the District in connection with the design and construction of the District's facilities Kimley-Horn and Associates, Inc. (the "Engineer").

Bond Counsel: The District has engaged the firm of Coats Rose, P.C., Dallas, Texas, as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold, and delivered and,

therefore, such fees are contingent on the sale and delivery of the Bonds. Coats Rose, P.C. also acts as general counsel for the District.

Disclosure Counsel: The District has engaged McCall, Parkhurst & Horton L.L.P., Dallas, Texas as Disclosure Counsel in connection with the issuance of the Bonds. The legal fees to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds.

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

Historical Operations of the District

The following is a summary of the District’s operating fund. The District does not receive revenues from water and wastewater services since the City provides such services. The figures for the fiscal years ending April 30 in the years 2020 through 2023 were obtained from the District’s annual financial reports, reference to which is hereby made. See “APPENDIX A.” The District is required by statute to have a certified public accountant prepare and file an annual audit of its financial records with the TCEQ.

Revenues	Fiscal Year Ended April 30,			
	2023	2022	2021 (a)	2020 (b)
Property Taxes	\$ 218,658	\$ 23,205	\$ 8,879	\$ 1,620
Lot Fees	45,050	96,450	9,000	-
Penalty, Interest & Other	1,137	-	-	-
Total Revenues	\$ 264,845	\$ 119,655	\$ 17,879	\$ 1,620
Expenditures				
Professional Fees	\$ 56,925	\$ 75,850	\$ 58,891	\$ 93,230
Contracted Services	15,236	4,420	4,166	554
Utilities	11,261	15,448	916	-
Administrative Expenditures	10,657	13,453	10,186	12,119
Total Expenditures	\$ 94,079	\$ 109,171	\$ 74,159	\$ 105,903
Net Revenues (Deficit)	\$ 170,766	\$ 10,484	\$ (56,280)	\$ (104,283)

(a) District was funded by developer advances for fiscal years 2021 and prior.

(b) First year of financial activity.

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DEVELOPMENT WITHIN THE DISTRICT

Status of Development within the District

To date, approximately 109 acres within the District have been developed with water, wastewater, and drainage facilities and road improvements to serve the single-family residential subdivision of Mantua Point, Phases 1, 2A and 2B (494 lots). As of October 1, 2023, the District was comprised of approximately 203 completed homes (196 occupied and 7 unoccupied) and 291 vacant developed lots. The remaining acreage within the District is comprised of approximately 148 undeveloped but developable acres, approximately 21 acres reserved for future school sites, approximately 2 acres reserved for a future fire station, and approximately 85 acres of collectors, parks, open space and detention.

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

<u>Development</u>	<u>Acreage</u>	<u>No. of Lots</u>	<u>Homes</u>		<u>Vacant Lots</u>
			<u>Complete</u>	<u>Under Construction</u>	
Mantua Point, Phase 1 (a)	56.38	207	203	-	4
Mantua Point, Phase 2A (b)	42.68	180	-	-	180
Mantua Point, Phase 2B (b)(c)	<u>10.02</u>	<u>107</u>	-	-	<u>107</u>
Total	109.08	494	203	-	291
Future School Site	21.25				
Future Fire Station	2.00				
Collectors, Parks, Open Space & Detention	84.52				
Remaining Developable	<u>148.05</u>				
Total District Acreage	364.90				

- (a) The final plat for Mantua Point, Phase 1 includes an additional 16 lots that are located within VA MUD 2 (hereinafter defined).
 (b) Mantua Point, Phases 2A and 2B were deemed substantially complete in October 2023. According to the Developer, construction has commenced on approximately 35 homes in aggregate as of November 6, 2023.
 (c) The final plat for Mantua Point, Phase 2B includes an additional 37 lots that are located within VA MUD 2.

Homebuilders within the District

Homebuilders active within the District are David Weekley Homes, Highland Homes, Perry Homes and Risland Homes. Risland Homes is an affiliate of the Developer. Home prices currently range from approximately \$450,000 to approximately \$800,000 and homes range in size from approximately 1,800 to 3,100 square feet.

MANTUA

The District is part of the approximately 2,000-acre master-planned community known as Mantua. Mantua is comprised of the District and Van Alstyne Municipal Utility District No. 2 of Collin County (“VA MUD 2”) (collectively referred to herein as the “Mantua Districts”).

To date, approximately 128 acres (547 lots) have been developed with water, wastewater, and drainage facilities and road improvements to serve Mantua. As of October 1, 2023, Mantua consisted of 219 completed homes and 328 vacant developed lots. The remaining land within Mantua is comprised of approximately 1,534 undeveloped but developable acres, approximately 21 acres reserved for future school sites, approximately 2 acres reserved for a future fire station, and approximately 315 undevelopable acres.

PHOTOGRAPHS TAKEN IN THE DISTRICT
(October 2023)



THE DEVELOPER

The Role of a Developer

In general, the activities of a developer in a municipal utility 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 30% of the cost of constructing certain water, wastewater, and drainage facilities in a municipal utility district. The relative success or failure of a developer to perform such activities in the development of property within a municipal utility 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 municipal utility 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 municipal utility district.

The Developer

Risland Mantua LLC, a Delaware limited liability company ("Risland Mantua" or the "Developer"), a subsidiary of Risland US Holdings LLC, was created for the purpose of acquiring and developing tracts of land within Mantua. Risland Mantua has determined the overall development plan for such land and arranged for the construction of water, sanitary sewer, drainage and road facilities therein directly or through affiliate entities, including Risland Mantua Eagle Point LLC and Risland Mantua Point Phase 2 LLC. The Developer has developed approximately 109 acres (494 lots) within the District as the residential subdivision of Mantua Point, Phases 1, 2A and 2B, and approximately 19 acres (53 lots) within VA MUD 2 as Mantua Point, Phases 1 and 2B. As of October 1, 2023, the Developer continued to own approximately 148 undeveloped but developable acres and 274 vacant developed lots within the District.

Risland US Holdings LLC is a subsidiary of Risland Holdings, a Hong Kong-based multinational real estate conglomerate which offers a wide range of services such as residential development, commercial real estate operation, property management and infrastructure construction and operation.

Development Financing

The Developer financed the development of Mantua Point with a development loan from Prosperity Bank in the amount of \$19,350,000 with an interest rate of US Prime + 0.50% and a floor of 4.50%. Such development loan matures on April 14, 2027, and is secured by the land within the District. As of October 1, 2023, the balance on such loan was \$16,005,455. According to the Developer, it is in compliance with all material terms of such development loan.

Lot-Sales Contracts

The Developer has entered into lot sales contracts with each of David Weekley Homes, Highland Homes, Perry Homes, and Risland Homes. The contracts for the sale of lots between the Developer and the builders require that earnest money be deposited with a title company, typically 10% of the total price of the completed lots. The sales contracts establish certain required lot purchases quarterly, with the earnest money deposit being returned to the builders upon purchase of the last lots under each contract. The Developer's sole remedy for builders not purchasing lots in accordance with the contracts is cancellation of the contract and retention of the remaining earnest money on deposit.

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

<u>Builder</u>	<u>Total Lots Contracted</u>	<u>Total Lots Purchased</u>
David Weekley Homes	142	55
Highland Homes	142	64
Perry Homes	65	40
Risland Homes	<u>145</u>	<u>61</u>
Total	494	220

THE UTILITY SYSTEM AND THE ROAD SYSTEM

General

According to the Engineer, the Utility System and the Road System constructed within the District have 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, and Grayson County. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies and, the water and sanitary sewer system has been inspected by the TCEQ.

Operation of the District's waterworks and sewer treatment facilities is subject to regulation by, among others, the Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

Description of the Road System

Construction of the roads within the boundaries of the District has been financed with funds advanced by the Developer. Roadways within the District are constructed of reinforced concrete with curbs on lime-stabilized subgrade. Roads vary in width but are sized to accommodate the anticipated traffic demands of full build-out of the project. The District owns and maintains the roads constructed within the District.

Description of the Utility System

Wastewater Treatment and Conveyance System: The District is a party to the Development Agreement (the "Agreement") with the City and the Developer. In consideration of the District's acquiring and constructing of wastewater infrastructure on behalf of the City, the City agrees, pursuant to the terms and conditions of the Agreement, to own, operate and maintain the wastewater infrastructure located within the City's certificate of convenience and necessity ("CCN") and to utilize a portion of the capacity in such infrastructure equal to the capacity funded by or on behalf of the District for land within the District. The City agrees to provide retail wastewater service to District residents at the rates established by the City Council for service within the City limits, as amended from time to time.

Water Supply and Distribution: The City holds the water CCN for the land included in the District. The City maintains a 220,000-gallon elevated storage tank ("EST") and a 16" water distribution main that has available capacity of 5,000 gallons per minute ("GPM"). The 16" main is located in Collin McKinney Parkway within the first phase of development within the District. The City has constructed an additional 750,000-gallon EST which began operation in late 2022. As development progress, the District will extend service from the 16" water distribution main. The City agrees to provide retail water service to District residents at the rates established by the City Council for service within the City limits, as amended from time to time. The facilities will be designed and constructed to meet or exceed the City's and the TCEQ's minimum requirements.

Drainage: The storm water runoff within the District will be directed within the streets via curb and gutters to storm drain lines provided by the District. The storm drain system will convey the 100-year storm within a pipe network to Hurricane Creek and its tributaries. Hurricane Creek eventually drains to Lake Lavon. All storm improvements will be owned and maintained by the District.

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DISTRICT DEBT

General

2023 Taxable Assessed Valuation.....	\$ 98,569,870	(a)
Estimated Valuation as of September 1, 2023	\$ 127,586,500	(b)

Direct Debt

The Outstanding Bonds.....	\$ 10,605,000	
The Bonds.....	<u>\$ 3,010,000</u>	
Total	\$ 13,615,000	

Estimated Overlapping Debt	\$ 9,892,578	(c)
Total Direct and Estimated Overlapping Debt	<u>\$ 23,507,578</u>	(c)

Direct Debt Ratios:

As a Percentage of the 2023 Taxable Assessed Valuation	13.81	%
As a Percentage of the Estimated Valuation as of September 1, 2023	10.67	%

Direct and Estimated Overlapping Debt Ratios:

As a Percentage of the 2023 Taxable Assessed Valuation	23.85	%
As a Percentage of the Estimated Valuation as of September 1, 2023	18.42	%

Utility System Debt Service Fund Balance (as of October 23, 2023).....	\$ 160,160	(d)
Road System Debt Service Fund Balance (as of October 23, 2023).....	\$ 228,316	(e)
General Operating Fund Balance (as of October 23, 2023).....	\$ 180,691	

2023 Tax Rate

Utility System Debt Service	\$0.345	
Road System Debt Service	0.385	
Maintenance and Operations.....	<u>0.270</u>	
Total	\$1.000	

Average Annual Debt Service Requirement (2024–2047, the high years)	\$ 930,332	(f)
Maximum Annual Debt Service Requirement (2047)	\$ 994,825	(f)

Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2024–2047, the high years):

Based on the 2023 Taxable Assessed Valuation at 95% Tax Collections	\$ 1.00	
Based on the Estimated Valuation as of September 1, 2023, at 95% Tax Collections	\$ 0.77	

Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2047):

Based on the 2023 Taxable Assessed Valuation at 95% Tax Collections	\$ 1.07	
Based on the Estimated Valuation as of September 1, 2023, at 95% Tax Collections	\$ 0.83	

-
- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2023, provided by the Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of September 1, 2023, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2023, through September 1, 2023. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT—Direct and Estimated Overlapping Debt Statement."
- (d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are pledged only to pay debt service on bonds issued for the purpose of acquiring or constructing the Utility System. Funds in the Utility System Debt Service Fund are not pledged to pay debt service on any bonds issued for the purpose of acquiring or constructing the Road System, such as the Bonds.
- (e) Upon closing of the Bonds, twelve (12) months of capitalized interest on the Bonds will be deposited into the Road System Debt Service Fund. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are pledged only to pay debt service on the Bonds and any other bonds issued for the purpose of acquiring or constructing the Road System. Funds in the Road System Debt Service Fund are not pledged to pay debt service on any bonds issued for the purpose of acquiring or constructing the Utility System.
- (f) See "DISTRICT DEBT—Debt Service Requirements."

Direct and Estimated Overlapping Debt Statement

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

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt as of September 30, 2023</u>	<u>Percent</u>	<u>Overlapping Amount</u>
Grayson County	\$ 43,125,000	0.53%	\$ 229,387
Grayson County Junior College District	16,610,000	0.47%	78,823
Van Alstyne Independent School District	171,175,000	5.60 %	<u>9,584,368</u>
Total Estimated Overlapping Debt			\$ 9,892,578
Direct Debt (a)			\$ <u>13,615,000</u>
Total Direct & Estimated Overlapping Debt (a)			\$ <u>23,507,578</u>

(a) Includes the Outstanding Bonds and the Bonds.

Debt Ratios

	<u>2023 Taxable Assessed Valuation</u>	<u>Estimated Valuation as of 9/1/2023</u>
Direct Debt (a)	13.81%	10.67%
Total Direct & Estimated Overlapping Debt (a)	23.85%	18.42%

(a) Includes the Outstanding Bonds and the Bonds.

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Debt Service Requirements

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

Year Ending 12/31	Outstanding Debt Service	Plus: The Bonds		Total Debt Service
		Principal	Interest	
2024	\$ 708,106	\$ -	\$ 115,552	\$ 823,658
2025	709,006	60,000	161,863	930,869
2026	709,006	65,000	155,863	929,869
2027	703,106	70,000	149,363	922,469
2028	701,606	75,000	142,363	918,969
2029	699,206	75,000	134,863	909,069
2030	695,906	80,000	127,363	903,269
2031	696,706	85,000	121,863	903,569
2032	693,106	90,000	116,019	899,125
2033	699,106	95,000	112,194	906,300
2034	704,306	100,000	108,156	912,463
2035	703,706	105,000	103,906	912,613
2036	707,506	115,000	99,313	921,819
2037	714,975	120,000	94,138	929,113
2038	716,413	125,000	88,738	930,150
2039	722,025	135,000	82,956	939,981
2040	725,988	140,000	76,713	942,700
2041	728,888	150,000	70,063	948,950
2042	735,725	160,000	62,938	958,663
2043	741,288	170,000	55,338	966,625
2044	740,575	175,000	47,263	962,838
2045	743,800	190,000	38,950	972,750
2046	757,400	200,000	29,925	987,325
2047	764,400	210,000	20,425	994,825
2048	-	220,000	10,450	230,450
	<u>\$ 17,221,856</u>	<u>\$ 3,010,000</u>	<u>\$ 2,326,571</u>	<u>\$ 22,558,427</u>

Average Annual Requirement (2024–2047, high years)..... \$ 930,332
 Maximum Annual Requirement (2047)..... \$ 994,825

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TAXING PROCEDURES

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

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Outstanding Bonds, 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. For the 2023 tax year, the District levied a total tax rate of \$1.00 per \$100 of assessed valuation composed of the following: \$0.270 per \$100 of assessed valuation for maintenance and operations; \$0.385 per \$100 of assessed valuation for Road System debt service; and \$0.345 per \$100 of assessed valuation for Utility System debt service. See "TAX DATA—Tax Rate Limitation."

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

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

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

spouse and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed or fatally injured in the line of duty 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 15. The District has not adopted a general homestead exemption.

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

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory

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

Reappraisal of Property after Disaster

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

Tax Payment Installments After Disaster

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

Tax Abatement

The County may designate all or part of the area within the District as a reinvestment zone. Thereafter, the District, at the option and discretion of the District, 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.

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 Districts.” Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as “Developed Districts.” Districts that do not meet either of the classifications previously discussed are classified herein as “Developing Districts.” The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

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

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

Developing Districts: Districts that do not meet the classification of a Special Taxing District or a Developed District are 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 a rollback 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 District, Developed District or Developing District will be made on an annual basis. The Board determined the District was a “Developing District” for the 2023 tax year. The District cannot give any assurances as to what its classification will be at any point in time or whether the District’s future tax rates will result in a total tax rate that will reclassify the District into a new classification and new rollback election calculation.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become

delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month of portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferrals.

District's Rights in the Event of Tax Delinquencies

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

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

TAX DATA

General

Taxable property within the District is subject to the assessment, levy, and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Outstanding Bonds and the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements, and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an unlimited amount, for operation and maintenance purposes. For the 2023 tax year, the District levied a total tax rate of \$1.00 per \$100 of assessed valuation composed of the following: \$0.270 per \$100 of assessed valuation for maintenance and operations; \$0.385 per \$100 of assessed valuation for Road System debt service; and \$0.345 per \$100 of assessed valuation for Utility System debt service.

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: \$1.00 per \$100 Assessed Valuation.

Historical Tax Collections

The following table illustrates the collection history of the District for the 2019 – 2023 tax years:

Year	Assessed Valuation	Tax Rate per \$100	Tax Levy	% of Current Collections	Tax Year Ending 9/30	Collections as of 9/30/2023
2019	\$ 237,967	\$ 1.000000	\$ 2,380	100.0%	2020	100.0%
2020	887,879	1.000000	8,879	100.0%	2021	100.0%
2021	2,436,608	1.000000	24,366	99.9%	2022	99.9%
2022	44,073,282	1.000000	440,733	99.8%	2023	99.8%
2023	98,569,870	1.000000	985,699	(a)	2024	(a)

(a) In process of collection.

Tax Rate Distribution

The following table sets out the components of the District’s tax levy for each of the 2019 – 2023 tax years:

	2023	2022	2021	2020	2019
Road System Debt Service	\$ 0.3850	\$ 0.2500	\$ -	\$ -	\$ -
Utility System Debt Service	0.3450	0.2500	-	-	-
Maintenance & Operations	<u>0.2700</u>	<u>0.5000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>
Total	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000

Analysis of Tax Base

The following represents the types of property comprising the District’s assessed taxable value for the 2019 – 2023 tax years:

Type of Property	2023 Assessed Valuation	2022 Assessed Valuation	2021 Assessed Valuation	2020 Assessed Valuation	2019 Assessed Valuation
Land	\$ 30,326,964	\$ 22,054,085	\$ 6,532,261	\$ 4,543,310	\$ 3,442,444
Improvements	82,159,704	29,426,204	83,770	83,508	61,663
Personal Property	-	-	-	-	-
Exemptions	<u>(13,916,798)</u>	<u>(7,407,007)</u>	<u>(4,179,423)</u>	<u>(3,738,939)</u>	<u>(3,266,140)</u>
Total	\$ 98,569,870	\$ 44,073,282	\$ 2,436,608	\$ 887,879	\$ 237,967

Principal Taxpayers

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

Taxpayer	Property Type	Assessed Valuation 2023 Tax Roll	% of 2023 Tax Roll
Risland Homes LLC (a)(b)	Land & Improvements	\$ 3,763,558	3.82%
Risland Mantua Point Phase 2 LLC (a)	Land & Improvements	2,599,542	2.64%
Highland Homes Dallas LLC (b)	Land & Improvements	1,142,288	1.16%
Weekley Homes LLC (b)	Land & Improvements	977,647	0.99%
Homeowner	Land & Improvements	773,992	0.79%
Homeowner	Land & Improvements	724,900	0.74%
Homeowner	Land & Improvements	721,987	0.73%
Homeowner	Land & Improvements	713,864	0.72%
Homeowner	Land & Improvements	710,703	0.72%
Homeowner	Land & Improvements	<u>701,030</u>	<u>0.71%</u>
Total		\$ 12,829,511	13.02%

(a) See “THE DEVELOPER” and “RISK FACTORS—Economic Factors Affecting Taxable Values and Tax Payments.”

(b) See “DEVELOPMENT WITHIN THE DISTRICT—Homebuilders within the District.”

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed taxable valuation that would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District’s tax base occurs beyond the 2023 Taxable Assessed Valuation (\$98,569,870) or the Estimated Valuation as of September 1, 2023 (\$127,586,500). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirement (2024–2047, the high years).....	\$ 930,332
Debt Service Tax Rate of \$1.00 on the 2023 Taxable Assessed Valuation produces	\$ 936,414
Debt Service Tax Rate of \$0.77 on the Estimated Valuation as of September 1, 2023, produces	\$ 933,295
Maximum Annual Debt Service Requirement (2047).....	\$ 994,825
Debt Service Tax Rate of \$1.07 on the 2023 Taxable Assessed Valuation produces	\$ 1,001,963
Debt Service Tax Rate of \$0.83 on the Estimated Valuation as of September 1, 2023, produces	\$ 1,006,020

Estimated Overlapping Taxes

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

Set forth below is a compilation of all 2023 taxes levied by such jurisdictions per \$100 of assessed valuation. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

<u>Taxing Jurisdiction</u>	<u>2023 Tax Rate</u>
The District	\$ 1.000000
Grayson County	0.305100
Van Alstyne Independent School District	1.410500
Grayson County Junior College District	<u>0.146704</u>
Estimated Total Tax Rate	\$ 2.862304

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LEGAL MATTERS

Legal Opinions

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

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

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

Legal Review

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

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

Opinion

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

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

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

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

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, audited financial statements and timely notice of specified material events, in an electronic format as prescribed by the Municipal Securities Rulemaking Board (“MSRB”). The MSRB has established the Electronic Municipal Market Access (“EMMA”) system for such purpose.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “DISTRICT DEBT” (excluding the information contained under the subheading “Direct and Estimated Overlapping Debt Statement”), “TAX DATA,” and “APPENDIX A.” The District will update and provide this information within six months after the end of each of its fiscal years.

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

The District’s current fiscal year end is April 30. Accordingly, it must provide updated information by the last day of October in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the TCEQ and the MSRB of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701

TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond 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

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

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 and beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with all continuing disclosure undertakings made by it in accordance with SEC Rule 15c2-12.

OFFICIAL STATEMENT

General

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

The District's audited financial statements for the year ended April 30, 2023, were prepared by Mark C. Eyring, CPA, PLLC, and have been included herein as "APPENDIX A." Mark C. Eyring, CPA, PLLC, has consented to the publication of such financial statements in this Official Statement.

Experts

The information contained in this Official Statement relating to engineering and to the description of the Utility System, and, in particular, that engineering information included in the sections entitled "THE BONDS—Use and Distribution of Bond Proceeds," "THE DISTRICT—Description," "DEVELOPMENT WITHIN THE DISTRICT—Status of Development within 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 firms as experts in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by the Tax Assessor/Collector and the Appraisal District. Such information has been included herein in reliance upon the Tax Assessor/Collector's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of 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 the 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 elect 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 which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Van Alstyne Municipal Utility District No. 1 of Grayson County as of the date specified on the first page hereof.

/s/ Bill Senkel
President, Board of Directors
Van Alstyne Municipal Utility District No. 1 of Grayson County

ATTEST:

/s/ Scott Spurr
Secretary, Board of Directors
Van Alstyne Municipal Utility District No. 1 of Grayson County

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

VAN ALSTYNE MUNICIPAL
UTILITY DISTRICT NO. 1
GRAYSON COUNTY, TEXAS
ANNUAL AUDIT REPORT
APRIL 30, 2023

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Mark C. Eyring, CPA, PLLC

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August 14, 2023

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Van Alstyne Municipal
Utility District No. 1
Grayson County, Texas

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Van Alstyne Municipal Utility District No. 1 as of and for the year ended April 30, 2023, and the related notes to the financial statements, which collectively comprise Van Alstyne Municipal Utility District No. 1's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Van Alstyne Municipal Utility District No. 1, as of April 30, 2023, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Required Supplementary Information

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

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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Van Alstyne Municipal Utility District No. 1's basic financial statements. The supplementary information on Pages 21 to 34 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

A handwritten signature in dark ink, appearing to read "M. Craig". The signature is written in a cursive style with a large, looping initial "M" and a long, sweeping tail.

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Van Alstyne Municipal Utility District No. 1 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended April 30, 2023.

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

Financial Analysis of the District as a Whole

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

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

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

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

Summary of Net Position

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Current and other assets	\$ 1,018,622	\$ 70,239	\$ 948,383
Capital assets	21,590,089	24,400,623	(2,810,534)
Total assets	<u>22,608,711</u>	<u>24,470,862</u>	<u>(1,862,151)</u>
Long-term liabilities	27,926,768	21,912,480	6,014,288
Other liabilities	152,352	2,770,479	(2,618,127)
Total liabilities	<u>28,079,120</u>	<u>24,682,959</u>	<u>3,396,161</u>
Net position:			
Invested in capital assets, net of related debt	(5,757,553)	(116,097)	(5,641,456)
Restricted	211,258	1,651	209,607
Unrestricted	75,886	(97,651)	173,537
Total net position	<u>\$ (5,470,409)</u>	<u>\$ (212,097)</u>	<u>\$ (5,258,312)</u>

Summary of Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 443,631	\$ 24,633	\$ 418,998
Other revenues	52,743	96,450	(43,707)
Total revenues	<u>496,374</u>	<u>121,083</u>	<u>375,291</u>
Expenses:			
Service operations	189,270	172,617	16,653
Capital outlay	4,445,092		4,445,092
Debt service	1,120,324		1,120,324
Total expenses	<u>5,754,686</u>	<u>172,617</u>	<u>5,582,069</u>
Change in net position	(5,258,312)	(51,534)	(5,206,778)
Net position, beginning of year	<u>(212,097)</u>	<u>(160,563)</u>	<u>(51,534)</u>
Net position, end of year	<u>\$ (5,470,409)</u>	<u>\$ (212,097)</u>	<u>\$ (5,258,312)</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended April 30, 2023, were \$995,601, an increase of \$937,269 from the prior year.

The General Fund balance increased by \$170,766, in accordance with the District's financial plan.

The Debt Service Fund balance increased by \$627,886, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by \$138,617, as proceeds from the District's Series 2022 road and utility bonds exceeded authorized expenditures.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. There were several significant differences between the budgetary amounts and the actual amounts. A detailed comparison of budgeted and actual revenues and expenditures is presented on Page 20 of this report. The budgetary fund balance as of April 30, 2023, was expected to be \$145,815 and the actual end of year fund balance was \$227,447.

Capital Asset and Debt Administration

Capital Assets

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

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2023</u>	<u>2022</u>	<u>Change</u>
Construction in progress	\$ 17,441,971	\$ 24,400,623	\$ (6,958,652)
Roads	4,148,118		4,148,118
Totals	<u>\$ 21,590,089</u>	<u>\$ 24,400,623</u>	<u>\$ (2,810,534)</u>

Changes to capital assets during the fiscal year ended April 30, 2023, are summarized as follows:

Additions:		
Utilities and roads constructed by developer		\$ 1,011,169
Decreases:		
Transfer of assets to other entities		(3,727,428)
Depreciation		<u>(94,275)</u>
Net change to capital assets		<u>\$ (2,810,534)</u>

Debt

Changes in the bonded debt position of the District during the fiscal year ended April 30, 2023, are summarized as follows:

Bonded debt payable, beginning of year	\$ 0
Utility bonds sold	4,985,000
Road bonds sold	<u>5,620,000</u>
Bonded debt payable, end of year	<u>\$ 10,605,000</u>

At April 30, 2023, the District had \$365,015,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving a water, sanitary sewer and drainage system within the District and \$278,380,000 for road purposes authorized but unissued

The District's bonds are not rated or insured.

As further described in Note 5 of the notes to the financial statements, the developer within the District has advanced funds to the District to cover initial operating deficits. As of April 30, 2023, the cumulative amount of developer advances for this purpose was \$155,760.

As further described in Note 5 of the notes to the financial statements, the developer within the District is constructing water, sewer and drainage facilities and road improvements on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality as applicable. At April 30, 2023, the estimated amount due to the developer was \$17,441,971.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base increased approximately \$41,850,000 for the 2022 tax year due to the addition of new property and improvements within the District.

The District's tax base is concentrated in a small number of taxpayers. The District's developer owns a substantial portion of land within the District. If any one of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meet the debt service obligations described in Note 5 of the Notes to the Financial Statements.

Relationship to the City of Van Alstyne

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Van Alstyne (the "City"), the District must conform to a City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City. If the District is annexed, the City will assume the District's assets and obligations (including the bonded indebtedness) and dissolve the District within ninety (90) days.

The District obtains water, sewer and drainage service from the City. In consideration of the District's acquiring and constructing these systems on behalf of the City, the City will own, operate and maintain such systems. The District will own and maintain the road system.

The District has entered into various interlocal cooperation agreements with the City for emergency services, such as law enforcement and fire fighting, to be provided by the City.

VAN ALSTYNE MUNICIPAL UTILITY DISTRICT NO. 1

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

APRIL 30, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
ASSETS						
Cash, including interest-bearing accounts, Note 7	\$ 238,036	\$ 633,341	\$ 132,831	\$ 1,004,208	\$	\$ 1,004,208
Receivables:						
Property taxes receivable	4,199	3,709		7,908		7,908
Other	6,506			6,506		6,506
Due from other fund	5,455	5,986	7,437	18,878	(18,878)	0
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	17,441,971	17,441,971
Depreciable capital assets				0	4,148,118	4,148,118
Total assets	<u>\$ 254,196</u>	<u>\$ 643,036</u>	<u>\$ 140,268</u>	<u>\$ 1,037,500</u>	<u>21,571,211</u>	<u>22,608,711</u>
LIABILITIES						
Accounts payable	\$ 15,113	\$	\$	\$ 15,113		15,113
Accrued interest payable				0	157,702	157,702
Due to other funds	7,437	11,441		18,878	(18,878)	0
Long-term liabilities, Note 5:						
Due within one year				0	(20,463)	(20,463)
Due in more than one year				0	27,926,768	27,926,768
Total liabilities	<u>22,550</u>	<u>11,441</u>	<u>0</u>	<u>33,991</u>	<u>28,045,129</u>	<u>28,079,120</u>
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	<u>4,199</u>	<u>3,709</u>	<u>0</u>	<u>7,908</u>	<u>(7,908)</u>	<u>0</u>
FUND BALANCES / NET POSITION						
Fund balances:						
Restricted for bond interest, Note 5		402,903		402,903	(402,903)	0
Assigned to:						
Debt service		224,983		224,983	(224,983)	0
Capital projects			140,268	140,268	(140,268)	0
Unassigned	<u>227,447</u>			<u>227,447</u>	<u>(227,447)</u>	<u>0</u>
Total fund balances	<u>227,447</u>	<u>627,886</u>	<u>140,268</u>	<u>995,601</u>	<u>(995,601)</u>	<u>0</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 254,196</u>	<u>\$ 643,036</u>	<u>\$ 140,268</u>	<u>\$ 1,037,500</u>		
Net position:						
Invested in capital assets, net of related debt, Note 4					(5,757,553)	(5,757,553)
Restricted for debt service					70,990	70,990
Restricted for capital projects					140,268	140,268
Unrestricted, Note 5					<u>75,886</u>	<u>75,886</u>
Total net position					<u>\$ (5,470,409)</u>	<u>\$ (5,470,409)</u>

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

VAN ALSTYNE MUNICIPAL UTILITY DISTRICT NO. 1

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

FOR THE YEAR ENDED APRIL 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	\$ 218,658	\$ 217,720	\$	\$ 436,378	\$ 6,480	\$ 442,858
Lot fees	45,050			45,050		45,050
Penalty, interest and other	465	773		1,238		1,238
Interest on deposits	672	6,556		7,228		7,228
Total revenues	264,845	225,049	0	489,894	6,480	496,374
EXPENDITURES / EXPENSES						
Service operations:						
Professional fees	56,925			56,925		56,925
Contracted services	15,236			15,236		15,236
Utilities	11,261			11,261		11,261
Administrative expenditures	10,657	65	851	11,573		11,573
Depreciation				0	94,275	94,275
Capital outlay / non-capital outlay			5,376,918	5,376,918	(1,598,490)	3,778,428
Interest on developer construction			666,664	666,664		666,664
Debt service:						
Bond issuance expenditures			698,015	698,015		698,015
Interest and fees		253,638		253,638	168,671	422,309
Total expenditures / expenses	94,079	253,703	6,742,448	7,090,230	(1,335,544)	5,754,686
Excess (deficiency) of revenues over expenditures	170,766	(28,654)	(6,742,448)	(6,600,336)	1,342,024	(5,258,312)
OTHER FINANCING SOURCES (USES)						
Bonds issued, Note 5		963,935	9,641,065	10,605,000	(10,605,000)	0
Bond issuance discounts, Note 5		(307,395)		(307,395)	307,395	0
Bond anticipation note repaid, Note 5			(2,760,000)	(2,760,000)	2,760,000	0
Total other financing sources (uses)	0	656,540	6,881,065	7,537,605	(7,537,605)	0
Net change in fund balances / net position	170,766	627,886	138,617	937,269	(6,195,581)	(5,258,312)
Beginning of year	56,681	0	1,651	58,332	(270,429)	(212,097)
End of year	<u>\$ 227,447</u>	<u>\$ 627,886</u>	<u>\$ 140,268</u>	<u>\$ 995,601</u>	<u>\$ (6,466,010)</u>	<u>\$ (5,470,409)</u>

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

VAN ALSTYNE MUNICIPAL UTILITY DISTRICT NO. 1NOTES TO THE FINANCIAL STATEMENTSAPRIL 30, 2023

NOTE 1: REPORTING ENTITY

Van Alstyne Municipal Utility District No. 1 (the "District") was created by Act of the 81st Texas Legislature, Regular Session, codified at Chapter 8311, Texas Special District Local Laws Code, as a municipal utility district, effective June 19, 2009. The District operates in accordance with Texas Water Code Chapters 49 and 54 and Article III, Section 52 and Article XVI, Section 59, of the Texas Constitution. The District was confirmed by an election held within the District on November 5, 2019. The District is located within the extra territorial jurisdiction of the City of Van Alstyne and within Grayson County, Texas. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on May 24, 2019. The District is subject to the continuing supervision of the TCEQ with respect to water, wastewater and drainage.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

Basic Financial Statements

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

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

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

Interfund Activity

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

Receivables

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

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

Long-term Liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 995,601
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		21,590,089
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (10,605,000)	
Deferred charge on refunding (to be amortized as interest expense)	296,426	
Due to developers for operating advances	(155,760)	
Due to developers for construction	<u>(17,441,971)</u>	(27,906,305)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Uncollected property taxes		7,908
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(157,702)</u>
Net position, end of year		<u>\$ (5,470,409)</u>

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

Total net change in fund balances		\$ 937,269
The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay	\$ 1,598,490	
Depreciation	<u>(94,275)</u>	1,504,215
The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:		
Bonds issued	(10,605,000)	
Bond Anticipation Note repaid	<u>2,760,000</u>	(7,845,000)
The funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:		
Issuance discounts		296,426
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:		
Uncollected property taxes		6,480
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:		
Accrued interest		<u>(157,702)</u>
Change in net position		<u>\$ (5,258,312)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4: CAPITAL ASSETS

At April 30, 2023, "Invested in capital assets, net of related debt" was \$(5,757,553). This amount was negative as not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of District assets. The District lies wholly within the extraterritorial jurisdiction of the City of Van Alstyne (the "City") and obtains water, sewer and drainage service from the City. In consideration of the District's acquiring and constructing these systems on behalf of the City, the City will own, operate and maintain such systems. The District transfers the ownership of certain capital assets constructed by the District to the City. The District is to pay for construction of a water distribution system, a sanitary sewer collection system and a drainage system to serve the District. The District shall be the owner of each phase of the systems until such phase is completed and approved by the City, at which time ownership of such phase shall be transferred to the City. However, the District shall have a security interest therein until all bonds issued by the District pursuant to the respective agreement are retired. The District will construct, own and maintain a road system within the District.

Capital asset activity for the fiscal year ended April 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	\$ 24,400,623	\$ 1,011,169	\$ 7,969,821	\$ 17,441,971
Total capital assets not being depreciated	<u>24,400,623</u>	<u>1,011,169</u>	<u>7,969,821</u>	<u>17,441,971</u>
Depreciable capital assets:				
Road system	<u>0</u>	<u>4,242,393</u>	<u>0</u>	<u>4,242,393</u>
Total depreciable capital assets	<u>0</u>	<u>4,242,393</u>	<u>0</u>	<u>4,242,393</u>
Less accumulated depreciation for:				
Road system	<u>0</u>	<u>(94,275)</u>	<u>0</u>	<u>(94,275)</u>
Total accumulated depreciation	<u>0</u>	<u>(94,275)</u>	<u>0</u>	<u>(94,275)</u>
Total depreciable capital assets, net	<u>0</u>	<u>4,148,118</u>	<u>0</u>	<u>4,148,118</u>
Total capital assets, net	<u>\$ 24,400,623</u>	<u>\$ 5,159,287</u>	<u>\$ 7,969,821</u>	<u>\$ 21,590,089</u>
Changes to capital assets:				
Capital outlay		\$ 1,598,490	\$	
Assets transferred to depreciable assets		4,242,393	4,242,393	
Assets transferred to other entities		3,727,428	3,727,428	
Increase in liability to developer for construction		1,011,169		
Capital outlay paid (decrease in liability) to developer		(5,325,918)		
Less depreciation expense for the fiscal year		<u>(94,275)</u>		
Net increases / decreases to capital assets		<u>\$ 5,159,287</u>	<u>\$ 7,969,821</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended April 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 0	\$ 10,605,000		\$ 10,605,000	\$ 0
Add (less) deferred amounts:					
For issuance (discounts) premiums	<u>0</u>	<u>(307,395)</u>	<u>(10,969)</u>	<u>(296,426)</u>	<u>(20,463)</u>
Total bonds payable	<u>0</u>	<u>10,297,605</u>	<u>(10,969)</u>	<u>10,308,574</u>	<u>(20,463)</u>
Bond Anticipation Note payable	<u>2,760,000</u>	<u>0</u>	<u>2,760,000</u>	<u>0</u>	<u>0</u>
Due to developers for operating advances (see below)	155,760			155,760	-----
Due to developers for construction (see below)	<u>21,756,720</u>	<u>1,011,169</u>	<u>5,325,918</u>	<u>17,441,971</u>	-----
Total due to developers	<u>21,912,480</u>	<u>1,011,169</u>	<u>5,325,918</u>	<u>17,597,731</u>	<u>0</u>
Total long-term liabilities	<u>\$ 24,672,480</u>	<u>\$ 11,308,774</u>	<u>\$ 8,074,949</u>	<u>\$ 27,906,305</u>	<u>\$ (20,463)</u>

As of April 30, 2023, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$	\$ 473,106	\$ 473,106
2025	235,000	466,056	701,056
2026	250,000	451,506	701,506
2027	265,000	436,057	701,057
2028	275,000	419,856	694,856
2029 - 2033	1,605,000	1,840,281	3,445,281
2034 - 2038	2,040,000	1,448,254	3,488,254
2039 - 2043	2,605,000	968,974	3,573,974
2044 - 2048	<u>3,330,000</u>	<u>349,320</u>	<u>3,679,320</u>
	<u>\$ 10,605,000</u>	<u>\$ 6,853,410</u>	<u>\$ 17,458,410</u>

Water, sewer and drainage bonds voted	\$ 370,000,000
Water, sewer and drainage bonds approved for sale and sold	4,985,000
Water, sewer and drainage bonds voted and not issued	365,015,000
Road bonds voted	\$ 284,000,000
Road bonds approved for sale and sold	5,620,000
Road bonds voted and not issued	278,380,000
Refunding bonds voted	\$ 981,000,000
Refunding bonds approved for sale and sold	0
Refunding bonds voted and not issued	981,000,000

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The bond issues payable at April 30, 2023, were as follows:

	<u>Series 2022 Utility</u>	<u>Series 2022 Road</u>
Amounts outstanding, April 30, 2023	\$4,985,000	\$5,620,000
Interest rates	4.00% to 6.00%	4.00% to 6.00%
Maturity dates, serially beginning/ending	September 1, 2024/2047	September 1, 2024/2047
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates	August 1, 2029*	August 1, 2029*

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

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

Sale of bonds, Series 2022:		
18 months' interest from sale of Series 2022 utility bonds	\$ 280,406	
18 months' interest from sale of Series 2022 road bonds	<u>376,134</u>	656,540
Deduct appropriation for bond interest paid:		
Series 2022 utility bonds	(119,204)	
Series 2022 road bonds	<u>(134,433)</u>	<u>(253,637)</u>
Bond interest reserve, end of year:		
Series 2022 utility bonds	161,202	
Series 2022 road bonds	<u>241,701</u>	<u>\$ 402,903</u>

Developer Construction Commitments, Liabilities and Advances

The developer within the District is constructing certain facilities within the District's boundaries. The District has agreed to reimburse the developer for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality as applicable. The District's engineer stated that cost of the construction in progress at April 30, 2023, was \$17,441,971. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

The developer within the District has advanced funds to the District to cover initial operating deficits. At April 30, 2023, the cumulative amount of unreimbursed developer advances was \$155,760. These amounts have been recorded in the government-wide financial statements and in the schedules in Note 5. This amount has been recorded as a decrease in "Unrestricted net position" in the government-wide financial statements. Without this decrease, "Unrestricted net position" would have a balance of \$231,646.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 6: PROPERTY TAXES

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

At an election held November 5, 2019, the voters within the District authorized a maintenance tax not to exceed \$1.00 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On August 17, 2022, the District levied the following ad valorem taxes for the 2022 tax year on the adjusted taxable valuation of \$44,285,760:

	Rate	Amount
Debt service	\$ 0.5000	\$ 221,429
Maintenance	0.5000	221,429
	\$ 1.0000	\$ 442,858

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

2022 tax year total property tax levy	\$ 442,858
Appraisal district adjustments to prior year taxes	0
Statement of Activities property tax revenues	\$ 442,858

Concentration of Tax Base

The District's tax base is concentrated in a small number of taxpayers. The District's developer owns a substantial portion of land within the District. If any one of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meet the debt service obligations described in Note 5.

NOTE 7: DEPOSITS

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Deposits and temporary investments restricted by state statutes and Bond Orders:

Debt Service Fund

For payment of debt principal and interest,
paying agent fees and costs of assessing and
collecting taxes:

Cash	\$ <u>633,341</u>
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Capital Projects Fund

For construction of capital assets:

Cash	\$ <u>132,831</u>
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NOTE 8: RISK MANAGEMENT

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

At April 30, 2023, the District had physical damage and boiler coverage of \$209,100, comprehensive general liability coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general aggregate and consultant's crime coverage of \$10,000.

NOTE 9: CITY OF VAN ALSTYNE

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

The District has entered into various interlocal cooperation agreements with the City for emergency services, such as law enforcement and fire fighting, to be provided by the City.

VAN ALSTYNE MUNICIPAL UTILITY DISTRICT NO. 1

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED APRIL 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 137,894	\$ 137,894	\$ 218,658	\$ 80,764
Lot Fees	70,000	70,000	45,050	(24,950)
Penalty and other	0	0	465	465
Interest on deposits	0	0	672	672
TOTAL REVENUES	<u>207,894</u>	<u>207,894</u>	<u>264,845</u>	<u>56,951</u>
EXPENDITURES				
Service operations:				
Professional fees	40,000	40,000	56,925	16,925
Contracted services	5,300	5,300	15,236	9,936
Utilities	18,000	18,000	11,261	(6,739)
Emergency services	40,200	40,200	0	(40,200)
Administrative expenditures	15,260	15,260	10,657	(4,603)
Capital outlay	0	0	0	0
TOTAL EXPENDITURES	<u>118,760</u>	<u>118,760</u>	<u>94,079</u>	<u>(24,681)</u>
EXCESS REVENUES (EXPENDITURES)	89,134	89,134	170,766	81,632
FUND BALANCE, BEGINNING OF YEAR	<u>56,681</u>	<u>56,681</u>	<u>56,681</u>	<u>0</u>
FUND BALANCE, END OF YEAR	<u>\$ 145,815</u>	<u>\$ 145,815</u>	<u>\$ 227,447</u>	<u>\$ 81,632</u>

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

VAN ALSTYNE MUNICIPAL UTILITY DISTRICT NO. 1
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

APRIL 30, 2023

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

- TSI-1. Services and Rates
- TSI-2. General Fund Expenditures
- TSI-3. Temporary Investments
Not Applicable. None at April 30, 2023.
- TSI-4. Taxes Levied and Receivable
- TSI-5. Long-Term Debt Service Requirements by Years
- TSI-6. Changes in Long-Term Bonded Debt
- TSI-7. Comparative Schedule of Revenues and Expenditures -
General Fund and Debt Service Fund - Five Year
- TSI-8. Board Members, Key Personnel and Consultants

VAN ALSTYNE MUNICIPAL UTILITY DISTRICT NO. 1

SCHEDULE OF SERVICES AND RATES

APRIL 30, 2023

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

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

2. Retail Service Providers

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

Contact the City of Van Alstyne.

b. Water and Wastewater Retail Connections:

Contact the City of Van Alstyne.

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

Contact the City of Van Alstyne.

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

Does the District have Debt Service standby fees? Yes No

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

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

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

VAN ALSTYNE MUNICIPAL UTILITY DISTRICT NO. 1EXPENDITURESFOR THE YEAR ENDED APRIL 30, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Professional fees:				
Auditing	\$ 4,500	\$	\$	\$ 4,500
Legal	41,464			41,464
Engineering	10,961			10,961
	<u>56,925</u>	<u>0</u>	<u>0</u>	<u>56,925</u>
Contracted services:				
Bookkeeping	6,290			6,290
Tax assessor-collector	221			221
Central appraisal district	8,725			8,725
	<u>15,236</u>	<u>0</u>	<u>0</u>	<u>15,236</u>
Utilities	<u>11,261</u>	<u>0</u>	<u>0</u>	<u>11,261</u>
Administrative expenditures:				
Director's fees	3,150			3,150
Insurance	4,986			4,986
Other	2,521	65	851	3,437
	<u>10,657</u>	<u>65</u>	<u>851</u>	<u>11,573</u>
CAPITAL OUTLAY				
Authorized expenditures	<u>0</u>	<u>0</u>	<u>5,376,918</u>	<u>5,376,918</u>
Interest on developer construction	<u>0</u>	<u>0</u>	<u>666,664</u>	<u>666,664</u>
DEBT SERVICE				
Bond issuance expenditures	<u>0</u>	<u>0</u>	<u>698,015</u>	<u>698,015</u>
Bond interest	<u>0</u>	<u>253,638</u>	<u>0</u>	<u>253,638</u>
TOTAL EXPENDITURES	<u>\$ 94,079</u>	<u>\$ 253,703</u>	<u>\$ 6,742,448</u>	<u>\$ 7,090,230</u>

See accompanying independent auditor's report.

VAN ALSTYNE MUNICIPAL UTILITY DISTRICT NO. 1ANALYSIS OF CHANGES IN DEPOSITS
ALL GOVERNMENTAL FUND TYPESFOR THE YEAR ENDED APRIL 30, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS				
Cash receipts from revenues excluding maintenance taxes	\$ 46,187	\$ 225,049	\$	\$ 271,236
Maintenance tax receipts		218,658		218,658
Transfer of maintenance taxes	207,217			207,217
Proceeds from bond sale		656,540	9,641,065	10,297,605
Interfund reimbursement	<u>29,545</u>	<u> </u>	<u>1,651</u>	<u>31,196</u>
TOTAL DEPOSITS	<u>282,949</u>	<u>1,100,247</u>	<u>9,642,716</u>	<u>11,025,912</u>
APPLICATIONS OF DEPOSITS				
Cash disbursements for:				
Current expenditures	62,089	65	851	63,005
Capital outlay			6,043,582	6,043,582
Debt service		253,638	698,015	951,653
Other fund	5,455	5,986	7,437	18,878
Interfund reimbursement	1,651			1,651
Transfer of maintenance taxes		207,217		207,217
Payment of Bond Anticipation Note			<u>2,760,000</u>	<u>2,760,000</u>
TOTAL DEPOSITS APPLIED	<u>69,195</u>	<u>466,906</u>	<u>9,509,885</u>	<u>10,045,986</u>
INCREASE (DECREASE) IN DEPOSITS	213,754	633,341	132,831	979,926
DEPOSITS BALANCES, BEGINNING OF YEAR	<u>24,282</u>	<u>0</u>	<u>0</u>	<u>24,282</u>
DEPOSITS BALANCES, END OF YEAR	<u>\$ 238,036</u>	<u>\$ 633,341</u>	<u>\$ 132,831</u>	<u>\$ 1,004,208</u>

See accompanying independent auditor's report.

VAN ALSTYNE MUNICIPAL UTILITY DISTRICT NO. 1TAXES LEVIED AND RECEIVABLEFOR THE YEAR ENDED APRIL 30, 2023

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 1,428	\$ 0
Additions and corrections to prior year taxes	<u>0</u>	<u>0</u>
Adjusted receivable, beginning of year	1,428	0
2022 ADJUSTED TAX ROLL	<u>221,429</u>	<u>221,429</u>
Total to be accounted for	222,857	221,429
Tax collections: Current tax year	(217,720)	(217,720)
Prior tax years	<u>(938)</u>	<u>0</u>
RECEIVABLE, END OF YEAR	<u>\$ 4,199</u>	<u>\$ 3,709</u>
RECEIVABLE, BY TAX YEAR		
2021	\$ 490	\$ 0
2022	<u>3,709</u>	<u>3,709</u>
RECEIVABLE, END OF YEAR	<u>\$ 4,199</u>	<u>\$ 3,709</u>

See accompanying independent auditor's report.

VAN ALSTYNE MUNICIPAL UTILITY DISTRICT NO. 1TAXES LEVIED AND RECEIVABLE (Continued)FOR THE YEAR ENDED APRIL 30, 2023

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019**</u>
Land	\$ 22,054,084	\$ 6,532,261	\$ 4,543,310	
Improvements	29,426,204	83,770	83,508	
Personal property	0	0	0	
Less exemptions	<u>(7,194,528)</u>	<u>(4,179,423)</u>	<u>(3,738,939)</u>	
TOTAL PROPERTY VALUATIONS	<u>\$ 44,285,760</u>	<u>\$ 2,436,608</u>	<u>\$ 887,879</u>	<u>Not Available</u>
Debt service tax rates	\$ 0.50000	\$ 0.00000	\$ 0.00000	\$ 0.00000
Maintenance tax rates*	<u>0.50000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 1.00000</u>	<u>\$ 1.00000</u>	<u>\$ 1.00000</u>	<u>\$ 1.00000</u>
TAX ROLLS	<u>\$ 442,858</u>	<u>\$ 24,366</u>	<u>\$ 8,879</u>	<u>\$ 1,620</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>98.3 %</u>	<u>99.9 %</u>	<u>100 %</u>	<u>100 %</u>

*Maximum tax rate approved by voters on November 5, 2019: \$1.00

**The District first levied taxes for tax year 2019.

See accompanying independent auditor's report.

VAN ALSTYNE MUNICIPAL UTILITY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
FOR THE YEAR ENDED APRIL 30, 2023

<u>Series 2022 Utility</u>			
<u>Due During Fiscal Years Ending April 30</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2024	\$	\$ 222,350	\$ 222,350
2025	110,000	219,050	329,050
2026	115,000	212,300	327,300
2027	125,000	205,100	330,100
2028	130,000	197,450	327,450
2029	135,000	189,500	324,500
2030	145,000	181,100	326,100
2031	150,000	172,250	322,250
2032	160,000	164,550	324,550
2033	165,000	158,050	323,050
2034	175,000	151,250	326,250
2035	185,000	144,050	329,050
2036	190,000	136,550	326,550
2037	200,000	128,625	328,625
2038	210,000	120,169	330,169
2039	220,000	111,300	331,300
2040	235,000	101,769	336,769
2041	245,000	91,568	336,568
2042	255,000	80,944	335,944
2043	270,000	69,787	339,787
2044	285,000	57,994	342,994
2045	295,000	45,669	340,669
2046	310,000	33,200	343,200
2047	330,000	20,400	350,400
2048	345,000	6,900	351,900
TOTALS	<u>\$ 4,985,000</u>	<u>\$ 3,221,875</u>	<u>\$ 8,206,875</u>

See accompanying independent auditor's report.

VAN ALSTYNE MUNICIPAL UTILITY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
FOR THE YEAR ENDED APRIL 30, 2023

Series 2022 Road			
Due During Fiscal Years Ending April 30	Principal Due September 1	Interest Due September 1, March 1	Total
2024	\$	\$ 250,756	\$ 250,756
2025	125,000	247,006	372,006
2026	135,000	239,206	374,206
2027	140,000	230,957	370,957
2028	145,000	222,406	367,406
2029	155,000	213,406	368,406
2030	160,000	203,956	363,956
2031	170,000	194,057	364,057
2032	180,000	185,356	365,356
2033	185,000	178,056	363,056
2034	195,000	170,456	365,456
2035	205,000	162,457	367,457
2036	215,000	154,056	369,056
2037	225,000	145,116	370,116
2038	240,000	135,525	375,525
2039	250,000	125,418	375,418
2040	260,000	114,737	374,737
2041	275,000	103,369	378,369
2042	290,000	91,363	381,363
2043	305,000	78,719	383,719
2044	320,000	65,438	385,438
2045	335,000	51,519	386,519
2046	350,000	37,400	387,400
2047	370,000	23,000	393,000
2048	390,000	7,800	397,800
	<u>\$ 5,620,000</u>	<u>\$ 3,631,535</u>	<u>\$ 9,251,535</u>
TOTALS			

See accompanying independent auditor's report.

VAN ALSTYNE MUNICIPAL UTILITY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
FOR THE YEAR ENDED APRIL 30, 2023

<u>Due During Fiscal Years Ending April 30</u>	Annual Requirements for All Series		
	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total</u>
2024	\$	\$ 473,106	\$ 473,106
2025	235,000	466,056	701,056
2026	250,000	451,506	701,506
2027	265,000	436,057	701,057
2028	275,000	419,856	694,856
2029	290,000	402,906	692,906
2030	305,000	385,056	690,056
2031	320,000	366,307	686,307
2032	340,000	349,906	689,906
2033	350,000	336,106	686,106
2034	370,000	321,706	691,706
2035	390,000	306,507	696,507
2036	405,000	290,606	695,606
2037	425,000	273,741	698,741
2038	450,000	255,694	705,694
2039	470,000	236,718	706,718
2040	495,000	216,506	711,506
2041	520,000	194,937	714,937
2042	545,000	172,307	717,307
2043	575,000	148,506	723,506
2044	605,000	123,432	728,432
2045	630,000	97,188	727,188
2046	660,000	70,600	730,600
2047	700,000	43,400	743,400
2048	735,000	14,700	749,700
TOTALS	<u>\$ 10,605,000</u>	<u>\$ 6,853,410</u>	<u>\$ 17,458,410</u>

See accompanying independent auditor's report.

VAN ALSTYNE MUNICIPAL UTILITY DISTRICT NO. 1
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT
FOR THE YEAR ENDED APRIL 30, 2023

	<u>(1)</u>	<u>(2)</u>	<u>Totals</u>
Bond Series:	2022 Utility	2022 Road	
Interest Rate:	4.00% to 6.00%	4.00% to 6.00%	
Dates Interest Payable:	September 1/ March 1	September 1/ March 1	
Maturity Dates:	September 1, 2024/2047	September 1, 2024/2047	
Bonds Outstanding at Beginning of Current Year	\$ 0	\$ 0	\$ 0
Add Bonds Sold	4,985,000	5,620,000	10,605,000
Less Retirements	<u>0</u>	<u>0</u>	<u>0</u>
Bonds Outstanding at End of Current Year	<u>\$ 4,985,000</u>	<u>\$ 5,620,000</u>	<u>\$ 10,605,000</u>
Current Year Interest Paid	<u>\$ 119,204</u>	<u>\$ 134,434</u>	<u>\$ 253,638</u>

Bond Descriptions and Original Amount of Issue

(1) Van Alstyne Municipal Utility District No. 1 Unlimited Tax Utility Bonds, Series 2022 (\$4,985,000)

(2) Van Alstyne Municipal Utility District No. 1 Unlimited Tax Road Bonds, Series 2022 (\$5,620,000)

Paying Agent/Registrar

(1) (2) BOKF, N.A., Dallas, Texas

<u>Bond Authority</u>	<u>Utility Bonds</u>	<u>Road Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 370,000,000	\$ 284,000,000	\$ 981,000,000
Amount Issued:	4,985,000	5,620,000	0
Remaining to be Issued:	365,015,000	278,380,000	981,000,000

Net Debt Service Fund deposits and investments balances as of April 30, 2023: \$ 627,886
Average annual debt service payment for remaining term of all debt: 698,337

See accompanying independent auditor's report.

VAN ALSTYNE MUNICIPAL UTILITY DISTRICT NO. 1
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND
FOR YEARS ENDED APRIL 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2023	2022*	2021	2020**	2019	2023	2022	2021	2020	2019
REVENUES										
Property taxes	\$ 218,658	\$ 23,205	\$ 8,879	\$ 1,620	\$	82.5 %	19.4 %	49.7 %	100 %	%
Lot fees	45,050	96,450	9,000			17.0	80.6	50.3		
Penalty, interest and other	1,137					0.5				
TOTAL REVENUES	264,845	119,655	17,879	1,620	0	100.0	100.0	100.0	100.0	N/A
EXPENDITURES										
Service operations:										
Professional fees	56,925	75,850	58,891	93,230		21.4	63.4	329.4	5754.9	
Contracted services	15,236	4,420	4,166	554		5.8	3.7	23.3	34.2	
Utilities	11,261	15,448	916	0		4.3	12.9	5.1	0.0	
Administrative expenditures	10,657	13,453	10,186	12,119		4.0	11.2	57.0	748.1	
TOTAL EXPENDITURES	94,079	109,171	74,159	105,903	0	35.5	91.2	414.8	6537.2	N/A
EXCESS REVENUES (EXPENDITURES)	\$ 170,766	\$ 10,484	\$ (56,280)	\$ (104,283)	\$ 0	64.5 %	8.8 %	(314.8) %	(6437.2) %	N/A %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	N/A	N/A	N/A	N/A	N/A					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	N/A	N/A	N/A	N/A	N/A					

*District was funded by developer advances for fiscal years 2022 and prior.

**First year of financial activity.

VAN ALSTYNE MUNICIPAL UTILITY DISTRICT NO. 1
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND
FOR YEARS ENDED APRIL 30

	AMOUNT	PERCENT OF TOTAL REVENUES
REVENUES	2023*	2023
Property taxes	\$ 217,720	96.8 %
Penalty and interest	773	0.3
Interest on deposits	6,556	2.9
TOTAL REVENUES	225,049	100.0
EXPENDITURES		
Current:		
Professional fees	0	0.0
Contracted services	0	0.0
Other expenditures	65	0.0
Debt service:		
Principal retirement	0	0.0
Interest and fees	253,638	112.7
TOTAL EXPENDITURES	253,703	112.7
EXCESS REVENUES (EXPENDITURES)	\$ (28,654)	(12.7) %

*First year of financial activity.

VAN ALSTYNE MUNICIPAL UTILITY DISTRICT NO. 1BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSAPRIL 30, 2023

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

District Business Telephone No.: 972-982-8461

Submission date of the most recent District Registration Form: January 3, 2023

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

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Bill Senkel c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 77524	Elected 5/02/20- 5/04/24	\$ 600	\$ 0	President
Ryan Patterson c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 77524	Elected 5/02/20- 5/04/24	750	0	Vice President
Scott Spurr c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 77524	Elected 5/07/22- 5/02/26	750	0	Secretary
Alessandro Cola c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 77524	Appointed 11/10/21- 5/04/24	750	0	Assistant Secretary
Clay Grasso c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 77524	Elected 5/07/22- 5/02/26	300	0	Assistant Secretary

See accompanying independent auditor's report.

VAN ALSTYNE MUNICIPAL UTILITY DISTRICT NO. 1BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)APRIL 30, 2023CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 77524	5/24/19	\$ 41,464 298,073 Bonds	Attorney
L & S District Services, LLC P.O. Box 170 Tomball, Texas 77377	4/15/19	6,290 2,100 Bonds	Bookkeeper
Kimley-Horn & Associates, Inc. 6160 Warren Parkway, Suite 210 Frisco, Texas 75034	4/15/19	10,961 96,550 Bonds	Engineer
Bruce Stidham Grayson County Tax Assessor Collector 100 W. Houston, Suite 11 Sherman, Texas 75091	9/18/20	221	Tax Assessor- Collector
Grayson Central Appraisal District 512 N. Travis Street Sherman, Texas 75090	Legislative Action	8,725	Central Appraisal District
Robert W. Baird & Co. 1331 Lamar, Suite 1360 Houston, Texas 77010	5/24/19	215,794 Bonds	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	2/11/21	4,500 10,650 Bonds	Independent Auditor

See accompanying independent auditor's report.

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

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

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN