

OFFICIAL STATEMENT

Dated January 18, 2024

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.

NEW ISSUE—BOOK ENTRY ONLY

RATING: MOODY'S: "Baa3"

BAM INSURED RATING: S&P "AA" (stable outlook)

SEE: "MUNICIPAL BOND INSURANCE AND RATINGS" AND BOND INSURANCE"

THE BONDS ARE NOT DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

CANYON FALLS MUNICIPAL UTILITY DISTRICT NO. 1 OF DENTON COUNTY
(A political subdivision of the State of Texas located within Denton County, Texas)

\$2,725,000

\$3,000,000

UNLIMITED TAX ROAD BONDS, SERIES 2024

UNLIMITED TAX BONDS, SERIES 2024

The bonds described above (the "Road Bonds" and the "Utility Bonds", collectively referred to as the "Bonds") are obligations solely of Canyon Falls Municipal Utility District No. 1 of Denton County (the "District") and are not obligations of the State of Texas, Denton County, the Town of Argyle, Texas, or any entity other than the District.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of continuing, direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District. **THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS DESCRIBED HEREIN.** See "INVESTMENT CONSIDERATIONS."

Dated Date: February 1, 2024
Interest accrues from: Delivery Date

Due: February 15, as shown on pages 2 and 3 hereof

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), upon surrender of the Bonds for payment. Interest on the Bonds is payable each August 15 and February 15, commencing August 15, 2024, until maturity or prior redemption. Interest on the Bonds accrues from the date of initial delivery to the initial purchaser thereof (the "Delivery Date"), and will be payable on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown on page 2 and 3 hereof.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Owners (as defined herein) 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 Owners. So long as Cede & Co. is the Owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Owners of the Bonds as described herein. See "THE BONDS - Book-Entry-Only System."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"). See "MUNICIPAL BOND INSURANCE AND RATINGS" and "BOND INSURANCE RISK FACTORS" herein.



MATURITY SCHEDULE

See Schedules on page 2 and page 3

Proceeds from the Road Bonds will be used by the District to reimburse the Developer for and/or to pay for the cost of the acquisition or construction of roads and functionally related improvements in aid thereof as shown herein under "USE AND DISTRIBUTION OF ROAD BOND PROCEEDS." In addition, Road Bond proceeds will be used to fund \$53,589.58 of capitalized interest on the Road Bonds; pay interest on funds advanced by the Developer on behalf of the District; pay engineering, design, and testing fees; and pay costs of issuance of the Road Bonds.

Proceeds from the Utility Bonds will be used by the District to reimburse the Developer for and/or to pay for the cost of acquisition of water, wastewater and drainage facilities as shown herein under "USE AND DISTRIBUTION OF UTILITY BOND PROCEEDS." In addition, Utility Bond proceeds will be used to fund \$59,546.67 of capitalized interest on the Utility Bonds; pay interest on funds advanced by the Developer on behalf of the District; pay engineering, design, and testing fees; and pay costs of issuance of the Utility Bonds.

The Bonds are offered, when, as and if issued by the District subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the legal opinion of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See "LEGAL MATTERS." Delivery of the Bonds is expected through DTC on or about February 21, 2024.

**MATURITY SCHEDULE, INTEREST RATES,
INITIAL REOFFERING YIELDS AND CUSIP NUMBERS**

CUSIP Prefix: 138851^(a)

**\$2,725,000
UNLIMITED TAX ROAD BONDS, SERIES 2024**

SERIAL BONDS

<u>Maturity Amount</u>	<u>Maturity (February 15)</u>	<u>Interest Rate</u>	<u>Initial Yield/Price^(b)</u>	<u>CUSIP Suffix^(a)</u>	<u>Maturity Amount</u>	<u>Maturity (February 15)</u>	<u>Interest Rate</u>	<u>Initial Yield/Price^(b)</u>	<u>CUSIP Suffix^(a)</u>
\$ 65,000	2025	4.000%	3.400%	CZ1	***	***	***	***	***
70,000	2026	4.000%	3.200%	DA5	***	***	***	***	***
75,000	2027	5.000%	3.200%	DB3	120,000	2039	^(c) 4.000%	4.000%	DP2
75,000	2028	5.000%	3.200%	DC1	125,000	2040	^(c) 4.000%	4.050%	DQ0
80,000	2029	5.000%	3.200%	DD9	130,000	2041	^(c) 4.000%	4.090%	DR8
***	***	***	***	***	135,000	2042	^(c) 4.000%	4.110%	DS6
***	***	***	***	***	140,000	2043	^(c) 4.000%	4.140%	DT4
***	***	***	***	***	150,000	2044	^(c) 4.000%	4.150%	DU1
***	***	***	***	***	155,000	2045	^(c) 4.000%	4.160%	DV9
100,000	2034	^(c) 4.000%	3.450%	DJ6	160,000	2046	^(c) 4.000%	97.50	DW7
105,000	2035	^(c) 4.000%	3.500%	DK3	165,000	2047	^(c) 4.125%	4.220%	DX5
***	***	***	***	***	175,000	2048	^(c) 4.125%	4.240%	DY3

TERM BONDS

\$175,000 4.000% Term Bonds Due February 15, 2031 ^(c) Initial Yield 3.350% ^(b) CUSIP #138851DF4 ^(a)
 \$185,000 4.000% Term Bonds Due February 15, 2033 ^(c) Initial Yield 3.400% ^(b) CUSIP #138851DH0 ^(a)
 \$340,000 3.750% Term Bonds Due February 15, 2038 ^(c) Initial Price 97.500 ^(b) CUSIP #138851DN7 ^(a)

(a) CUSIP numbers have been assigned to the Road 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 purchasers of the Road Bonds. None of the District, the Financial Advisor (as defined herein), or the Initial Purchaser of the Road Bonds (as defined herein) shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(b) Initial yield/price represents the initial offering yield/price to the public which has been established by the Initial Purchaser of the Road Bonds for offers to the public and which may be subsequently changed by the Initial Purchaser of the Road Bonds and is the sole responsibility of the Initial Purchaser of the Road Bonds. The initial yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.

(c) The Road Bonds maturing on and after February 15, 2031, are subject to redemption prior to maturity at the option of the District, in whole or in part, in integral multiples of \$5,000, on February 15, 2030, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. In addition, the Road Bonds maturing on February 15, 2031, February 15, 2033 and February 15, 2038 (the "Term Road Bonds") are also subject to mandatory sinking fund redemption prior to maturity as described herein. See "THE BONDS – Redemption Provisions."

**MATURITY SCHEDULE, INTEREST RATES,
INITIAL REOFFERING YIELDS AND CUSIP NUMBERS**

CUSIP Prefix: 133851 ^(a)

**\$3,000,000
UNLIMITED TAX BONDS, SERIES 2024**

SERIAL BONDS

<u>Maturity Amount</u>	<u>Maturity (February 15)</u>	<u>Interest Rate</u>	<u>Initial Yield/Price ^(b)</u>	<u>CUSIP Suffix ^(a)</u>	<u>Maturity Amount</u>	<u>Maturity (February 15)</u>	<u>Interest Rate</u>	<u>Initial Yield/Price ^(b)</u>	<u>CUSIP Suffix ^(a)</u>
\$ 70,000	2025	5.000%	3.400%	DZ0	\$ 110,000	2034 ^(c)	4.000%	3.450%	EJ5
75,000	2026	5.000%	3.200%	EA4	115,000	2035 ^(c)	4.000%	3.500%	EK2
80,000	2027	4.000%	3.200%	EB2	120,000	2036 ^(c)	4.000%	3.650%	EL0
85,000	2028	5.000%	3.200%	EC0	125,000	2037 ^(c)	4.000%	3.800%	EM8
90,000	2029	5.000%	3.200%	ED8					
***	***	***	***	***					
***	***	***	***	***					
***	***	***	***	***					
***	***	***	***	***					

TERM BONDS

\$185,000 4.000% Term Bonds Due February 15, 2031 ^(c) Initial Yield 3.350% ^(b) CUSIP #138851EF3 ^(a)
 \$205,000 4.000% Term Bonds Due February 15, 2033 ^(c) Initial Yield 3.400% ^(b) CUSIP #138851EH9 ^(a)
 \$265,000 4.000% Term Bonds Due February 15, 2039 ^(c) Initial Yield 4.000% ^(b) CUSIP #138851EP1 ^(a)
 \$285,000 4.000% Term Bonds Due February 15, 2041 ^(c) Initial Yield 4.090% ^(b) CUSIP #138851ER7 ^(a)
 \$470,000 4.000% Term Bonds Due February 15, 2044 ^(c) Initial Yield 4.150% ^(b) CUSIP #138851EU0 ^(a)
 \$345,000 4.000% Term Bonds Due February 15, 2046 ^(c) Initial Price 97.750 ^(b) CUSIP #138851EW6 ^(a)
 \$375,000 4.000% Term Bonds Due February 15, 2048 ^(c) Initial Price 97.500 ^(b) CUSIP #138851EY2 ^(a)

(a) CUSIP numbers have been assigned to the Utility 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 purchasers of the Utility Bonds. None of the District, the Financial Advisor (as defined herein), or the Initial Purchaser of the Utility Bonds (as defined herein) shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(b) Initial yield/price represents the initial offering yield/price to the public which has been established by the Initial Purchaser of the Utility Bonds for offers to the public and which may be subsequently changed by the Initial Purchaser of the Utility Bonds and is the sole responsibility of the Initial Purchaser of the Utility Bonds. The initial yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.

(c) The Utility Bonds maturing on and after February 15, 2031, are subject to redemption prior to maturity at the option of the District, in whole or in part, in integral multiples of \$5,000, on February 15, 2030, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. In addition, the Utility Bonds maturing on February 15, 2031, February 15, 2033, February 15, 2039, February 15, 2041, February 15, 2044, February 15, 2046 and February 15, 2048 (the "Term Utility Bonds") are also subject to mandatory sinking fund redemption prior to maturity as described herein. See "THE BONDS – Redemption Provisions."

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DISTRICT DEVELOPED PHASES MAP

PHOTOGRAPHS OF IMPROVEMENTS WITHIN THE DISTRICT

APPENDIX A — AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE YEAR ENDED JUNE 30, 2023

APPENDIX B — SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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 "Bond Insurance" and "Appendix B - Specimen Municipal Bond Insurance Policy"

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, and engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, General Counsel to the District, 3200 Southwest Freeway, Suite 2600, Houston, TX 77027, for further information.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder will, 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 this Official Statement until delivery of a series of Bonds to the applicable Initial Purchaser (as defined herein) and thereafter only as specified in "PREPARATION OF OFFICIAL STATEMENT - Updating the Official Statement."

SALE AND DISTRIBUTION OF THE BONDS

AWARD OF THE ROAD BONDS

After requesting competitive bids for the Road Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser of the Road Bonds") bearing the interest rates shown on page 2 hereof, at a purchase price of par less a discount of \$81,402.90 which resulted in a net effective interest rate of 4.228163% as calculated pursuant to the Notice of Sale and Bidding Instructions.

AWARD OF THE UTILITY BONDS

After requesting competitive bids for the Utility Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser of the Utility Bonds" and, together with the Initial Purchaser of the Road Bonds, the "Initial Purchaser") bearing the interest rates shown on page 3 hereof, at a purchase price of par less a discount of \$89,880.10 which resulted in a net effective interest rate of 4.230724% as calculated pursuant to the Notice of Sale and Bidding Instructions.

PRICES AND MARKETABILITY

The delivery of each series of Bonds is conditioned upon the receipt by the District of a certificate, acceptable to Bond Counsel, executed and delivered by the Initial Purchaser for such series of Bonds before the date of delivery of the Bonds stating the prices at which a substantial amount of such series of Bonds of each maturity has been sold to the public. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the applicable series of Bonds. Information concerning reoffering yields or prices is the responsibility of the applicable Initial Purchaser.

The prices and other terms with respect to the offering and sale of each series of Bonds may be changed from time-to-time by the respective Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the respective Initial Purchaser may over-allot or effect transactions which stabilize or maintain the market prices of the applicable series of Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of special district bonds may be greater than the difference between the bid and asked price 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.

SECURITIES LAWS

No registration statement relating to the offer and sale of the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other 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 will 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 AND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") assigned its municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy for each series of Bonds insuring the timely payment of principal of and interest on the Bonds will be issued by BAM. The Bonds and the presently unenhanced outstanding debt of the District have been assigned an unenhanced rating of "Baa3" by Moody's Investors Service Inc. ("Moody's"). An explanation of the ratings may be obtained from Moody's, 7 World Trade Center, at 250 Greenwich Street, New York, NY 10007 or "S&P", 55 Water Street, New York, NY 10041. The fee associated with the underlying rating assigned to the District by Moody's will be paid by the District; however, any fees associated with ratings provided by other agencies will be at the expense of the Initial Purchaser. See "BOND INSURANCE RISK FACTORS."

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OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. **THE SUMMARY MUST NOT BE DETACHED AND MUST BE USED IN CONJUNCTION WITH MORE COMPLETE INFORMATION CONTAINED HEREIN. A FULL REVIEW MUST BE MADE OF THE ENTIRE OFFICIAL STATEMENT AND OF THE DOCUMENTS SUMMARIZED OR DESCRIBED THEREIN.**

THE DISTRICT

Description Canyon Falls Municipal Utility District No. 1 of Denton County (the "District") consists of approximately 172.6 acres of land and is located entirely within Denton County, Texas and the extraterritorial jurisdiction ("ETJ") of the Town of Argyle, Texas ("Argyle"). The District was created by order of the Texas Commission on Environmental Quality ("TCEQ") dated December 29, 2008, as a municipal utility district and was confirmed by election on November 6, 2012. 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 and particularly Chapters 49 and 54, Texas Water Code as amended, Chapter 7908, Texas Special District Local Laws Code, and Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution. Pursuant to Chapter 7908, Texas Special District Local Laws Code, effective June 10, 2015 the District was created to accomplish the purposes of a municipal utility district as provided by general law and Section 59, Article XVI of the Texas Constitution as well as to construct, acquire, improve, maintain, or operate macadamized, graveled, or paved roads or turnpikes, storm drainage or improvements in aid thereof. The District is subject to the continuing supervision of the TCEQ.

The Canyon Falls Development..... The District contains a portion of the development known as Canyon Falls. Canyon Falls is a 1,200 acre mixed-use master planned community located in southwestern Denton County approximately 37 miles northwest of the Central Business District of the City of Dallas, approximately 27 miles north of the Central Business District of the City of Fort Worth, and approximately 20 miles south of the City of Denton. Approximately 173 acres of Canyon Falls are located within the District and the extraterritorial jurisdiction of the Town of Argyle ("Argyle"); approximately 514 acres are located within Canyon Falls WCID No. 2 of Denton County and the corporate limits of the Town of Northlake, Texas ("Northlake"); and the balance is not located within a special district but is located within the corporate limits of the Town of Flower Mound ("Flower Mound"). Principal access to Canyon Falls is provided from Interstate 35W and FM 1171.

Canyon Falls is currently projected to include a maximum of 2,162 single-family detached lots pursuant to the development agreements with and zoning standards of Northlake, Argyle and Flower Mound, up to 300 multi-family residential units, and approximately 116 acres of commercially-zoned land. As of June 30, 2023, 1,954 single-family detached homes have been constructed within Canyon Falls. Recreational facilities to serve Canyon Falls have been completed on approximately 7 acres in Northlake. Those facilities include a 6,900 square foot Community and Fitness Center, a 2,700 square foot pool building, fitness facilities, pool, splash pad, and multi-age play equipment. A second 7-acre recreational facility serves the western portion of Canyon Falls. It is constructed within Northlake and consists of a bath house, pool, and multi-age play equipment. Approximately 10 miles of hard surface hiking and 4 miles of natural hiking and biking trails are constructed throughout Canyon Falls. All of such recreational facilities will be available for use by residents of the District. A portion of Canyon Falls is located within the Argyle Independent School District ("Argyle ISD"), and the balance of the development is located within the Northwest Independent School District ("Northwest ISD").

Status of Development The District contains a portion of Canyon Falls and is being developed primarily as a single-family residential development. Pursuant to a Development Agreement (as defined herein) and zoning standards of Argyle, approximately 172.6 acres within the District are planned for residential development to include 340 single family detached lots. As of October 1, 2023, water, wastewater and storm drainage facilities and roads have been constructed to serve 340 single family residential lots on approximately 161.2 acres within the District, 294 homes have been completed (including occupied, spec inventory and model homes), 5 new homes were under construction and 41 vacant developed lots were available for home construction. Homes in the District have a sales price ranging from approximately \$600,000 to \$1,000,000+. The District includes approximately 11.4 acres of land that are not developable (utility easements, detention, open space, and rights-of way).

Outstanding Bonds The District has previously issued a total of \$8,320,000 in unlimited tax road bonds, of which \$8,135,000 remains outstanding. The District also has previously issued a total of \$6,250,000 in unlimited tax bonds for water, sewer and drainage purposes of which \$6,250,000 remains outstanding (together, the “Outstanding Bonds”).

Future Debt..... The Developer (hereinafter defined) and its predecessor have advanced funds on behalf of the District for administration and operating costs and for the construction of water, sewer, and drainage facilities and road improvements. After reimbursements are made with proceeds of the Bonds, based upon information provided by the Developer, there will remain approximately \$1,900,000 to be reimbursed to the Developer in the future for such purposes. The District intends to issue additional bonds as soon as feasible and from time to time in the future in order to fully reimburse the Developer, including interest. The District is planning to issue additional debt in calendar year 2024 for the purposes of financing roads and/or water, sanitary sewer, and drainage facilities.

Developers..... On March 31, 2015, NASH Canyon Falls, LLC ("NASH Canyon Falls" or the "Developer"), a Delaware limited liability company, acquired 172.6 acres of land in the District from WS-DCF Development, LLC, a Delaware limited liability company.

NASH Canyon Falls was created for the sole purpose of developing Canyon Falls and its only substantial asset consists of land within Canyon Falls. The sole member of NASH Canyon Falls is NORTH AMERICA SEKISUI HOUSE, LLC, a Delaware limited liability company. Development of the District is being managed by Brookfield Properties Development LLC, which is a subsidiary of Brookfield Asset Management, Inc. Brookfield is a planned community developer in the United States and has provided planning, development, and management services to project owners for multi-purpose residential and commercial projects in the United States and Canada for more than forty years.

The Developer is not responsible for, liable for, or has any commitment for payment of the Bonds. The Developer does not have any legal commitment to the District or the owners of the Bonds to continue development of land within the District and the Developer may sell or otherwise dispose of property within the District, or any assets, at any time. Further, the financial condition of the Developer is subject to change.

Home Builders The Developer has entered into lot sales contracts with Landon Homes, Perry Homes, Belclaire Homes, M/I Homes, Windmill, Stonegate, Drees and Chesmar. Pursuant to such lot sales agreements, each builder is required to make an earnest money deposit and to take down single-family lots within the District at a pace ranging from 3 to 9 lots per quarter, depending upon lot size and home sales price point. According to the Developer, each homebuilder is in substantial compliance with all of the terms of its respective lot sales contract. Homebuilders in the District contract directly with the Developer and have no obligation to or agreement with the District to construct any homes or other improvements in the District.

THE BONDS

The Issue \$3,725,000 Canyon Falls Municipal Utility District No. 1 Unlimited Tax Road Bonds, Series 2024 (the "Road Bonds"), dated February 1, 2024, are being issued pursuant to a Resolution (the "Road Bond Resolution") authorizing the issuance of the Road Bonds adopted by the District's Board of Directors as fully registered bonds. The Road Bonds mature on February 15 in each of the years and in the respective principal amounts shown on page 2 hereof. The Road Bonds will be issued in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. See "THE BONDS."

\$3,000,000 Canyon Falls Municipal Utility District No. 1 Unlimited Tax Bonds, Series 2024 (the "Utility Bonds" and together with the Road Bonds, are collectively referred to as the "Bonds"), dated February 1, 2024, are being issued pursuant to an order (the "Utility Bond Resolution" and, together with the Road Bond Resolution, the "Bond Resolutions") authorizing the issuance of the Bonds adopted by the District's Board of Directors as fully registered bonds. The Bonds mature on February 15 in each of the years and in the respective principal amounts shown on page 3 hereof. The Bonds will be issued in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. See "THE BONDS."

Authority for Issuance The Road Bonds are issued pursuant to the Bond Resolution, Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, Chapters 49 and 54 of Texas Water Code, as amended, Chapter 7908, Texas Special District Local Laws Code, and an election held within the boundaries of the District. See "THE BONDS-Authority for Issuance." At an election held within the District on May 6, 2017, voters authorized a total of \$48,595,000 bonds for road improvements. The Road Bonds are the District's third installment of bonds issued for such purposes. After issuance of the Road Bonds, the District will have \$37,550,000 in authorized but unissued road bonds. See "THE BONDS - Issuance of Additional Debt."

The Utility Bonds are issued pursuant to the Bond Resolution, Chapters 49 and 54, Texas Water Code, as amended, Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, Chapter 7908, Special District Local Laws Code, an Order of the TCEQ, dated December 5, 2023 and an election held within the boundaries of the District. See "THE BONDS-Authority for Issuance." At an election held within the District on November 6, 2012, voters authorized a total of \$50,515,000 of bonds for water, sanitary sewer, and drainage purposes. The Utility Bonds are the District's second installment of bonds issued for such purposes. After issuance of the Utility Bonds, the District will have \$41,265,000 in authorized but unissued bonds for water, sanitary sewer, and drainage purposes. See "THE BONDS - Issuance of Additional Debt."

Source of Payment The Bonds are payable from two separate continuing, direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied upon all taxable property within the District. See "THE BONDS - Source of Payment."

Use of Road Bond and Utility Bond Proceeds Proceeds from the Road Bonds will be used by the District to reimburse the Developer for and/or to pay for the cost of the acquisition or construction of roads and functionally related improvements in aid thereof as shown herein under "USE AND DISTRIBUTION OF ROAD BOND PROCEEDS." In addition, Road Bond proceeds will be used to fund \$53,589.58 of capitalized interest on the Road Bonds; pay interest on funds advanced by the Developer on behalf of the District; pay engineering, design, and testing fees; and pay costs of issuance of the Road Bonds.

Proceeds from the Utility Bonds will be used by the District to reimburse the Developer for and/or to pay for the cost of acquisition of water, wastewater and drainage facilities and the purchase of wastewater capacity as shown herein under "USE AND DISTRIBUTION OF UTILITY BOND PROCEEDS." In addition, Bond proceeds will be used to fund \$59,546.67 of capitalized interest on the Bonds; pay interest on funds advanced by the Developer on behalf of the District; pay engineering, design, and testing fees; and pay costs of issuance of the Bonds.

Redemption The District reserves the right, at its option, to redeem the respective Bonds having stated maturities on and after February 15, 2031, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2030, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date of redemption. In addition, the Road Bonds maturing on February 15, 2031, February 15, 2033 and February 15, 2038 (the "Term Road Bonds") and the Utility Bonds maturing on February 15, 2031, February 15, 2033, February 15, 2039, February 15, 2041, February 15, 2044, February 15, 2046 and February 15, 2048 (the "Term Utility Bonds") are also subject to mandatory sinking fund redemption prior to maturity as described herein. See "THE BONDS – Redemption Provisions."

Payment Record The District has made timely payment when due of all debt service on its previously issued debt.

Bond Counsel Allen Boone Humphries Robinson LLP, Houston, Texas.

General Counsel Allen Boone Humphries Robinson LLP, Dallas Texas.

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

Financial Advisor Hilltop Securities Inc., Fort Worth, Texas.

Engineer Johnson Volk Consulting, Plano, Texas.

Paying Agent/Registrar BOKF, NA, Dallas, Texas.

**Municipal Bond Insurance
and Rating**

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned its municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of principal of and interest for each series of Bonds will be issued by Build America Mutual Assurance Company ("BAM"). Moody's has also assigned an underlying credit rating of "Baa3" to the Bonds and the presently outstanding unenhanced debt of the District. An explanation of such ratings may be obtained from Moody's and S&P. The fee associated with the Moody's underlying rating will be paid by the District. The purchase of such insurance and payment of all associated costs, including the premium charged by the Insurer, and fees charged by any rating agencies other than Moody's will be at the expense of the Initial Purchaser. See "MUNICIPAL BOND INSURANCE AND RATINGS" and "BOND INSURANCE RISK FACTORS."

Investment Considerations .. THE DISTRICT'S TAX IS LEVIED ONLY ON THE PROPERTY LOCATED WITHIN THE DISTRICT. THEREFORE, THE INVESTMENT SECURITY AND QUALITY OF THE BONDS IS DEPENDENT UPON THE SUCCESSFUL DEVELOPMENT OF PROPERTY AND CONTINUED CONSTRUCTION OF TAXABLE IMPROVEMENTS LOCATED WITHIN THE DISTRICT AND THE PAYMENT AND COLLECTION OF TAXES LEVIED THEREON. THE PURCHASE AND OWNERSHIP OF THE BONDS DESCRIBED HEREIN ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THE ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED "INVESTMENT CONSIDERATIONS."

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SELECTED FINANCIAL INFORMATION (UNAUDITED)

2023 Taxable Assessed Valuation as of January 1, 2023	\$ 196,857,548 ^(a)
Estimated Assessed Valuation as of September 1, 2023 (100% of Estimated Market Value)	\$ 214,371,258 ^(b)
Direct Debt	
Outstanding Bonds (as of September 1, 2023)	\$ 14,385,000
The Utility Bonds	3,000,000
The Road Bonds	<u>2,725,000</u>
Gross Direct Debt Outstanding	\$ 20,110,000
Estimated Overlapping Debt	\$ 11,472,737 ^(c)
Total Gross Direct Debt and Estimated Overlapping Debt	\$ 31,582,737
Ratios of Gross Direct Debt to:	
2023 Taxable Assessed Valuation	10.22%
Estimated Taxable Assessed Valuation as of September 1, 2023	9.38%
Ratio of Gross Direct Debt and Estimated Overlapping Debt to	
2023 Taxable Assessed Valuation	16.04%
Estimated Taxable Assessed Valuation as of September 1, 2023	14.73%
Average Annual Debt Service Requirement (2024-2048)	\$ 1,218,389
Maximum Annual Debt Service Requirement (2044)	\$ 1,316,731
Tax Rate Required to Pay Average Annual Debt Service (2024-2048) at a 99.00% Collection Rate	
Based upon 2023 Taxable Assessed Valuation (100% of Market Value)	\$ 0.6252
Based upon Estimated Taxable Assessed Valuation as of September 1, 2023	\$ 0.5741
Tax Rate Required to Pay Maximum Annual Debt Service (2044) at a 99.00% Collection Rate	
Based upon 2023 Taxable Assessed Valuation (100% of Market Value)	\$ 0.6757
Based upon Estimated Assessed Valuation as of September 1, 2023	\$ 0.6205
Utility System Debt Service Fund Balance (as of September 1, 2023)	\$ 4,469 ^(d)
Road Debt Service Fund Balance (as of September 1, 2023)	\$ 779,285 ^(d)
General Fund Balance (as of September 1, 2023)	\$ 1,064,541
2023 District Tax Rate (per \$100 Assessed Valuation)	
Debt Service	\$ 0.5840 ^(e)
Maintenance and Operations	<u>0.2263</u>
Total	\$ 0.8103
Status of Estimated Home Construction as of January 8, 2024 ^(f)	
Single Family Homes Completed and Occupied	287
Single Family Homes Completed and Unoccupied	7
Single Family Homes Under Construction	5
Developed but Vacant Lots	<u>41</u>
Total	340

- (a) As certified by the Denton Central Appraisal District (the "Appraisal District") and represents the certified taxable assessed valuation of property in the District as of January 1, 2023. See "TAXING PROCEDURES." This amount includes \$7,268,990 of uncertified value, which represents the Appraisal District's estimate of the minimum amount of uncertified value that will ultimately be certified.
- (b) The estimated Taxable Assessed Valuation as of September 1, 2023, is intended to add the estimated taxable assessed value of improvements constructed after January 1, 2023 through September 1, 2023 and was provided by the Appraisal District. This estimated assessed value is provided for informational purposes only and taxes will not be levied on such estimated assessed value. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. See "TAXING PROCEDURES."
- (c) See "TAX DATA - Estimated Overlapping Debt".
- (d) Capitalized interest, in the amount of \$59,546.67 will be deposited in the Utility System Debt Service Fund and capitalized interest, in the amount of \$53,589.58 will be deposited in the Road Debt Service Fund at closing. Neither Texas law nor the Bond Resolutions require the District maintain any particular balance in the Utility System Debt Service or the Road Debt Service Fund.
- (e) The District levied a tax rate of \$0.3100 per \$100 valuation to fund debt service of bonds issued to finance utility system facilities and \$0.27400 per \$100 valuation to fund debt service of bonds issued to finance road facilities. The District will use capitalized interest to pay for the first year of interest payments associated with the Bonds.
- (f) As reported by the Developer.

OFFICIAL STATEMENT

CANYON FALLS MUNICIPAL UTILITY DISTRICT NO. 1 OF DENTON COUNTY

(A political subdivision of the State of Texas located within Denton County, Texas)

\$2,725,000

UNLIMITED TAX ROAD BONDS, SERIES 2024

\$3,000,000

UNLIMITED TAX BONDS, SERIES 2024

This Official Statement provides certain information in connection with the issuance by Canyon Falls Municipal Utility District No. 1 of Denton County (the "District") of its \$2,725,000 Unlimited Tax Road Bonds, Series 2024 (the "Road Bonds") and \$3,000,000 Unlimited Tax Bonds, Series 2024 (the "Utility Bonds"). The Road Bonds and Utility Bonds collectively are referred to as the "Bonds" throughout this Official Statement.

The Road Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution, the general laws of the State of Texas (the "State"), including particularly, Chapters 49 and 54, Texas Water Code, as amended, Chapter 7908, Texas Special District Local Laws Code, as amended (the "District Act"), a Resolution authorizing the issuance of the Bonds (the "Road Bond Resolution") to be adopted by the Board of Directors of the District (the "Board"), and an election held within the District (the "Authorization Election").

The Utility Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, the general laws of the State, including particularly, Chapters 49 and 54, Texas Water Code, as amended, the District Act, an order of the Texas Commission on Environmental Quality ("TCEQ"), dated December 5, 2023 a resolution authorizing the issuance of the Bonds (the "Utility Bond Resolution") and an election held within the District.

The Road Bond Resolution and the Utility Bond Resolution are collectively referred to herein as the "Bond Resolutions," and, unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the applicable Bond Resolution. This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, report and other instrument 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.

This Official Statement includes descriptions, among others, of the Bonds, the Bond Resolutions, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, TX 77027, upon payment of the cost of duplication.

PLAN OF FINANCING

PURPOSE

Proceeds from the Road Bonds will be used by the District to reimburse the Developer for and/or to pay for the cost of the acquisition or construction of roads and functionally related improvements in aid thereof as shown below. In addition, Road Bond proceeds will be used to fund \$53,589.58 of capitalized interest on the Bonds; pay interest on funds advanced by the Developer on behalf of the District; pay engineering, design, and testing fees; and pay costs of issuance of the Bonds.

Proceeds from the Utility Bonds will be used by the District to reimburse the Developer for and/or to pay for the cost of acquisition of water, wastewater and drainage facilities and the purchase of wastewater capacity as shown below. In addition, Utility Bond proceeds will be used to fund \$59,546.67 of capitalized interest on the Utility Bonds; pay interest on funds advanced by the Developer on behalf of the District; pay engineering, design, and testing fees; and pay costs of issuance of the Bonds.

USE AND DISTRIBUTION OF ROAD BOND PROCEEDS

Use of Road Bond Proceeds for Construction Purposes . . . Proceeds from the sale of the Road Bonds will be used to reimburse the Developers for funds advanced for (i) acquisition reimbursement of the Road contract and land costs associated with village 9-AR; and (ii) engineering and testing services. Road Bond proceeds will also be used to pay interest to the Developers on funds advanced, capitalized interest and professional fees and other costs of issuance of the Bonds.

CONSTRUCTION COSTS

• Road Contract for Village 9-AR	\$ 1,474,466
• Land Acquisition Costs	<u>713,159</u>

Total Construction Costs **\$ 2,187,625**

NON-CONSTRUCTION COSTS

• Issuance Costs and Professional Fees	\$ 202,275
• Capitalized Interest (through 8/15/2024)	53,590
• Developer Interest	112,884
• Underwriter's Discount	81,403
• Bond Engineering Report	30,000
• Attorney General Fee	2,725
• Contingency	<u>54,497</u>

Total Non-Construction Costs **\$ 537,375**

TOTAL BOND ISSUE REQUIREMENT **\$ 2,725,000**

USE AND DISTRIBUTION OF UTILITY BOND PROCEEDS

Use of Utility Bond Proceeds . . . Proceeds from the sale of the Utility Bonds will be used to reimburse the Developers for funds advanced for (i) construction of water, wastewater, and drainage facilities to serve various subdivisions and areas within the District; and (ii) engineering and testing services. Utility Bond proceeds will also be used to pay interest to the Developers on funds advanced, as well as professional fees, other costs of issuance of the Utility Bonds, and will be used to fund approximately 6 months of capitalized interest on the Bonds. In the instance that estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended only by approval from TCEQ.

CONSTRUCTION COSTS

A. Developer Contribution Items

• Canyon Falls Village 19AR/20AR -W,WW,D	\$ 273,192
• Canyon Falls Village 10AR-W,WW,D	383,317
• Canyon Falls Village 9AR-W,WW,D	759,825
• Engineering and Testing	476,055
• SWPPP on Existing Projects	13,641
• Engineering and Testing on Previous Projects	22,523
Total Developer Contribution Items	\$ 1,928,553

Total Construction Costs **\$ 1,928,553**

NON-CONSTRUCTION COSTS

• Legal/Bond Counsel Fees (2.6%)	\$ 90,000
• Financial Advisor Fees (1.8%)	60,000
• Capitalized Interest (through 8/15/2024)	59,547
• Developer Interest	431,302
• Bond Discount	89,880
• Bond Issuance Expenses	50,097
• Bond Application Report Costs	42,000
• Operating Expenses	145,250
• Attorney General Fee	3,000
• Contingency ^(a)	92,871

Total Non-Construction Costs **\$ 1,071,447**

TOTAL BOND ISSUE REQUIREMENT **\$ 3,000,000**

(a) The TCEQ directed that any surplus funds resulting from the sale of the bonds at a lower interest rate than proposed shall be shown as a contingency line item. The use of the funds is subject to approval by the TCEQ. In the instance that TCEQ approved estimated costs exceed the actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts, additional TCEQ approval and the issuance of additional bonds may be required. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes. The final amounts to be reimbursed to the Developer will be based upon an agreed upon procedures report prepared by the District auditor.

THE BONDS

DESCRIPTION

The Bonds are dated February 1, 2024, with interest accruing from the date of initial delivery (the "Delivery Date") to the initial purchaser of the respective series of the Bonds (collectively, the "Initial Purchaser"), payable on August 15, 2024, and on each February 15 and August 15 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. The Bonds mature on February 15 of the years and in the amounts shown under "MATURITY SCHEDULE, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIP NUMBERS" on page 2 and 3 hereof, as applicable. The Bonds are issued in fully registered form only in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. Principal of the Bonds will be payable upon presentation of the Bonds at the principal payment office of BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). Interest calculations are based upon a 360-day year comprised of twelve 30-day months.

The principal of and interest on the Bonds will be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar. If not then subject to the Book-Entry-Only System described below, interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed on or before the Interest Payment Date, by the Paying Agent/Registrar to the Owners on the Record Date (described below under "THE BONDS – Record Date for Interest Payment"), to the address of such Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Owners at the risk and expense of the Owners.

If the date for payment of the principal of or interest on any Bond is a Saturday, a Sunday, a legal holiday, or a day on which banking institutions in the State or city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding business day, as described in the applicable Bond Resolution.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. Please note that these websites are included herein as active textual references only, and the information contained on (or accessed through) these websites is not incorporated herein and should not be construed as part of this Official Statement.

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 purchaser 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-only 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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of a series of Bonds 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 Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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-Only System, references in other sections of this Official Statement to "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-Only System, and (ii) except as described above, notices that are to be given to Owners under the Bond Resolutions will be given only to DTC.

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed securities certificates will be issued to the respective Owners and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the applicable Bond Resolution and summarized under caption "Registration and Transfer" below.

RECORD DATE FOR INTEREST PAYMENT

The date for determining the person to whom the interest on the Bonds is payable on any Interest Payment Date means the close of business on the last business day of the calendar month next preceding the Interest Payment Date (the "Record Date").

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

SOURCE OF PAYMENT

The Bonds, the Outstanding Bonds (hereinafter defined), and any debt subsequently issued payable in whole or in part from taxes, are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District (see "TAXING PROCEDURES"). The Bonds involve certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See "RISK FACTORS." The Bonds are obligations solely of the District and are not obligations of the State of Texas, Denton County, the Town of Argyle, Texas or any political subdivision or entity other than the District.

PERFECTED SECURITY INTEREST

Chapter 1208, Texas Government Code, as amended, applies to the issuance of the Bonds and the pledge of the taxes granted by the District under the Bond Resolutions and such pledge is, therefore, valid, effective, and perfected. Should Texas law be amended at any time while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the taxes granted by the District under the Bond Resolutions is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, in order to preserve to the Owners of the Bonds a security interest in such pledge, the District agrees to take such measures as it determines are reasonable and necessary to enable a filing to perfect the security interest in said pledge to occur.

FUNDS

Road Debt Service Fund: The Road Bond Resolution confirms the District's Road Debt Service Fund (the "Road Debt Service Fund"). An amount equal to \$53,589.58 of capitalized interest on the Road Bonds will be deposited from proceeds from the sale of the Road Bonds into the Road Debt Service Fund. The Road Debt Service Fund, which constitutes a trust fund for the benefit of the Owners and any additional tax road bonds issued by the District for road purposes is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Road Bonds and any of the District's duly authorized additional bonds issued for road purposes payable in whole or part from taxes. Amounts on deposit in the Road Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar and to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Road Bonds and any additional bonds issued for road purposes payable from taxes.

Road Capital Projects Fund: The Road Bond Resolution confirms the District's Road Capital Projects Fund (the "Road Capital Projects Fund"). After the deposit of the capitalized interest into the Road Debt Service Fund, all remaining proceeds of the sale of the Road Bonds will be deposited into the Road Capital Projects Fund and used to pay costs necessary or appropriate to accomplish the purposes for which the Road Bonds are issued. Amounts remaining in the Road Capital Projects Fund upon completion of the facilities constructed, financed, or acquired with the Road Bonds shall be transferred to the Road Debt Service Fund. See "USE AND DISTRIBUTION OF ROAD BOND PROCEEDS" for a more complete description of the use of Road Bond proceeds and the projects related thereto.

Utility System Debt Service Fund: The Utility Bond Resolution confirms the District's Utility System Debt Service Fund (the "Utility System Debt Service Fund"). An amount equal to \$59,546.67 of capitalized interest on the Utility Bonds will be deposited from proceeds from the sale of the Utility Bonds into the Utility System Debt Service Fund. The Utility System Debt Service Fund, which constitutes a fund for the benefit of the Owners and any additional tax bonds issued by the District for water, wastewater and drainage purposes is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Utility Bonds and any of the District's duly authorized additional bonds issued for water, wastewater and drainage purposes payable in whole or 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 and to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Utility Bonds and any additional bonds issued for water, wastewater and drainage purposes payable from taxes.

Utility System Capital Projects Fund: The Utility Bond Resolution confirms the District's Utility System Capital Projects Fund (the "Utility System Capital Projects Fund"). After the deposit of the capitalized interest into the Utility System Debt Service Fund, all remaining proceeds of the sale of the Utility Bonds will be deposited into the Utility System Capital Projects Fund and used to pay costs necessary or appropriate to accomplish the purposes for which the Utility Bonds are issued. Amounts remaining in the Utility System Capital Projects Fund upon completion of the facilities constructed, financed, or acquired with the Utility Bonds shall be transferred to the Utility System Debt Service Fund. See "USE AND DISTRIBUTION OF UTILITY BOND PROCEEDS" for a more complete description of the use of Bond proceeds and the projects related thereto.

NO ARBITRAGE

The District will certify as of the date the Bonds are delivered and paid for 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, 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 in the Bond Resolutions 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.

REDEMPTION PROVISIONS

Optional Redemption . . . The District reserves the right, at its option, to redeem the respective Bonds maturing on and after February 15, 2031, prior to their scheduled maturities, in whole or in part, in integral multiples of \$5,000 on February 15, 2030, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of a series of Bonds are optionally redeemed at any time, the particular maturities and amounts of such series of Bonds to be redeemed will be selected by the Board. If fewer than all the Bonds of a certain maturity are to be optionally redeemed, the particular Bonds to be redeemed will be selected by the Paying Agent/Registrar by lot or other method of random selection as the Paying Agent/Registrar deems fair and appropriate (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

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Mandatory Redemption . . . The Road Bonds maturing on February 15, 2031, February 15, 2033 and February 15, 2038 and the Utility Bonds maturing on February 15, 2031, February 15, 2033, February 15, 2039, February 15, 2041, February 15, 2044, February 15, 2046 and February 15, 2048 (the "Term Road Bonds" and "Term Utility Bonds" collectively the "Term Bonds"), are subject to mandatory sinking fund redemption in whole or in part prior to maturity, and will be redeemed by the District at a redemption price equal to the principal amounts thereof, plus accrued interest to the dates of redemption, on the dates and in the principal amounts as follows:

Term Road Bonds Maturing February 15, 2031		Term Road Bonds Maturing February 15, 2033		Term Road Bonds Maturing February 15, 2038	
Redemption Date	Principal Amount	Redemption Date	Principal Amount	Redemption Date	Principal Amount
February 15, 2030	\$ 85,000	February 15, 2032	\$ 90,000	February 15, 2036	\$ 110,000
February 15, 2031*	90,000	February 15, 2033*	95,000	February 15, 2037	115,000
	\$ 175,000		\$ 185,000	February 15, 2038*	115,000
					\$ 340,000

Term Utility Bonds Maturing February 15, 2031		Term Utility Bonds Maturing February 15, 2033		Term Utility Bonds Maturing February 15, 2039		Term Utility Bonds Maturing February 15, 2041	
Redemption Date	Principal Amount	Redemption Date	Principal Amount	Redemption Date	Principal Amount	Redemption Date	Principal Amount
February 15, 2030	\$ 90,000	February 15, 2032	\$ 100,000	February 15, 2038	\$ 130,000	February 15, 2040	\$ 140,000
February 15, 2031*	95,000	February 15, 2033*	105,000	February 15, 2039*	135,000	February 15, 2041*	145,000
	\$ 185,000		\$ 205,000		\$ 265,000		\$ 285,000

Term Utility Bonds Maturing February 15, 2044		Term Utility Bonds Maturing February 15, 2046		Term Utility Bonds Maturing February 15, 2048	
Redemption Date	Principal Amount	Redemption Date	Principal Amount	Redemption Date	Principal Amount
February 15, 2042	\$ 150,000	February 15, 2045	\$ 170,000	February 15, 2047	\$ 185,000
February 15, 2043	155,000	February 15, 2046*	175,000	February 15, 2048*	190,000
February 15, 2044*	165,000		\$ 345,000		\$ 375,000
	\$ 470,000				

*Maturity

On or before 30 days prior to each Mandatory Redemption Date set forth above, the 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 Resolutions. The principal amount of any Term Bonds to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bonds, which, by the 45th day prior to 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 Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Notice of Redemption; Effect of Redemption . . . Notice of any redemption identifying the Bonds to be redeemed in whole or in part will be given by the Paying Agent/Registrar at least 30 days prior to the date fixed for redemption by sending written notice by first class mail or overnight delivery to the Owner of each Bond to be redeemed in whole or in part at the address shown on the Register. Such notices will state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment, and, if less than all the outstanding Bonds of a particular series are to be redeemed, the numbers of the Bonds of such series or the portions thereof to be redeemed. Neither the failure to give such notice nor defect therein will affect the sufficiency of the notice given to the Owner. By the date fixed for redemption, due provision must be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed will no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption will terminate on the date fixed for redemption.

Conditional Notice of Redemption . . . Notwithstanding anything in the Bond Resolutions to the contrary, the District may make any notice of redemption conditional on the occurrence of a condition precedent. In the event that the District chooses to provide a conditional notice of redemption, the District must include in the notice of redemption that the redemption is conditioned upon the occurrence of a condition precedent. The Paying Agent/Registrar must give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded will remain outstanding and the rescission of such redemption will not constitute an event of default. Further, in the case of a conditional redemption, the failure of the District to make money or authorized securities available in part or in whole on or before the redemption date will not constitute an event of default.

AUTHORITY FOR ISSUANCE

The Road Bonds . . . At an election held within the District on May 6, 2017, voters of the District authorized a total of \$48,595,000 in bonds for the purpose or purposes of designing, constructing, acquiring, improving, maintaining, and operating macadamized, graveled, or paved roads or turnpikes, or improvements in aid of these purposes and \$48,595,000 in unlimited tax bonds for refunding such bonds. The Road Bonds are the third installment of such authorization issued by the District. The District has previously issued \$4,945,000 Unlimited Tax Road Bonds, Series 2020 and \$3,375,000 Unlimited Tax Road Bonds, Series 2021 of which \$8,135,000 remains outstanding. After the issuance and sale of the Road Bonds, \$37,550,000 in principal amount of unlimited tax bonds for the construction and acquisition of roads, and \$48,595,000 in unlimited tax bonds for refunding such bonds, will remain authorized but unissued. The Road Bonds are issued by the District pursuant to the terms and provisions of the Road Bond Resolution; Article III, Section 52 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 7908, Texas Special District Local Laws Code, and an election held in the District.

The Utility Bonds . . . At an election held within the District on November 6, 2012, voters of the District authorized a total of \$50,515,000 in bonds for water, sanitary sewer, and drainage purposes and \$50,515,000 in unlimited tax bonds for refunding such bonds. The Utility Bonds are the second installment of such authorization issued by the District. The District has previously issued \$6,250,000 Unlimited Tax Bonds, Series 2022 of which \$6,250,000 remains outstanding. After the issuance of the Utility Bonds \$41,265,000 in principal amount of unlimited tax Bonds for water, sanitary sewer and drainage purposes and \$50,515,000 in unlimited tax bonds for refunding such bonds, will remain authorized but unissued. The Utility Bonds are issued by the District pursuant to the terms and provisions of the Utility Bond Resolution; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended, an Order of the TCEQ dated December 5, 2023, Chapter 7908, Texas Special District Local Laws Code, and an election held in the District.

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.

REPLACEMENT OF PAYING AGENT/REGISTRAR

Provision is made in the Bond Resolution for replacement of the Paying Agent/Registrar by the District. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar must act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District must be a national or state banking institution, an association or a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar for the Bonds.

REGISTRATION AND TRANSFER

So long as any Bonds remain outstanding, the Paying Agent/Registrar will keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar will provide for the registration and transfer of Bonds in accordance with the terms of the respective Bond Resolution.

In the event the Book-Entry-Only System should be discontinued, each Bond will be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefore, to the extent possible and under reasonable circumstances within three business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

All Bonds will be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same series, same maturity and interest rate and in any authorized denomination in an aggregate principal amount or maturing amounts, as appropriate, equal to the unpaid principal amount or maturing amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds in accordance with the Bond Resolution. Each Bond delivered will be entitled to the benefits and security of each Bond Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar will be required to transfer or to exchange any Bond during the period beginning on the close of business on a Record Date and ending with the opening of business on the next succeeding Interest

Payment Date or to transfer or exchange any Bond called for redemption during the 30-day period prior to the date fixed for redemption of such Bond.

The District or the Paying Agent/Registrar may require the Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange will be paid by the District.

LOST, STOLEN, OR DESTROYED BONDS

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a lost, stolen, damaged or mutilated Bond, the District will execute and the Paying Agent/Registrar will authenticate and deliver in exchange therefor a substitute Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, will, upon receipt of certain documentation from the Owner and indemnification satisfactory of the District, execute and the Paying Agent/Registrar will authenticate and deliver a substitute Bond of like series, maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Owners of lost, stolen, destroyed, damaged, or mutilated Bonds will be required to pay the District's costs and fees to replace such bond. In addition, the District or the Paying Agent/Registrar may require the Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

PAYMENT RECORD

The Road Bonds constitute the third series of unlimited tax road bonds issued by the District and the Utility Bonds constitute the second series of unlimited tax bonds issued by the District for water, sewer, and drainage facilities. The District has previously issued its "Unlimited Tax Road Bonds, Series 2020", "Unlimited Tax Road Bonds, Series 2021" and "Unlimited Tax Bonds, Series 2022" in the original principal amounts of \$4,945,000, \$3,375,000 and \$6,250,000 respectively the aggregate principal amount of which \$14,385,000 remains outstanding (the "Outstanding Bonds"). To date, all interest on the Outstanding Bonds has been paid from amounts capitalized from the proceeds thereof.

ISSUANCE OF ADDITIONAL DEBT

The District intends to issue additional bonds from its voted authorizations for road improvements and for water, sewer, and drainage facilities. The District has \$48,595,000 in authorized but unissued unlimited tax road bonds and \$50,515,000 in authorized but unissued unlimited tax bonds for water, wastewater, and drainage purposes. After issuance of the Road Bonds, the District will have \$37,550,000 in authorized but unissued unlimited tax road bonds and after issuance of the Utility Bonds, \$41,265,000 in authorized but unissued Bonds for water, wastewater and drainage purposes. In addition, the District has \$99,110,000 in authorized but unissued unlimited tax bonds for refunding all or any portion of bonds or refunding bonds of the District, consisting of \$48,595,000 for the purpose of refunding bonds issued for road purposes and \$50,515,000 for the purpose of refunding of bonds issued for water, sanitary sewer, and drainage purposes. See "THE BONDS – Authority for Issuance". Any bonds issued by the District, must be approved by the Attorney General of Texas. Approval of the TCEQ is necessary for the issuance of bonds issued to finance the acquisition or construction of water, wastewater, or drainage purposes. See "THE DISTRICT - General."

The Bond Resolutions impose no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. However, the District must comply with feasibility tests promulgated by the Attorney General, in the case of bonds issued for road purposes, and the TCEQ, in the case of bonds issued for water, sanitary sewer, and drainage purposes, respectively, with regard to taxable assessed valuations and ad valorem tax rates that may limit the amount of bonds which may be issued from time to time in the future. Furthermore, pursuant to Article III, Section 52 of the Texas Constitution, the total amount of bonds and other obligations of the District issued for road purposes may *not* exceed one-fourth of the assessed valuation of real property in the District at the time of issuance.

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

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. The size of extraterritorial jurisdiction depends in part on the municipality's population. With certain exceptions, a municipality may annex territory only within the confines of its extraterritorial jurisdiction. When a municipality annexes additional territory, the municipality's extraterritorial jurisdiction expands in conformity with such annexation.

The District lies within the extraterritorial jurisdiction of The Town of Argyle. The Development Agreement (as defined herein) states that the District shall be immune from annexation by Argyle until the earlier to occur of: (a) 15 years from the effective date of May 27, 2008; or (b) the date that construction of public infrastructure to serve 100 percent of the development is complete and bonds have been issued by the District for reimbursement of all eligible costs relating to the public infrastructure and interceptor line.

Notwithstanding the Development Agreement, a municipality may not annex land within the District unless (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 percent of the land in the area a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between a municipality and the District specifying the procedures for full purpose annexation of all or a portion of the District. The District is not a party to a strategic partnership agreement with Argyle.

DEVELOPMENT AGREEMENT

The Developer and Argyle are parties to an "Amended and Restated Development Agreement," effective May 27, 2008 (the "Development Agreement"). The Development Agreement contains various agreements among the parties, including: agreement of the Developer to acquire and construct water, sanitary sewer and drainage facilities and roads to serve the area of the District; the authority of Argyle to review and approve utility and road design and inspect construction; agreement of Argyle to provide retail sewer service to the area of the District and use reasonable efforts to insure that sewer capacities are available in amounts sufficient to serve the District; and the agreement that the District shall remain in the ETJ of Argyle and shall be immune from annexation by Argyle until the earlier to occur of: (a) 15 years from the effective date; or (b) the date that construction of public infrastructure to serve 100 percent of the development is complete and bonds have been issued by the District for reimbursement of all eligible costs relating to the public infrastructure and interceptor line. The term of the Development Agreement was 15 years from its effective date. As the holder of the sewer certificate of convenience and necessity for the area containing the District, Argyle continues to have the obligation to provide sufficient sewer service to the District.

CONSOLIDATION

The District has the legal authority to consolidate with other districts that are subject to Chapter 54, Texas Water Code, to provide for the consolidation of its assets and liabilities with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

REGISTERED OWNERS' REMEDIES

Pursuant to Texas law, the Bond Resolutions provides that, in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Resolutions into the Utility System Debt Service Fund, Road Debt Service Fund, or defaults in the observance or performance of any of the other covenants, conditions or obligations set forth in the Bond Resolutions, any Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to observe and perform such covenants, obligations or conditions, Such right is in addition to other rights the Owners may be provided by the laws of the State of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolutions does not specifically provide for remedies to an Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the 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. Even if the Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Owners may be further 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. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Owners. See "Bankruptcy Limitation to Registered Owners' Rights" below.

BANKRUPTCY LIMITATION TO REGISTERED OWNERS' RIGHTS

The enforceability of the rights and remedies of the Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. 901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires 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, a municipal utility district such as the District must obtain the approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that 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.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect an Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Owner's claim against the District.

The District may not be placed into bankruptcy involuntarily.

LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

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

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

DEFEASANCE

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

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

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Resolutions does not contractually limit such investments, Owners of the Bonds may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality of those currently permitted under Texas law.

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THE DISTRICT

GENERAL

The District consists of approximately 172.6 acres of land and is located wholly within Denton County, Texas and the ETJ of Argyle. The District was created by order of the TCEQ dated December 29, 2008, as a municipal utility district. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts and particularly Chapters 49 and 54, Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. Pursuant to Chapter 7908, Texas Special District Local Laws Code, effective June 10, 2015 the District was created to accomplish the purposes of a municipal utility district as provided by general law and Section 59, Article XVI of the Texas Constitution as well as to construct, acquire, improve, maintain, or operate macadamized, graveled, or paved roads or turnpikes, storm drainage or improvements in aid thereof. The District is subject to the continuing supervision of the TCEQ.

The District is empowered to finance, purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness for such purposes. The District is also empowered to design, acquire, construct, issue bonds for, improve, operate, and maintain and convey roads or improvements, including drainage, in aid of roads both inside and outside the District. Additionally, the District may provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, and, after approval by the TCEQ and the voters of the District to issue bonds for these purposes. Fire and emergency medical service for the District is currently provided by Denton County Emergency Services District No. 1.

The TCEQ exercises continuing supervisory jurisdiction over the District other than with respect to road construction and financing. The District was subject to the Development Agreement with Argyle. The Development Agreement contained various agreements among the parties, including: agreement of the Developer to acquire and construct water, sanitary sewer, and drainage facilities and roads to serve the area of the District; the authority of Argyle to review and approve utility and road design and inspect construction; agreement of Argyle to provide retail sewer service to the area of the District, and use reasonable efforts to insure that capacities are available in amounts sufficient to serve the District. As the holder of the sewer certificate of convenience and necessity for the area containing the District, Argyle continues to have the obligation to provide sufficient sewer service to the District. See "THE BONDS -Development Agreement."

THE CANYON FALLS DEVELOPMENT

The District contains a portion of the development known as Canyon Falls. Canyon Falls is a 1,200 acre mixed-use master planned community located in southwestern Denton County approximately 37 miles northwest of the Central Business District of the City of Dallas, approximately 27 miles north of the Central Business District of the City of Fort Worth, and approximately 20 miles south of the City of Denton. Approximately 173 acres of Canyon Falls are located within the District and the extraterritorial jurisdiction of the Town of Argyle ("Argyle"); approximately 514 acres are located within Canyon Falls Water Control Improvement District No. 2 of Denton County and the corporate limits of Northlake; and the balance is not located within a special district but is located within the corporate limits of the Town of Flower Mound ("Flower Mound"). Principal access to Canyon Falls is provided from Interstate 35W and FM 1171.

Canyon Falls is currently projected to include a maximum of 2,162 single-family detached lots pursuant to Facilities Agreement with and zoning standards of Northlake, Argyle and Flower Mound, up to 300 multi-family residential units, and approximately 116 acres of commercially-zoned land. As of June 30, 2023, 1,954 single-family detached homes have been constructed within Canyon Falls. Recreational facilities to serve Canyon Falls have been completed on approximately 7 acres in Northlake. Those facilities include a 6,900 square foot Community and Fitness Center, a 2,700 square foot pool building, fitness facilities, pool, splash pad, and multi-age play equipment. A second 7-acre recreation facility serves the western portion of Canyon Falls. It is constructed within Northlake and consists of a bath house, pool, and multi-age play equipment. Approximately 10 miles of hard surface hiking and four miles of natural hiking and biking trails are constructed throughout Canyon Falls. All of such recreational facilities will be available for use by residents of the District. A portion of Canyon Falls is located within the Argyle Independent School District ("Argyle ISD"), and the balance of the development is located within the Northwest Independent School District ("Northwest ISD").

COMMUNITY FACILITIES

Various community facilities are available to the District and its general geographic area. Fire protection is provided by Denton County Emergency Services District No. 1. Police protection is provided by Denton County. All of the District is located within the Argyle ISD. Students living within Argyle ISD are currently zoned to attend the following schools: Hilltop Elementary, Argyle Intermediate, Argyle Middle School, and Argyle High School. Only Argyle Middle School is located within Canyon Falls.

STATUS OF DEVELOPMENT

The District contains a portion of Canyon Falls and is being developed primarily as a single-family residential development. Pursuant to a Development Agreement (as defined herein) with and zoning standards of Argyle, approximately 172.6 acres within the District are planned for residential development to include 340 single family detached lots. As of October 1, 2023, water, wastewater and storm drainage facilities and roads have been constructed to serve 340 single-family residential lots on approximately 161.2 acres within the District, 294 homes have been completed (including occupied, spec inventory and model homes), 5 new homes were under construction and 41 vacant developed lots were available for home construction. Homes in the District have a sales price ranging from approximately \$600,000 to \$1,000,000+. The District includes approximately 11.4 acres of land that are not developable (utility easements, detention, open space, and rights-of way).

<u>Subdivision Name</u>	<u>Number of Proposed Lots</u>	<u>Acreage</u>	<u>Completed Lots</u>	<u>Builders Contracted Lots</u>	<u>Completed Homes*</u>	<u>Homes Under Construction*</u>
7AR	69	21.20	69	69	69	0
8AR	64	38.70	64	64	54	2
9AR	54	42.60	54	54	18	3
10AR	54	16.10	54	54	54	0
19AR	36	21.80	36	36	36	0
20AR	63	20.80	63	63	63	0
Totals	340	161.20	340	340	294	5

* As of October 1, 2023.

FUTURE DEVELOPMENT

The District is currently planned as a primarily single-family residential development. The District anticipates issuing additional bonds to accomplish full development of the District.

MANAGEMENT

BOARD OF DIRECTORS

The District is governed by the Board of Directors (the "Board"), consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Each of the Board members owns land within the District subject to a deed of trust in favor of NASH Canyon Falls. However, none of the directors live within the District. Director elections are held only in even numbered years on the first Saturday in May. The Directors and officers of the District, together with their terms, are listed below:

<u>Name</u>	<u>Position</u>	<u>Term Expiration</u>
James R. Campbell	President	May 2, 2026
VACANT	Director	May 4, 2024
Milton Wade Arnold	Vice President	May 4, 2024
David Stoner	Assistant Secretary	May 4, 2024
Jeremy Holden	Secretary/Treasurer	May 2, 2026

All of the directors listed above own land subject to taxation in the District.

The District has no full-time employees. The District contracts with the following entities for professional services.

CONSULTANTS, ADVISORS AND AUDITOR

TAX ASSESSOR/COLLECTOR . . . Land and improvements in the District are appraised for taxation by the Denton Central Appraisal District. The District contracts with Ms. Michelle French, Denton County Tax Assessor/Collector, to act as Tax Assessor/Collector for the District.

ENGINEER . . . Johnson Volk Consulting, Plano, Texas (the "Engineer"), provides consulting engineering services to the District.

AUDITOR . . . As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which is filed with the TCEQ. The District engaged McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, to prepare the District's audited financial statements for the year ended June 30, 2023. See Appendix A for a copy of the District's June 30, 2023 financial statements.

BOND COUNSEL . . . Allen Boone Humphries Robinson LLP, Houston, Texas, serves as "Bond Counsel" to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

GENERAL COUNSEL . . . Allen Boone Humphries Robinson LLP, Dallas, Texas, has been engaged as "General Counsel" to the District. Such firm also provides certain legal services in cooperation with Bond Counsel in connection with the issuance of the Bonds. A portion of the fees of General Counsel relating to the issuance of the Bonds is contingent upon the sale and delivery thereof.

DISCLOSURE COUNSEL . . . McCall, Parkhurst, Horton, L.L.P., Dallas, Texas, has been engaged by the District to serve as "Disclosure Counsel" for the District. Fees for services rendered by Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

FINANCIAL ADVISOR . . . Hilltop Securities Inc. serves as "Financial Advisor" to the District. The fee to be paid to the Financial Advisor is contingent upon sale and delivery of the Bonds.

BOOKKEEPER . . . The District has engaged Ms. Kathi Dye, Dye & Toverly, LLC, to provide bookkeeping services to the District.

THE DEVELOPER

ROLE OF A DEVELOPER

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

THE DEVELOPER AND PRINCIPAL LANDOWNER

On March 31, 2015, NASH Canyon Falls, LLC ("NASH Canyon Falls" or the "Developer"), a Delaware limited liability company, acquired 172.6 acres of land in the District.

NASH Canyon Falls was created for the sole purpose of developing Canyon Falls and its only substantial asset consists of land in Canyon Falls. The sole member of NASH Canyon Falls is NORTH AMERICA SEKISUI HOUSE, LLC, a Delaware limited liability company. Development of the District is being managed by Brookfield Properties Development, LLC, which is a subsidiary of Brookfield Asset Management Inc. Brookfield is a planned community developer in the United States and has provided planning, development, and management services to project owners for multi-purpose residential and commercial projects in the United States and Canada for more than forty years.

The Developer is not responsible for, liable for, or has any commitment for payment of the Bonds. The Developer does not have any legal commitment to the District or the owners of the Bonds to continue development of land within the District and the Developer may sell or otherwise dispose of property within the District, or any assets, at any time. Further, the financial condition of the Developer is subject to change.

HOME BUILDERS

The Developer has entered into lot sales contracts with Landon Homes, Perry Homes, Belclaire Homes, M/I Homes, Windmill, Stonegate, Drees and Chesmar. Pursuant to such lot sales agreements, each builder is required to make an earnest money deposit and to take down single-family lots within the District at a pace ranging from 3 to 9 lots per quarter, depending upon lot size and home sales price point. According to the Developer, each homebuilder is in substantial compliance with all of the terms of its respective lot sales contract. Homebuilders in the District contract directly with the Developer and have no obligation to or agreement with the District to construct any homes or other improvements in the District.

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WATER, WASTEWATER, AND DRAINAGE FACILITIES, AND THE ROADS AND RELATED IMPROVEMENTS

REGULATION

Construction and operation of water, sanitary sewer, and storm drainage facilities that serve the District (collectively, the "Utility Facilities"), as they now exist or as they may be expanded from time to time, is subject to the regulatory jurisdiction of federal, state and local authorities. According to the Engineer, the Utility Facilities 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 and Argyle. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies and inspected by Argyle. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage, if any, into Texas waters is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of Argyle, Denton County, and the Texas Department of Health also exercises regulatory jurisdiction over the Utility Facilities. The regulations and requirements of entities exercising regulatory jurisdiction over the Utility Facilities are subject to revision which, in turn, could require additional expenditures by the District in order to achieve compliance. According to the Engineer, the roads and improvements in aid thereof that serve the District (collectively, the "Road Facilities") have been designed in accordance with accepted engineering practices and the then current requirements of various agencies having regulatory or supervisory jurisdiction over the construction and operation of such improvements, including primarily the Town of Argyle and Denton County. The construction of the Road Facilities was required to be accomplished in accordance with the standards and specifications of such entities and is subject to inspection by each such entity. The following descriptions are based upon information supplied by the Engineer.

UTILITY FACILITIES

District construction of the Utility Facilities has been financed with funds advanced by the Developer.

Water Facilities and Supply . . . The area within the District lies wholly within the water certificate of convenience and necessity (CCN) number 13270 held by the District. The District is the provider of retail water service to the users within the District. Service will be provided in phases to serve 340 single-family residential equivalent connections ("Connections") at ultimate development of the District. Following completion of each phase of the water distribution facilities (the "WDFs"), the District retains ownership, operation, and maintenance obligations of the WDFs. Currently, WDFs have been completed to serve 340 Connections located in District phases 7-AR, 8-AR, 9-AR, 10-AR, 19-AR, and 20-AR. Additionally, the District has 20% share of ownership in a water distribution facility that provides for the distribution of treated water to the 340 connections anticipated at build out. The remaining 80% share is owned by the Town of Northlake ("Northlake"). Pursuant to an October 24, 2017, Water Systems Management Services Agreement between the District and Northlake, Northlake has agreed to provide operations and management services for the WDFs, including the obligation to provide wholesale treated water to the area of the District, including the District's 340 Connections. The source of water is treated surface water from the Upper Trinity Regional Water District ("UTRWD") delivered to a point of delivery within the District. Northlake has entered into a Regional Treated Water Supply Contract, dated December 2, 2010, with UTRWD pursuant to which it receives wholesale treated water. That Regional Treated Water Supply Contract acknowledges that Northlake will provide wholesale water service to the District. In the Water Systems Management Services Agreement, Northlake has agreed to ensure that continuous and adequate water service be provided to District customers in times and amounts needed as the District develops.

Wastewater Facilities and Treatment . . . The area within the District lies wholly within the sewer certificate of convenience and necessary (CCN) number 20826 held by Argyle. Argyle is the provider of retail wastewater service to the users within the District. Pursuant to the Development Agreement, upon completion of a phase of wastewater collection facilities by or on behalf of the District, the District conveys such facilities to Argyle. Such conveyance is made in consideration of various agreements made by Argyle in such Development Agreement, including the agreement to allocate and reserve capacity in such facilities for use by and benefit of the area within the District and assumption of all operation and maintenance responsibilities for such facilities. Argyle has entered into a four party agreement with the Trinity River Transportation Authority ("TRA"), the City of Flower Mound and the Town of Northlake, to participate in the Denton Creek Wastewater Transportation System. The Developer, on behalf of the District, funded 0.451 million gallons per day (MGD) of capacity in the TRA system capable of serving approximately 340 connections. As the retail provider of wastewater service to the District, Argyle has entered into a Denton Creek Regional Wastewater Treatment System Sixth Supplemental Contract dated December, 2001, with TRA; pursuant to which, it receives wastewater transportation and treatment service. Argyle has confirmed that treatment capacity is available in amounts sufficient to serve the entirety of the District area.

Drainage Facilities . . . The drainage design is in compliance with Denton County and Town of Argyle criteria. The enclosed storm drain system includes storm drain lines, curb inlets, drop inlets and various other storm drain infrastructure that generally drain from east to west and north to south through developed areas and unimproved areas towards the Graham Branch tributary and ultimately south into Lake Grapevine.

ROAD FACILITIES

District construction of the Road Facilities has been financed with funds advanced by the Developer. The roads within the District vary in width in accordance with standards adopted by Argyle and are sized to accommodate the anticipated traffic demands of full build out of the property within the District. The roads are constructed with reinforced concrete pavement and curb and gutter on cement or lime stabilized subgrade. Also within the street rights-of way are public utilities such as water, wastewater and drainage lines and franchise utilities. The District will retain ownership and operation and maintenance responsibility for the Road Facilities.

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DEBT AND FINANCIAL INFORMATION

FUTURE DEBT

Pursuant to an election held May 6, 2017 the resident electors also authorized a total \$48,595,000 in bonds for the purpose of constructing, acquiring, improving, maintaining, and operating macadamized, graveled or paved roads and turnpikes, or improvements in aid thereof and \$48,595,000 for the purpose of refunding bonds issued for road purposes. The Road Bonds are the third installment of such authorization issued by the District. Pursuant to an election held November 6, 2012, the District is authorized to issue \$50,515,000 for acquiring or constructing water, sanitary sewer, and drainage facilities, and \$50,515,000 for the purpose of refunding of bonds issued for water, sanitary sewer, and drainage bonds purposes. The Utility Bonds are the second installment of such authorization issued by the District. After the issuance and sale of the Road Bonds, \$37,550,000 in principal amount of unlimited tax bonds for the construction and acquisition of road facilities and \$48,595,000 for refunding of road bonds will remain authorized but unissued. After the issuance and sale of the Bonds, \$41,265,000 in principal amount of unlimited tax bonds for water, sanitary sewer and drainage purposes and \$50,515,000 for refunding Bonds will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. "THE BONDS – Authority for Issuance." The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

Based on present engineering cost estimates and on development plans, in the opinion of the Engineer, the remaining \$37,550,000 principal amount of authorized but unissued unlimited tax bonds for the Road Facilities will be sufficient to fully finance roads to serve the remaining undeveloped but developable land within the District.

Based on present engineering cost estimates and on development plans, in the opinion of the Engineer, the \$41,265,000 principal amount of authorized but unissued unlimited tax bonds for the acquisition or construction of water, sanitary sewer, or drainage facilities will be sufficient to fully finance the water, sanitary sewer, and drainage facilities to serve the developable land within the District.

Following the issuance of the Bonds, based upon information provided by the Developer, there will be approximately \$1,900,000 in additional reimbursable expenditures advanced by the Developer to develop land, including water, sanitary sewer and drainage facilities or road improvements within the District, remaining to be reimbursed to the Developer out of proceeds of future bond issues.

The District expects to issue additional bonds to finance roads and water, sanitary sewer, and drainage facilities when feasible from time-to-time in order to fully develop the District. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. However, the District must comply with feasibility tests promulgated by the Attorney General, in the case of bonds issued for road purposes, and the TCEQ, in the case of bonds issued for water, sanitary sewer, and drainage purposes, respectively, with regard to taxable assessed valuations and ad valorem tax rates that may limit the amount of bonds which may be issued from time to time in the future. Furthermore, pursuant to Article III, Section 52 of the Texas Constitution, the total amount of bonds and other obligations of the District issued for road purposes may *not* exceed one-fourth of the assessed valuation of real property in the District at the time of issuance. See "THE BONDS – Authority for Issuance" and "Issuance of Additional Debt."

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued	Unissued Balance
Water, Sanitary Sewer, and Drainage Bonds	11/6/2012	\$ 50,515,000	\$ 6,250,000	\$ 3,000,000	\$ 41,265,000
Water, Sanitary Sewer, and Drainage Refunding Bonds	11/6/2012	50,515,000	-	-	50,515,000
Road Bonds	5/6/2017	48,595,000	8,320,000	2,725,000	37,550,000
Road Refunding Bonds	5/6/2017	48,595,000	-	-	48,595,000
Total		<u>\$ 198,220,000</u>	<u>\$ 14,570,000</u>	<u>\$ 5,725,000</u>	<u>\$ 177,925,000</u>

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SELECTED FINANCIAL INFORMATION (UNAUDITED)

2023 Taxable Assessed Valuation as of January 1, 2023	\$ 196,857,548 ^(a)
Estimated Assessed Valuation as of September 1, 2023 (100% of Estimated Market Value)	\$ 214,371,258 ^(b)
Direct Debt	
Outstanding Bonds (as of September 1, 2023)	\$ 14,385,000
The Utility Bonds	3,000,000
The Road Bonds	<u>2,725,000</u>
Gross Direct Debt Outstanding	\$ 20,110,000
Estimated Overlapping Debt	\$ 11,472,737 ^(c)
Total Gross Direct Debt and Estimated Overlapping Debt	\$ 31,582,737
Ratios of Gross Direct Debt to:	
2023 Taxable Assessed Valuation	10.22%
Estimated Taxable Assessed Valuation as of September 1, 2023	9.38%
Ratio of Gross Direct Debt and Estimated Overlapping Debt to	
2023 Taxable Assessed Valuation	16.04%
Estimated Taxable Assessed Valuation as of September 1, 2023	14.73%
Average Annual Debt Service Requirement (2024-2048)	\$ 1,218,389
Maximum Annual Debt Service Requirement (2044)	\$ 1,316,731
Tax Rate Required to Pay Average Annual Debt Service (2024-2048) at a 99.00% Collection Rate	
Based upon 2023 Taxable Assessed Valuation (100% of Market Value)	\$ 0.6252
Based upon Estimated Taxable Assessed Valuation as of September 1, 2023	\$ 0.5741
Tax Rate Required to Pay Maximum Annual Debt Service (2044) at a 99.00% Collection Rate	
Based upon 2023 Taxable Assessed Valuation (100% of Market Value)	\$ 0.6757
Based upon Estimated Assessed Valuation as of September 1, 2023	\$ 0.6205
Utility System Debt Service Fund Balance (as of September 1, 2023)	\$ 4,469 ^(d)
Road Debt Service Fund Balance (as of September 1, 2023)	\$ 779,285 ^(d)
General Fund Balance (as of September 1, 2023)	\$ 1,064,541
2023 District Tax Rate (per \$100 Assessed Valuation)	
Debt Service	\$ 0.5840 ^(e)
Maintenance and Operations	<u>0.2263</u>
Total	\$ 0.8103
Status of Estimated Home Construction as of January 8, 2024 ^(f)	
Single Family Homes Completed and Occupied	287
Single Family Homes Completed and Unoccupied	7
Single Family Homes Under Construction	5
Developed but Vacant Lots	<u>41</u>
Total	340

- (a) As certified by the Denton Central Appraisal District (the "Appraisal District") and represents the certified taxable assessed valuation of property in the District as of January 1, 2023. See "TAXING PROCEDURES." This amount includes \$7,268,990 of uncertified value, which represents the Appraisal District's estimate of the minimum amount of uncertified value that will ultimately be certified.
- (b) The estimated Taxable Assessed Valuation as of September 1, 2023, is intended to add the estimated taxable assessed value of improvements constructed after January 1, 2023 through September 1, 2023 and was provided by the Appraisal District. This estimated assessed value is provided for informational purposes only and taxes will not be levied on such estimated assessed value. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. See "TAXING PROCEDURES."
- (c) See "TAX DATA - Estimated Overlapping Debt".
- (d) Capitalized interest, in the amount of \$59,546.67 will be deposited in the Utility System Debt Service Fund and capitalized interest, in the amount of \$53,589.58 will be deposited in the Road Debt Service Fund at closing. Neither Texas law nor the Bond Resolutions require the District maintain any particular balance in the Utility System Debt Service or the Road Debt Service Funds.
- (e) The District levied a tax rate of \$0.3100 per \$100 valuation to fund debt service of bonds issued to finance utility system facilities and \$0.27400 per \$100 valuation to fund debt service of bonds issued to finance road facilities. The District will use capitalized interest to pay for the first year of interest payments associated with the Bonds.
- (f) As reported by the Developer.

INVESTMENT POLICY

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District will be invested in short term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate the inclusion of, long term securities or derivative products in the District portfolio.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE GENERAL FUND

The Bonds are payable from the levy of ad valorem taxes, each without legal limitation as to rate or amount, upon all taxable property in the District. The following summary of the District's General Fund shows net revenues in the District's General Fund as a result of the levy and collection of a maintenance tax. In accordance with the TCEQ recommended procedures, such figures do not include Governmental Fund depreciation.

GENERAL FUND	Fiscal Year Ended June 30,				
	2023	2022	2021	2020	2019 ⁽¹⁾
REVENUES					
Property Taxes	\$ 330,997	\$ 178,853	\$ 247,417	\$ 147,769	\$145,858
Gross Permit Revenue	66,000	184,800	277,200	70,400	44,000
Miscellaneous Revenue	27,064	1,543	376	2,982	528
TOTAL REVENUE	\$ 424,061	\$ 365,196	\$ 524,993	\$ 221,151	\$190,386
EXPENDITURES					
Current:					
Professional Fees	\$ 80,642	\$ 79,845	\$ 76,598	\$ 41,711	\$ 73,018
Contracted Services	20,168	18,730	18,022	10,972	7,686
Other Expenditures	41,150	82,253	91,138	31,850	11,883
TOTAL EXPENDITURES	\$ 141,960	\$ 180,828	\$ 185,758	\$ 84,533	\$ 92,587
EXCESS REVENUES (EXPENDITURES)	\$ 282,101	\$ 184,368	\$ 339,235	\$ 136,618	\$ 97,799
OTHER FINANCING SOURCES					
Developer advances, net	-	-	-	-	-
EXCESS SOURCES	\$ 282,101	\$ 184,368	\$ 339,235	\$ 136,618	\$ 97,799
FUND BALANCE, BEGINNING OF YEAR	791,428	607,060	267,825	131,207 ⁽²⁾	38,401
FUND BALANCE, END OF YEAR	\$ 1,073,529	\$ 791,428	\$ 607,060	\$ 267,825	\$136,200

(1) Unaudited information.

(2) Restated.

DEBT SERVICE REQUIREMENTS

Year Ended 12/31	Outstanding Bonds			The Utility Bonds ⁽¹⁾		The Road Bonds ⁽²⁾		Total Outstanding Debt	Less: Capitalized Interest Fund ⁽³⁾	Total Net Debt Service Requirements	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Principal	Interest				
	2024	\$ 420,000	\$ 535,270	\$ 955,270	\$ -	\$ 59,547	\$ -	\$ 53,590	\$ 1,068,406	\$ 113,137	\$ 955,269
2025	425,000	485,455	910,455	70,000	121,450	65,000	109,575	1,276,480	-	1,276,480	
2026	445,000	470,955	915,955	75,000	117,825	70,000	106,875	1,285,655	-	1,285,655	
2027	460,000	455,485	915,485	80,000	114,350	75,000	103,600	1,288,435	-	1,288,435	
2028	475,000	439,135	914,135	85,000	110,625	75,000	99,850	1,284,610	-	1,284,610	11.85%
2029	485,000	423,845	908,845	90,000	106,250	80,000	95,975	1,281,070	-	1,281,070	
2030	505,000	406,025	911,025	90,000	102,200	85,000	92,275	1,280,500	-	1,280,500	
2031	520,000	391,100	911,100	95,000	98,500	90,000	88,775	1,283,375	-	1,283,375	
2032	535,000	375,304	910,304	100,000	94,600	90,000	85,175	1,280,079	-	1,280,079	
2033	560,000	358,714	918,714	105,000	90,500	95,000	81,475	1,290,689	-	1,290,689	29.11%
2034	575,000	340,968	915,968	110,000	86,200	100,000	77,575	1,289,743	-	1,289,743	
2035	595,000	322,303	917,303	115,000	81,700	105,000	73,475	1,292,478	-	1,292,478	
2036	615,000	302,753	917,753	120,000	77,000	110,000	69,313	1,294,065	-	1,294,065	
2037	640,000	282,346	922,346	125,000	72,100	115,000	65,094	1,299,540	-	1,299,540	
2038	665,000	260,871	925,871	130,000	67,000	115,000	60,781	1,298,653	-	1,298,653	49.73%
2039	690,000	238,559	928,559	135,000	61,700	120,000	56,225	1,301,484	-	1,301,484	
2040	715,000	213,994	928,994	140,000	56,200	125,000	51,325	1,301,519	-	1,301,519	
2041	745,000	188,544	933,544	145,000	50,500	130,000	46,225	1,305,269	-	1,305,269	
2042	770,000	161,996	931,996	150,000	44,600	135,000	40,925	1,302,521	-	1,302,521	
2043	800,000	134,094	934,094	155,000	38,500	140,000	35,425	1,303,019	-	1,303,019	74.52%
2044	835,000	105,006	940,006	165,000	32,100	150,000	29,625	1,316,731	-	1,316,731	
2045	865,000	74,581	939,581	170,000	25,400	155,000	23,525	1,313,506	-	1,313,506	
2046	615,000	43,038	658,038	175,000	18,500	160,000	17,225	1,028,763	-	1,028,763	
2047	430,000	18,813	448,813	185,000	11,300	165,000	10,622	820,734	-	820,734	
2048	-	-	-	190,000	3,800	175,000	3,609	372,409	-	372,409	100.00%
	<u>\$ 14,385,000</u>	<u>\$ 7,029,151</u>	<u>\$ 21,414,151</u>	<u>\$ 3,000,000</u>	<u>\$ 1,742,447</u>	<u>\$ 2,725,000</u>	<u>\$ 1,578,133</u>	<u>\$ 30,459,731</u>	<u>\$ 113,137</u>	<u>\$ 30,346,594</u>	

- (1) Average life of the issue – 14.437 years. Interest on the Utility Bonds has been calculated at the rates stated on page 3 hereof.
- (2) Average life of the issue – 14.404 years. Interest on the Road Bonds has been calculated at the rates stated on page 2 hereof.
- (3) Capitalized Interest is funded from proceeds of the Road Bonds and Utility Bonds.

Average Annual Debt Service Requirement (2024-2048)	\$ 1,218,389
Maximum Annual Debt Service Requirement (2044)	\$ 1,316,731

TAX DATA

AUTHORIZED TAXES

Debt Service Tax . . . The Board covenants in the Bond Resolutions to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. For the 2023 tax year, the District has levied a total debt service tax rate of \$0.5840 per \$100 valuation for payments owed on outstanding bond debt consisting of \$0.3100 for debt service on utility bonds and \$0.2740 for debt service on road bonds. See "Historical Tax Collections" and "Tax Roll Information" below, "TAXING PROCEDURES," and "RISK FACTORS—Factors Affecting Taxable Values and Tax Payments."

Maintenance Tax . . . The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. On November 6, 2012, voters in the District authorized the Board to levy such a maintenance tax at an unlimited rate and amount. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any additional debt service or contract tax for additional bonds which may be issued in the future. The District, has been levying a maintenance tax every year since 2017. For tax year 2023, the District has levied a maintenance tax in the amount of \$0.2263 per \$100 assessed valuation.

TAX EXEMPTIONS

The District has not granted any homestead or other tax exemptions for property located within the District.

HISTORICAL TAX COLLECTIONS

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District's Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. See "Tax Roll Information" below.

Tax Year	Certified Taxable Assessed Valuation ⁽¹⁾	Total Tax Rate	Distribution		Tax Levy ⁽²⁾	% of Total Tax Collections to Tax Levy
			General Fund	Interest and Sinking Fund		
2019	\$ 14,822,214	\$ 1.0000	\$ 1.0000	\$ 0.0000	\$ 147,769	100.00%
2020	25,909,952	1.0000	1.0000	0.0000	258,823	99.93%
2021	55,394,875	1.0000	0.3000	0.7000	553,949	99.59%
2022	120,993,634	0.9291	0.2787	0.6504	1,109,481	99.37%
2023	196,857,548	0.8103	0.2263	0.5840	1,829,003 ⁽³⁾	N/A ⁽⁴⁾

- (1) Net valuation represents final gross assessed value as certified by the Appraisal District less any exemptions granted. See "Tax Roll Information" below for gross assessed value.
- (2) Represents actual tax levy, including any adjustments by the Appraisal District, as of September 1, 2023.
- (3) Calculated.
- (4) Payments are not due until January 31, 2024.

TAX ROLL INFORMATION

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see "TAXING PROCEDURES–Valuation of Property for Taxation"). The following represents the composition of property comprising the 2023, 2022, 2021, 2020 and 2019 Certified Taxable Assessed Valuations.

Category	Taxable Appraised Value for Tax Year Ending					
	2023		2022		2021	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 199,821,323	94.88%	\$ 108,209,707	87.15%	\$ 35,021,602	57.07%
Real, Vacant Lots Tracts	6,299,616	2.99%	5,030,760	4.05%	17,786,723	28.98%
Real, Acreage (Land Only)	22,542	0.01%	6,786	0.01%	6,786	0.01%
Real, Farm and Ranch Improvements	37,440	0.02%	913,963	0.74%	2,583,247	4.21%
Real, Commercial	61,346	0.03%	361,395	0.29%	-	0.00%
Tangible Personal, Commercial	-	0.00%	-	0.00%	-	0.00%
Tangible Personal, Mobile Homes	-	0.00%	-	0.00%	-	0.00%
Real, Inventory	4,356,217	2.07%	9,645,283	7.77%	5,972,702	9.73%
Total Assessed Value	\$ 210,598,484	100.00%	\$ 124,167,894	100.00%	\$ 61,371,060	100.00%
Less: Total Reductions	(13,740,936)		(3,174,260)		(577,277)	
Adjustments	-		-		(5,398,908)	
Taxable Assessed Value	\$ 196,857,548 ⁽¹⁾		\$ 120,993,634		\$ 55,394,875	

Category	Taxable Appraised Value for Tax Year Ending			
	2020		2019	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 13,763,825	53.01%	\$ 324,747	2.19%
Real, Vacant Lots Tracts	1,529,790	5.89%	409,301	2.76%
Real, Acreage (Land Only)	7,632	0.03%	7,074	0.05%
Real, Farm and Ranch Improvements	2,212,181	8.52%	2,257,088	15.22%
Real, Commercial and Industrial	-	0.00%	-	0.00%
Tangible Commercial	-	0.00%	-	0.00%
Tangible Personal, Mobile Homes	-	0.00%	-	0.00%
Real, Inventory	8,449,256	32.54%	11,831,060	79.78%
Total Assessed Value	\$ 25,962,684	100.00%	\$ 14,829,270	100.00%
Less: Total Reductions	(52,732)		(7,056)	
Taxable Assessed Value	\$ 25,909,952		\$ 14,822,214	

(1) This amount includes \$7,268,990 of uncertified value, which the Appraisal District's estimate of the minimum amount of uncertified value that will be ultimately certified.

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SIGNIFICANT TAXPAYERS

The following table represents the significant taxpayers, the type of property, the taxable assessed value of such property, and such property's appraised value as a percentage of 2023 Taxable Assessed Valuation of \$196,857,548*. See "INVESTMENT CONSIDERATIONS — Factors Affecting Taxable Values and Tax Payments – Dependence on Significant Taxpayers."

Name of Taxpayer	Nature of Property	2023 Taxable Assessed Valuation	% of Total 2023 Taxable Assessed Valuation
Nash Canyon Falls LLC ⁽¹⁾	Real Estate/Development	\$ 2,702,808	1.37%
Belclaire Homes LLC ⁽²⁾	Real Estate/Development	1,784,425	0.91%
Chesmar Homes LLC ⁽²⁾	Real Estate/Development	1,073,909	0.55%
Larisa Lane LLC ⁽²⁾	Real Estate/Development	1,049,153	0.53%
Homeowner	Real Estate	1,048,000	0.53%
Homeowner	Real Estate	1,042,791	0.53%
Homeowner	Real Estate	1,039,439	0.53%
Homeowner	Real Estate	1,038,507	0.53%
Homeowner	Real Estate	1,090,988	0.55%
Homeowner	Real Estate	1,028,054	0.52%
	Total	\$ 12,898,074	6.55%

Note: As provided by Denton Central Appraisal District.

(1) The Developer. See "THE DEVELOPER."

(2) Homebuilder. See "THE DEVELOPER – Homebuilders."

TAX ADEQUACY FOR DEBT SERVICE ⁽¹⁾

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2023 taxable assessed valuation (\$196,857,548) no use of debt service funds on hand, and the tax rates necessary to pay the District's average annual debt service requirements on the District's Outstanding Bonds and the Bonds. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

Ratio of Gross Direct Debt and Estimated Overlapping Debt to	
2023 Taxable Assessed Valuation	16.04% ⁽¹⁾
Estimated Taxable Assessed Valuation as of September 1, 2023	14.73% ⁽¹⁾
Average Annual Debt Service Requirement (2024-2048)	\$ 1,218,389 ⁽¹⁾
Maximum Annual Debt Service Requirement (2044)	\$ 1,316,731 ⁽¹⁾
Tax Rate Required to Pay Average Annual Debt Service (2024-2048) at a 99.00% Collection Rate	
Based upon 2023 Taxable Assessed Valuation (100% of Market Value)	\$ 0.6252 ⁽¹⁾
Based upon Estimated Taxable Assessed Valuation as of September 1, 2023	\$ 0.5741 ⁽¹⁾
Tax Rate Required to Pay Maximum Annual Debt Service (2044) at a 99.00% Collection Rate	
Based upon 2023 Taxable Assessed Valuation (100% of Market Value)	\$ 0.6757 ⁽¹⁾
Based upon Estimated Assessed Valuation as of September 1, 2023	\$ 0.6205 ⁽¹⁾
Utility System Debt Service Fund Balance (as of September 1, 2023)	\$ 4,469
Road Debt Service Fund Balance (as of September 1, 2023)	\$ 779,285
General Fund Balance (as of September 1, 2023)	\$ 1,064,541

(1) Includes the Bonds.

* This amount includes \$7,268,990 of uncertified value, which the Appraisal District's estimate of the minimum amount of uncertified value that will be ultimately certified.

ESTIMATED OVERLAPPING DEBT

The following table indicates the outstanding debt payable from ad valorem taxes of governmental entities within which property in the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes ("Tax Debt") are based upon data obtained from individual jurisdictions or the "Texas Municipal Reports" compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional Tax Debt since the date listed and may have plans to incur significant amounts of additional Tax Debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance, and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance, and/or general revenue purposes is not included in these figures. The District has no control over the issuance of Tax Debt or tax levies of any such entities.

Taxing Jurisdiction	2023 Certified Taxable Assessed Value	Total Debt	Estimated % Applicable	District's Overlapping Debt as of 9/30/2023
The District	\$ 196,857,548 ⁽¹⁾	\$ 20,110,000 ⁽²⁾	100.00%	\$ 20,110,000 ⁽²⁾
Argyle Independent School District	5,029,252,569	408,721,443	2.70%	11,035,479
Denton County	177,207,954,441	624,655,000	0.07%	437,259
Total Direct and Overlapping Tax Debt				<u>\$ 31,582,737 ⁽²⁾</u>

Ratio of Direct and Overlapping Tax Debt to 2023 Taxable Assessed Valuation 16.04%

(1) This amount includes \$7,268,990 of uncertified value, which the Appraisal District's estimate of the minimum amount of uncertified value that will be ultimately certified.

(2) Includes the Bonds.

	2023 Tax Rate per \$100 Assessed Valuation
Denton County	\$ 0.217543
Argyle Independent School District	1.214515
Denton Co. Emergency Service District No. 1	<u>0.080283</u>
Total Overlapping Tax Rate	\$ 1.512341
 The District	 <u>0.810300</u>
 Total Tax Rate	 \$ 2.322641

TAXING PROCEDURES

AUTHORITY TO LEVY TAXES

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "RISK FACTORS–Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolutions to levy, assess, and collect such a tax from year-to-year as described more fully herein under "THE BONDS–Source of Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District. See "TAX DATA – Authorized Taxes – "Debt Service Tax" and "Maintenance Tax".

PROPERTY TAX CODE AND COUNTY-WIDE APPRAISAL DISTRICT

Title I of the Texas Tax Code ("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 here.

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 a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Appraisal District has the responsibility for appraising property for all taxing units within Denton County, including the District. Such appraisal values are subject to review and change by the Denton Central Appraisal Review Board (the "Appraisal Review Board").

PROPERTY SUBJECT TO TAXATION BY THE DISTRICT

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax status 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; 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. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran's residence homestead to which the disabled veterans' exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. 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 homesteads in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 20% of the appraised 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 before July 1. The District has never granted a general residential homestead exemption.

Freeport Goods and Goods-in-Transit Exemption: Freeport goods are goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and other petroleum products which have been acquired or brought into the state for assembling, storing, manufacturing, repair, maintenance, processing, or fabricating or used to repair or maintain aircraft of a certified air carrier, and shipped out of the state within 175 days. Freeport goods are exempted from taxation by Texas law. 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 is limited to 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. The District has taken action to allow taxation of goods-in-transit, and accordingly, the exemption is not available within the District. A taxpayer may not claim both a Freeport Goods Exemption and a Goods-in-Transit Exemption on the same property.

TAX ABATEMENT

Denton County may designate part of the area within the District as a reinvestment zone. Thereafter, Denton County, Argyle and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten years, all or any part of any increase in the appraised valuation of property covered by the agreement over its appraised 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 agreement. The terms of all tax abatement agreements must be substantially the same. The District has not entered into a tax abatement agreement.

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 100% of market value, as such is defined in the Property Tax Code.

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 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 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 some political subdivisions while claiming it as to 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, for open space land, and timberland

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

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.

DISTRICT AND TAXPAYER REMEDIES

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

TAX PAYMENT INSTALLMENTS AFTER DISASTER

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

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

ROLLBACK OF OPERATION AND MAINTENANCE TAX RATE

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

Special Taxing Units

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

Developed Districts

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

Developing Districts

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

The District

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. For the 2023 tax year, the Board of Directors of the District has determined that the District's status is that of a "Developing District." The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

LEVY AND COLLECTION OF TAXES

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

DISTRICT'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES

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

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

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents enforcement of liens for post-petition taxes from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

INVESTMENT CONSIDERATIONS

GENERAL

The Bonds are obligations solely of the District and not obligations of the State of Texas; Denton County; the Town of Argyle, Texas ("Argyle"); or any other political entity other than the District. The Bonds will be secured by two, separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities.

FACTORS AFFECTING TAXABLE VALUES AND TAX PAYMENTS

Economic Factors . . . The stability and/or growth of taxable values in the District is directly related to the vitality of the housing industry in the Dallas/Fort Worth Metropolitan area (the "Metroplex"). The housing and building industry has historically been a cyclical industry, affected by both short and long-term interest rates, availability of mortgage and development funds, employment levels, and general economic conditions. In recent years, the Metroplex has experienced strong economic growth positively affecting local residential development and construction industries. If the overall economy should, from time to time, decline, the demand for single family residential developments could likewise decline.

A substantial portion of the taxable values of the District is derived from the current market value of certain developed lots and undeveloped tracts. The market value of such lots and tracts is related to general economic conditions affecting the demand for single family, multi-family, commercial, retail, and office space. Demand for lots and tracts of this type and the construction of single family, multi-family residential dwellings, and/or commercial projects thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and cost, and the prosperity and demographic characteristics of the urban center toward which the marketing of such lots and tracts is directed. Decreased levels of construction activity or reduced resale value of such lots and tracts would tend to restrict the growth of property values in the District or could adversely impact such values.

Future development and construction in the District is highly dependent on the availability of financing. Many lenders have become more selective in making real estate loans in the Metroplex. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds to potential builders and home purchasers.

Credit Markets and Liquidity in the Financial Markets . . . Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 37 miles northwest of downtown Dallas and 27 miles from downtown Fort Worth, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Metroplex regional economy and national credit and financial markets. A downturn in the economic conditions of the Metroplex and decline in the nation's real estate and financial markets could adversely affect development and home-building plans in the District and restrain the growth of the District's property tax base.

Competition . . . The demand for and construction of single-family homes in the District, which is approximately 37 miles from downtown Dallas and 27 miles from downtown Fort Worth, could be affected by competition from other residential developments, including other residential developments located in the north and east portion of the Metroplex area market. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District. Such homes could represent additional competition for new homes proposed to be sold within the District.

Developers/Landowners Obligation to the District . . . There are no commitments from or obligations of the Developer (herein defined) or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land or the construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed lots or to develop tracts of land would restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds continued development of taxable property within the District will increase or maintain its taxable value.

Vacant Developed Lots . . . As of October 1, 2023, approximately 51 developed lots within the District remained available for construction. Failure of the Developer and/or builders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of the District issued in the future. Future increases in value will result primarily from the construction of homes by builders. The District makes no representation that the lot sales and building program will be successful.

Dependence on Significant Taxpayers . . . Based on the 2023 tax rolls, the Developer is responsible for 1.99% of the District's 2023 taxes and home builders are responsible for approximately 1.98% of the District's 2023 taxes. See "TAX DATA – Significant Taxpayers". The ability of any significant taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. If, for any reason, any one or more significant taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy additional taxes or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Resolutions, nor is it required by Texas law, to maintain any particular balance in its Utility System or Road Debt Service Funds (defined herein) or any other funds to allow for any such delinquencies. 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. Therefore, failure by one or more significant taxpayers to pay their taxes on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis.

Impact on District Debt Service Tax Rates . . . Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2023 taxable assessed valuation of the District is \$196,857,548*. After issuance of the Bonds, the average annual debt service requirement is \$1,218,389 (2024 through 2048) and the maximum annual debt service requirement is \$1,316,731 (2044). Assuming no increase or decrease from the 2023 taxable assessed valuation and no use of funds other than tax collections, a tax rate of \$0.6252 per \$100 assessed valuation at a 99% collection rate would be necessary to pay the average annual debt service requirement and a tax rate of \$0.6757 per \$100 assessed valuation at a 99% collection rate would be necessary to pay the maximum annual debt service requirement (see "DEBT AND FINANCIAL INFORMATION – Debt Service Requirements"). The estimated assessed valuation as of September 1, 2023 within the District is \$214,371,258. Assuming the estimated assessed valuation as of September 1, 2023 and a 99% collection rate, a tax rate of \$0.5741 per \$100 assessed valuation would be necessary to pay the average annual requirement and a tax rate of \$0.6205 per \$100 assessed valuation would be necessary to pay the maximum annual requirement. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2023 taxable assessed valuation and the estimated assessed valuation as of September 1, 2023, the District can make no representations regarding the future level of assessed valuation within the District. Any increase in taxable values depends on the continuing construction and sale of homes and other taxable improvements within the District. See "TAXING PROCEDURES" and "TAX DATA - Tax Adequacy for Debt Service."

Overlapping Taxes: There can be no assurances that the composite of the tax rates imposed by all jurisdictions on property in the District will be competitive with the composite of the tax rates imposed on competing projects in the Denton County area. To the extent that such composite rates are not competitive with competing developments, the growth of property tax values in the District and the investments quality or security of the Bonds could be adversely affected. See "TAX DATA – Estimated Overlapping Taxes and Overlapping Debt."

FUTURE DEBT

Following issuance of the Bonds, the District will have \$41,265,000 in principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer, and drainage facilities, \$37,550,000 in principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing roads, an additional \$48,595,000 for the refunding of all or a portion of bonds issued for road purposes and \$50,515,000 for the refunding of all or any portion of bonds issued for water, sanitary sewer, and drainage purposes. To date the Developer has advanced certain funds for administration, operating, and construction of utilities and roads for which it has not been reimbursed and will not be reimbursed with proceeds of the Bonds. After the reimbursements are made with proceeds of the Bonds, based on information provided by the Developer, the District will owe approximately \$1,900,000 (based on costs incurred as of September 1, 2023) plus interest to the Developer for administration and operating costs and for road and water, sanitary sewer, and drainage construction costs. The District intends to issue additional bonds in order to fully reimburse the Developer, including interest, and to develop the remainder of undeveloped but developable land within the District. See "THE BONDS - Issuance of Additional Debt" and "THE ROADS AND RELATED IMPROVEMENTS, AND WATER, WASTEWATER, AND DRAINAGE FACILITIES." The issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with respect to the issuance of additional bonds, but currently must comply with formulas promulgated by the Attorney General of the State of Texas, in the case of road bonds and the TCEQ, in the case of water, sewer, and drainage bonds, respectively, with regard to assessed valuation and tax rates of the District that may limit the amount of bonds which may be issued in the future. The total amount of bonds and other obligations of the District issued for road purposes may not exceed one-fourth of the assessed valuation of the real property in the District. Bonds issued by the District must be approved by the Attorney General of the State of Texas. Any bonds issued to acquire or construct water, sanitary sewer, and drainage facilities must additionally be approved by the TCEQ. The District expects to issue additional bonds to reimburse the Developer for funds advanced for road and/or water, sanitary sewer, and drainage facilities when feasible from time-to-time in order to fully develop the District.

* This amount includes \$7,268,990 of uncertified value, which represents the Appraisal District's estimate of the minimum amount of uncertified value that will be ultimately certified.

TAX COLLECTION LIMITATIONS AND FORECLOSURE REMEDIES

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on parity with the liens of all other 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 enforcement of liens for post-petition taxes against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable 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. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAXING PROCEDURES-District's Rights in the Event of Tax Delinquencies."

REGISTERED OWNERS' REMEDIES AND BANKRUPTCY

In the event of default in the payment of principal of or interest on the Bonds, the Owners have a right to seek a writ of mandamus requiring the District to levy sufficient taxes each year to make such payments. Except for mandamus, the Bond Resolutions do not specifically provide for remedies to protect and enforce the interests of the 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. 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 Resolutions may not be reduced to a judgement for money damages. Even if the Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Owners may be limited further 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. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS - Bankruptcy Limitation to Registered Owners' Rights."

The District may not be placed into bankruptcy involuntarily.

CONTINUING COMPLIANCE WITH CERTAIN COVENANTS

The Bond Resolutions contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure by the District to comply with such covenants in the Bond Resolutions 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 "LEGAL MATTERS" and "TAX MATTERS."

MARKETABILITY

The District has no agreement with 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 of the Bonds may be greater than the difference between the bid and asked price in the secondary market of bonds of comparable maturity and quality issued by more traditional issuers.

CHANGES IN TAX LEGISLATION

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

MUNICIPAL BOND INSURANCE AND RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned its municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy for each series of Bonds insuring the timely payment of principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM" or the "Insurer"). Moody's has assigned an underlying credit rating of "Baa3" to the Bonds and the presently outstanding unenhanced debt of the District. An explanation of such ratings may be obtained from Moody's and S&P. The fee associated with the Moody's underlying rating will be paid by the District. The purchase of such insurance and payment of all associated costs, including the premium charged by the Insurer, and fees charged by any rating agencies other than Moody's will be at the expense of the Initial Purchaser. See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS."

The obligations of the Insurer are contractual obligations and in an event of default by the 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 has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the 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 Insurer, particularly over the life of the investment. See "BOND INSURANCE" for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

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 each series of Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

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

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

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

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

Capitalization of BAM

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

Additional Information Available from BAM

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

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

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

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

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BOND INSURANCE RISK FACTORS

GENERAL . . . The following risk factors related to municipal bond insurance policies generally apply:

In the event of default of the scheduled payment of principal or interest on the Bonds when all or a portion thereof becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the registered owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by BAM at such time and in such amounts as would have been due absent such prepayment by the District (unless BAM chooses to pay such amounts at an earlier date). Payment of principal and interest on the Bonds is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE BONDS - Remedies in Event of Default"). BAM may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the registered owners.

In the event BAM is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the ad valorem tax revenues pledged in the Bond Resolution. In the event BAM becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Bonds.

The long-term rating on the Bonds is dependent on the financial strength of BAM and its claims-paying ability. BAM's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of BAM and of the ratings on the Bonds will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Bonds (see "BOND INSURANCE RISK FACTORS - Claims-Paying Ability and Financial Strength of Municipal Bond Insurers"). The obligations of BAM under the Policy are general obligations of BAM and in an event of default by BAM, the remedies available may be limited by applicable bankruptcy law. None of the District, the Financial Advisor or the Initial Purchaser has made independent investigation into the claims-paying ability of BAM and no assurance or representation regarding the financial strength or projected financial strength of BAM is given.

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS . . . Moody's Investor Services, Inc., S&P Global Ratings, a business unit of Standard & Poor's Financial Services L.L.P., and Fitch Ratings (the "Rating Agencies") have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers are possible. Thus, when making an investment decision, potential investors should carefully consider the ability of any such bond insurer to pay principal and interest on the Bonds and the claims-paying ability of any such bond insurer, particularly over the life of the Bonds.

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LEGAL MATTERS

LEGAL PROCEEDINGS

Allen Boone Humphries Robinson LLP, Houston, Texas, serves as Bond Counsel to the District. Allen Boone Humphries Robinson LLP, Dallas, Texas, serves as General Counsel to the District. McCall, Parkhurst, Horton L.L.P., Dallas, Texas, serves as Disclosure Counsel to the District. The legal fees paid to 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 upon the sale and delivery of the Bonds. General Counsel also provides certain legal services in connection with the issuance of the Bonds. The fees paid to General Counsel and Disclosure Counsel for services rendered in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property within the District and based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds; the approving legal opinion of Bond Counsel, to a like effect, and to the effect that, 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.

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS" (except information under the heading – Book Entry Only System), "MANAGEMENT – Bond Counsel," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. General Counsel has reviewed the information under "THE BONDS –Annexation, – Development Agreement, - Consolidation", "THE DISTRICT - General", "MANAGEMENT – General Counsel", and "THE ROADS AND RELATED IMPROVEMENTS, AND WATER, WASTEWATER, AND DRAINAGE FACILITIES" solely to determine whether such information fairly summarizes the legal agreements and matters of law referred to therein. Bond Counsel and General Counsel have not, however, independently verified any of the factual information contained in this Official Statement nor has either conducted an investigation of the affairs of the District or the Developer 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.

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 that 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.

NO MATERIAL ADVERSE CHANGE

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

NO-LITIGATION CERTIFICATE

The District will furnish the Initial Purchaser a certificate, executed by both the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature is pending or, to their knowledge, threatened, either in state or federal courts, contesting or attacking the Bonds, restraining or enjoining the levy, assessment and collection of ad valorem taxes to pay the interest on or the principal of 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 or the title of the present officers of the District.

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, 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 (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) for the purpose of determining the alternative minimum tax imposed on corporations.

The Internal Revenue Code of 1986, as amended (the "Code") imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Bond Resolutions that they will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolutions pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor and the Initial Purchaser with respect to matters solely within the knowledge of the District, the Financial Advisor and the Initial Purchaser, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Resolutions or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Under the Code, taxpayers are required to report on their returns the amount of tax exempt interest, such as interest on the Bonds, received or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the IRS. Additionally, backup withholding may apply to any such payments to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the respective Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits, including tax exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT BONDS

The issue price of certain of the Bonds (the "Original Issue Discount Bonds") is less than the stated redemption price at maturity. In such case, under existing law and based upon the assumptions hereinafter stated (a) The difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) Such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

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 Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

The foregoing is based on the assumptions that (a) the Initial Purchaser has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on pages 2 and 3 of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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 Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon 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 plus 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 Bond.

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

PREPARATION OF OFFICIAL STATEMENT

SOURCES AND COMPILATION OF INFORMATION

The financial data and other information contained in this Official Statement has been obtained primarily from the District's records, the Developer, the Engineer, the Tax Assessor/Collector, the Appraisal District, and other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and its inclusion herein is not to be construed as a representation on the part of the District except as described below under "Certification of Official Statement." Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering, and other related information set forth in this Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

FINANCIAL ADVISOR

Hilltop Securities Inc. ("Hilltop Securities") is engaged as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, including the Official Notice of Sale and Bidding Instructions and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, Hilltop Securities has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities 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.

CONSULTANTS

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

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

Engineer: The information contained in this Official Statement relating to engineering and to the description of the facilities and, in particular that information included in the sections entitled "THE DISTRICT," and "THE ROADS AND RELATED IMPROVEMENTS AND WATER, WASTEWATER, AND DRAINAGE FACILITIES" has been provided by Johnson Volk Consulting, Consulting Engineers, and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Auditor: As required by the Texas Water code, the District retains an independent auditor to audit the District's financial statements annually, which is filed with the TCEQ. The District's audited financial statements for the 12 months ended June 30, 2023, were prepared by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's June 30, 2023 financial statements.

UPDATING THE OFFICIAL STATEMENT

If, subsequent to the date of the Official Statement, to and including the date the Initial Purchaser is no longer required to provide an Official Statement to customers who request same pursuant to 15c2-12 (the "Rule") of the United States Securities and Exchange Commission ("SEC"), the District learns, or is notified by the Initial Purchaser of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate upon the earlier of (i) 90 days after the "end of the underwriting period" as defined in the Rule or (ii) the date the Official Statement is filed with the MSRB (hereinafter defined), but in no case less than 25 days after the end of the underwriting period.

CERTIFICATION OF OFFICIAL STATEMENT

The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement, and amendment thereto pertaining to the District and its affairs contained herein, to its knowledge, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the official executing this certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants, and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

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

ANNUAL REPORTS

The District will provide certain updated financial information and operating data to the MSRB annually. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "DEBT AND FINANCIAL INFORMATION", "TAX DATA," (except for "Estimated Overlapping Debt"), and in "APPENDIX A" (the Audited Financial Statements of the District). The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2024.

Any information so provided shall be prepared in accordance with generally accepted 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 June 30. Accordingly, it must provide updated information by December 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

EVENT NOTICES

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business 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 status of the Bonds, or other material events affecting the tax 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; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an 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, 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, 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, any of which reflect financial difficulties.. The terms "Obligated Person" and "Financial Obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). 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 Resolutions makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

AVAILABILITY OF INFORMATION FROM MSRB

The District has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge through EMMA at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or 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 from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment 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 holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolutions if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. 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 past five years the District has complied in all material respects with its prior continuing disclosure agreements made in accordance with the Rule.

MISCELLANEOUS

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

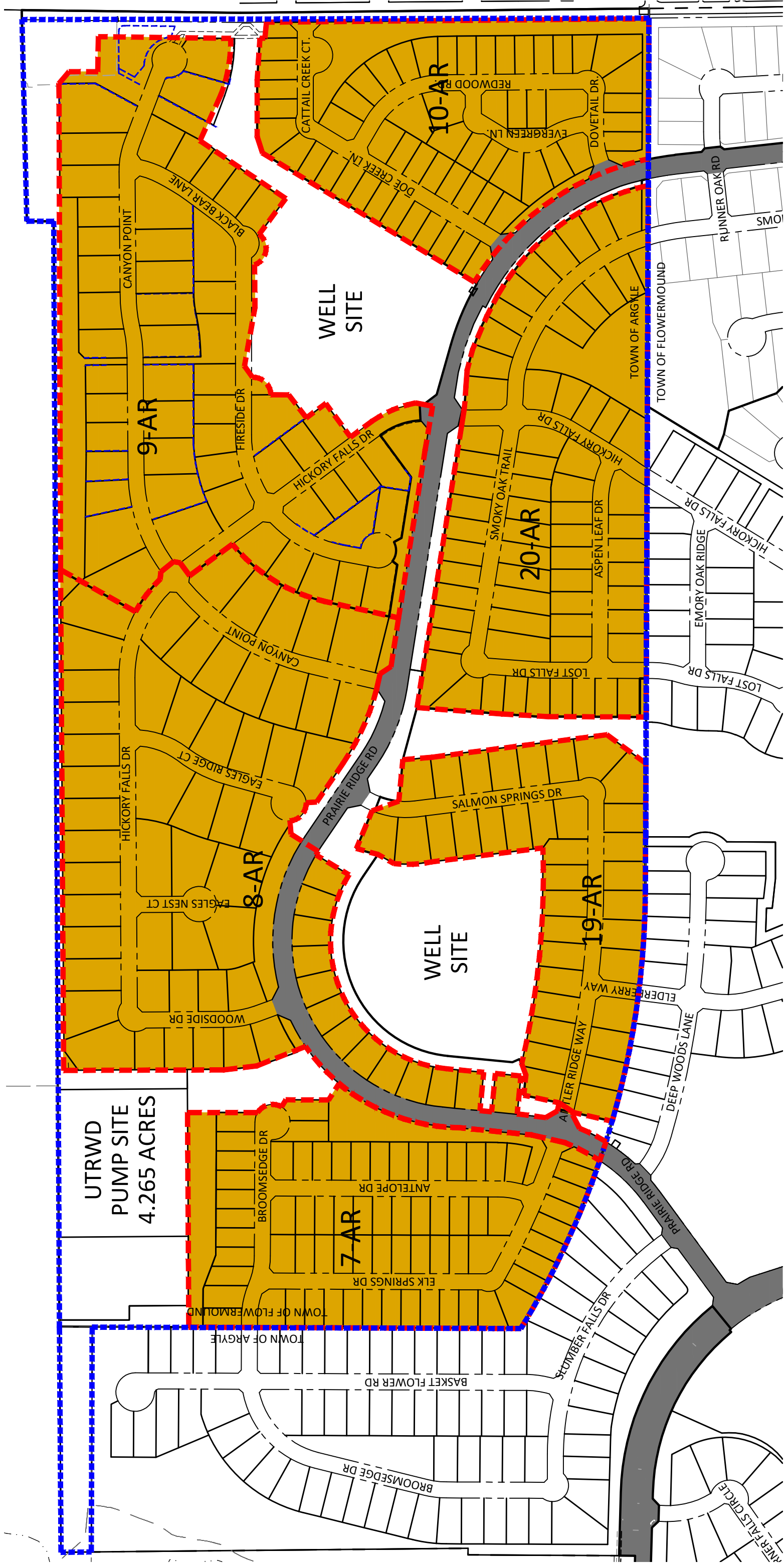
JAMES R. CAMPBELL
President, Board of Directors
Canyon Falls Municipal Utility District No. 1
of Denton County

ATTEST:

JEREMY HOLDEN
Secretary/Treasurer, Board of Directors
Canyon Falls Municipal Utility District No. 1
of Denton County

DISTRICT DEVELOPED PHASES MAP





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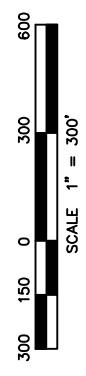
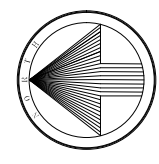


UTRWD
PUMP SITE
4.265 ACRES

WELL
SITE

WELL
SITE

LEGEND	
	ARGYLE MUD NO. 1 BOUNDARY
	PHASE BOUNDARIES
	DEVELOPED MAJOR ROADS
	DEVELOPED PHASES



CANYON FALLS DISTRICT DEVELOPED PHASE MAP

CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1
ARGYLE, TX



January 05, 2024

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PHOTOGRAPHS OF IMPROVEMENTS WITHIN THE DISTRICT

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APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE YEAR ENDED JUNE 30, 2023

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**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

Management’s discussion and analysis of the financial performance of Canyon Falls Municipal Utility District No. 1 of Denton County (the “District”) provides an overview of the District’s financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, liabilities exceeded assets by \$2,685,169 as of June 30, 2023. A portion of the District’s net position reflects its net investment in capital assets, which include certain water distribution, roads and drainage infrastructure owned by the District, and intangible assets, which include certain wastewater infrastructure within the District which has been conveyed to the Town of Argyle, Texas for operations and maintenance less any debt used to finance those assets that is still outstanding.

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following is a comparative analysis of government-wide changes in net position:

	Summary of Changes in the Statement of Net Position		
	2023	2022	Change Positive (Negative)
Current and Other Assets	\$ 2,255,763	\$ 1,407,543	\$ 848,220
Intangible Assets (Net of Accumulated Amortization)	2,695,411	1,972,046	723,365
Capital Assets (Net of Accumulated Depreciation)	10,449,336	10,258,154	191,182
Total Assets	\$ 15,400,510	\$ 13,637,743	\$ 1,762,767
Due to Developer	\$ 3,453,296	\$ 6,803,038	\$ 3,349,742
Bonds Payable	14,377,294	8,296,284	(6,081,010)
Other Liabilities	255,089	114,091	(140,998)
Total Liabilities	\$ 18,085,679	\$ 15,213,413	\$ (2,872,266)
Net Position:			
Net Investment in Capital Assets	\$ (4,445,986)	\$ (2,791,383)	\$ (1,654,603)
Restricted	838,646	423,129	415,517
Unrestricted	922,171	792,584	129,587
Total Net Position	\$ (2,685,169)	\$ (1,575,670)	\$ (1,109,499)

The following table provides a summary of the District's operations for the years ended June 30, 2023, and June 30, 2022.

	Summary of Changes in the Statement of Activities		
	2023	2022	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,108,396	\$ 557,725	\$ 550,671
Permit Fees	66,000	184,800	(118,800)
Miscellaneous Revenues	62,525	16,274	46,251
Total Revenues	\$ 1,236,921	\$ 758,799	\$ 478,122
Total Expenses	2,346,420	1,220,969	(1,125,451)
Change in Net Position	\$ (1,109,499)	\$ (462,170)	\$ (647,329)
Net Position, Beginning of Year	(1,575,670)	(1,113,500)	(462,170)
Net Position, End of Year	\$ (2,685,169)	\$ (1,575,670)	\$ (1,109,499)

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS

The District’s combined fund balances as of June 30, 2023, were \$2,224,262, an increase of \$830,171 from the prior year.

The General Fund fund balance increased by \$282,101, primarily due to property taxes and permit fees exceeding operating costs.

The Debt Service Fund increased by \$539,952, primarily due to the structure of the District’s long-term debt as well as the receipt of capitalized interest from the Series 2022 Bonds.

The Capital Projects Fund increased by \$8,118, primarily due to unspent proceeds from the Series 2022 Bonds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopts an unappropriated budget prior to the beginning of each fiscal year. The budget was amended to increase projected property tax revenues. Actual revenues were \$28,540 less than budgeted revenues and actual expenditures were \$14,326 less than budgeted expenditures which resulted in a negative variance of \$14,214. See the budget to actual comparison for more information.

CAPITAL ASSETS AND INTANGIBLE ASSETS

The District retains ownership of and maintenance obligations for the water distribution, road, and drainage facilities that serve the District. Capital assets as of June 30, 2023, total \$10,449,336 (net accumulated depreciation).

Capital Assets At Year-End			
	2023	2022	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 2,071,040	\$ 2,032,387	\$ 38,653
Capital Assets Subject to Depreciation:			
Roads	3,749,019	3,749,019	
Water System	3,065,950	2,712,943	353,007
Drainage System	2,389,882	2,358,410	31,472
Less Accumulated Depreciation	(826,555)	(594,605)	(231,950)
Total Net Capital Assets	\$ 10,449,336	\$ 10,258,154	\$ 191,182

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

CAPITAL ASSETS AND INTANGIBLE ASSETS (Continued)

Under that certain Amended and Restated Development Agreement (the “Development Agreement”) effective May 27, 2008, between the Town of Argyle, Texas (“Argyle”) and Canyon Falls Land Partners, L.P., predecessor in interest to Nash Canyon Falls, LLC, the District conveys completed wastewater utility infrastructure to Argyle for ownership and maintenance in return for Argyle’s obligation to use such utilities to provide wastewater service to residents of District. Intangible assets (net of accumulated amortization) totaled \$2,695,411 as of June 30, 2023.

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total bond debt payable of \$14,385,000. The changes in bonds payable of the District during the fiscal year ended June 30, 2023, are summarized as follow:

Bond Debt Payable, July 1, 2022	\$ 8,320,000
Add: Bond Sale - Series 2022	6,250,000
Less: Bond Principal Paid	<u>185,000</u>
Bond Debt Payable, June 30, 2023	<u>\$ 14,385,000</u>

The District has been assigned an underlying rating of “Baa3”. The Series 2020 Road bonds and Series 2021 Road bonds do not have insured ratings. The Series 2022 Bonds have an insured rating of “AA” by virtue of bond insurance issued by Assured Guarantee Municipal Corp. Credit enhanced ratings provided through bond insurance policies are subject to change based on changes to the ratings of the insurers.

As of the end of the current fiscal year, the District had Developer liabilities totaling \$3,453,296 (see Note 11).

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Canyon Falls Municipal Utility District No. 1 of Denton County, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2023**

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 12,217	\$ 3,378
Investments	1,088,010	1,056,965
Property Taxes Receivable	2,642	6,599
Due from Other Funds		4,533
Capital Assets (Net of Accumulated Depreciation)		
Intangible Assets (Net of Accumulated Amortization)		
TOTAL ASSETS	\$ 1,102,869	\$ 1,071,475
LIABILITIES		
Accounts Payable	\$ 22,165	\$
Accrued Interest Payable		
Due to Developer		
Due to Other Funds	4,533	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 26,698	\$ -0-
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 2,642	\$ 6,599
FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		1,064,876
Unassigned	1,073,529	
TOTAL FUND BALANCES	\$ 1,073,529	\$ 1,064,876
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,102,869	\$ 1,071,475
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 297	\$ 15,892	\$	\$ 15,892
85,655	2,230,630		2,230,630
	9,241		9,241
	4,533	(4,533)	
		10,449,336	10,449,336
		2,695,411	2,695,411
<u>\$ 85,952</u>	<u>\$ 2,260,296</u>	<u>\$ 13,140,214</u>	<u>\$ 15,400,510</u>
\$ 95	\$ 22,260	\$	\$ 22,260
		232,829	232,829
		3,453,296	3,453,296
	4,533	(4,533)	
		420,000	420,000
		13,957,294	13,957,294
<u>\$ 95</u>	<u>\$ 26,793</u>	<u>\$ 18,058,886</u>	<u>\$ 18,085,679</u>
<u>\$ -0-</u>	<u>\$ 9,241</u>	<u>\$ (9,241)</u>	<u>\$ -0-</u>
\$ 85,857	\$ 85,857	\$ (85,857)	\$
	1,064,876	(1,064,876)	
	1,073,529	(1,073,529)	
<u>\$ 85,857</u>	<u>\$ 2,224,262</u>	<u>\$ (2,224,262)</u>	<u>\$ - 0 -</u>
<u>\$ 85,952</u>	<u>\$ 2,260,296</u>		
		\$ (4,445,986)	\$ (4,445,986)
		838,646	838,646
		922,171	922,171
		<u>\$ (2,685,169)</u>	<u>\$ (2,685,169)</u>

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

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Total Fund Balances - Governmental Funds	\$	2,224,262
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets and intangible assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		13,144,747
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Deferred inflows of resources related to property tax revenues for the 2022 and prior tax levies became part of recognized revenue in the governmental activities of the District.		9,241
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (3,453,296)	
Accrued Interest Payable	(232,829)	
Bonds Payable	<u>(14,377,294)</u>	<u>(18,063,419)</u>

Total Net Position - Governmental Activities	\$	<u>(2,685,169)</u>
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The accompanying notes to the financial statements are an integral part of this report.

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**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 330,997	\$ 772,011
Permit Fees	66,000	
Investment and Miscellaneous Revenues	27,064	27,876
TOTAL REVENUES	\$ 424,061	\$ 799,887
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 80,642	\$
Contracted Services	20,168	7,104
Depreciation		
Amortization		
Other	41,150	
Capital Outlay		
Developer Interest		
Debt Service:		
Bond Principal		185,000
Bond Interest		242,808
Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	\$ 141,960	\$ 434,912
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	\$ 282,101	\$ 364,975
OTHER FINANCING SOURCES (USES)		
Proceeds from Issuance of Long-Term Debt	\$	\$ 174,977
Bond Discount		
Bond Premium		
TOTAL OTHER FINANCING SOURCES (USES)	\$ -0-	\$ 174,977
NET CHANGE IN FUND BALANCES	\$ 282,101	\$ 539,952
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JULY 1, 2022	791,428	524,924
FUND BALANCES/NET POSITION - JUNE 30, 2023	\$ 1,073,529	\$ 1,064,876

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$	\$ 1,103,008	\$ 5,388	\$ 1,108,396
	66,000		66,000
<u>7,585</u>	<u>62,525</u>		<u>62,525</u>
\$ <u>7,585</u>	\$ <u>1,231,533</u>	\$ <u>5,388</u>	\$ <u>1,236,921</u>
\$	\$ 80,642	\$	\$ 80,642
	27,272		27,272
		231,950	231,950
		85,101	85,101
	41,150		41,150
4,581,340	4,581,340	(4,581,340)	
889,554	889,554		889,554
	185,000	(185,000)	
	242,808	129,025	371,833
<u>618,918</u>	<u>618,918</u>		<u>618,918</u>
\$ <u>6,089,812</u>	\$ <u>6,666,684</u>	\$ <u>(4,320,264)</u>	\$ <u>2,346,420</u>
\$ <u>(6,082,227)</u>	\$ <u>(5,435,151)</u>	\$ <u>4,325,652</u>	\$ <u>(1,109,499)</u>
\$ 6,075,023	\$ 6,250,000	\$ (6,250,000)	\$
(71,825)	(71,825)	71,825	
<u>87,147</u>	<u>87,147</u>	<u>(87,147)</u>	
\$ <u>6,090,345</u>	\$ <u>6,265,322</u>	\$ <u>(6,265,322)</u>	\$ <u>-0-</u>
\$ 8,118	\$ 830,171	\$ (830,171)	\$
		(1,109,499)	(1,109,499)
<u>77,739</u>	<u>1,394,091</u>	<u>(2,969,761)</u>	<u>(1,575,670)</u>
\$ <u>85,857</u>	\$ <u>2,224,262</u>	\$ <u>(4,909,431)</u>	\$ <u>(2,685,169)</u>

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

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Net Change in Fund Balances - Governmental Funds	\$	830,171
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		5,388
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Governmental funds do not account for depreciation or amortization of capital assets and intangible assets. However, in the Statement of Activities, depreciation and amortization expenses are recorded.		(317,051)
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Governmental funds report capital outlay as an expenditure in the period purchased. The District conveys certain capital assets to other entities for ownership and records these costs as intangible assets in the Statement of Net Position.		4,581,340
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Governmental funds report bond premiums and bond discounts as other financing sources and uses in the year paid. However, in the Statement of Net Position, bond premiums and bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.		(15,322)
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Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		(129,025)
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Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.		(6,250,000)
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Government funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		<u>185,000</u>
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Change in Net Position - Governmental Activities	\$	<u><u>(1,109,499)</u></u>
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The accompanying notes to the financial statements are an integral part of this report.

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1. CREATION OF DISTRICT

On March 27, 2008, Argyle consented to the creation of the District. The District was organized under the terms and provisions of Article XVI, Section 59 of the Texas Constitution and the applicable provisions of Chapters 49 and 54 of the Texas Water Code, as amended. By Order dated December 29, 2008, the Texas Commission on Environmental Quality (the “Commission”) approved the creation of the District as a municipal utility district with powers pursuant to Chapters 49 and 54 of the Texas Water Code and the District remains subject to the continuing supervision of the Commission. Voters confirmed the creation of the District at an election held on November 6, 2012.

Subsequently, on or about June 15, 2015, under Special District Local Laws Code Chapter 7908, the District was granted the authority under Article III, Section 52, Texas Constitution, to design, acquire, construct, finance, issue bonds for, improve, operate, maintain, and convey to this state, a county, or a municipality for operation and maintenance macadamized, graveled, or paved roads, or improvements, including storm drainage, in aid of those roads.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* as published by the Commission. The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

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

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

These classifications are defined as follows:

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

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

General Fund - To account for maintenance tax revenues, permit fees, professional fees and administrative costs.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. The General Fund owes the Debt Service Fund \$4,533 for tax collections at year end.

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

The District owns the water distribution, road, and drainage facilities that serve the District. Capital assets are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost. Repairs and maintenance are expensed as incurred. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation over a period of 45 years.

Intangible Assets

Intangible assets consist of wastewater utility infrastructure conveyed to the Town of Argyle for ownership and maintenance in return for Argyle's commitment to use such utilities to provide service to residents of the District. Amortization of these intangible assets is calculated using the straight-line method over a period of 45 years

Budgeting

An unappropriated budget is adopted for the General Fund by the District's Board of Directors each year and is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the budgeted amounts compared to the actual amounts of revenues and expenditures.

Pensions

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

Measurement Focus

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

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

Fund balances in governmental funds are classified using the following hierarchy:

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3. LONG-TERM DEBT

The following is a summary of transactions regarding bonds payable for the year ended June 30, 2023:

	July 1, 2022	Additions	Retirements	June 30, 2023
Bonds Payable	\$ 8,320,000	\$ 6,250,000	\$ 185,000	\$ 14,385,000
Unamortized Premiums		87,147	2,099	85,048
Unamortized Discounts	(23,716)	(71,825)	(2,787)	(92,754)
Bonds Payable, Net	<u>\$ 8,296,284</u>	<u>\$ 6,265,322</u>	<u>\$ 184,312</u>	<u>\$ 14,377,294</u>

Amount Due Within One Year	\$ 420,000
Amount Due After One Year	<u>13,957,294</u>
Bonds Payable, Net	<u>\$ 14,377,294</u>

	Series 2020 Road	Series 2021 Road	Series 2022
Amounts Outstanding – June 30, 2023	\$ 4,785,000	\$ 3,350,000	\$ 6,250,000
Interest Rates	2.00% - 3.125%	2.00% - 3.00%	4.00% - 6.00%
Maturity Dates – Serially Beginning/Ending	February 15, 2024/2045	February 15, 2024/2046	February 15, 2024/2047
Interest Payment Dates	August 15/ February 15	August 15/ February 15	August 15/ February 15
Callable Dates	February 15, 2027*	February 15, 2027*	February 15, 2029*

* The bonds are subject to redemption at the option of the District prior to their maturity in whole or from time to time in part, on the call date or any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2020 Road term bonds maturing on February 15, 2036, 2038, 2040, 2042, and 2045 are subject to mandatory sinking fund redemption by lot or other customary method at a price equal to par plus accrued interest thereon to the redemption date beginning February 15, 2035, 2037, 2039, 2041, and 2043, respectively. Series 2021 Road term bonds maturing on February 15, 2046 are subject to mandatory sinking fund redemption by lot or other customary method at a price equal to par plus accrued interest thereon to the redemption date beginning February 15, 2039. Series 2022 term bonds maturing on February 15, 2032, 2034, 2044, and 2047, are subject to mandatory sinking fund redemption at a price equal to the principal amount thereof on the redemption date beginning February 15, 2031, 2033, 2042, and 2045, respectively.

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3. LONG-TERM DEBT (Continued)

As of June 30, 2023, the District had authorized but unissued bonds in the amount of \$44,265,000 for utility facilities, \$50,515,000 for refunding utility bonds, \$40,275,000 for road facilities and \$48,595,000 for refunding road bonds. The bonds of the District are payable from the proceeds of an annual ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

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

Fiscal Year	Principal	Interest	Total
2024	\$ 420,000	\$ 535,270	\$ 955,270
2025	425,000	485,455	910,455
2026	445,000	470,955	915,955
2027	460,000	455,485	915,485
2028	475,000	439,135	914,135
2029-2033	2,605,000	1,954,985	4,559,985
2034-2038	3,090,000	1,509,238	4,599,238
2039-2043	3,720,000	937,189	4,657,189
2044-2047	2,745,000	241,438	2,986,438
	<u>\$ 14,385,000</u>	<u>\$ 7,029,150</u>	<u>\$ 21,414,150</u>

During the year ended June 30, 2023, the District levied an ad valorem debt service tax rate of \$0.6504 per \$100 of assessed valuation, which resulted in a tax levy of \$776,673 on the adjusted taxable valuation of \$119,414,662 for the 2022 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

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

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4. SIGNIFICANT BOND RESOLUTIONS AND LEGAL REQUIREMENTS

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of each issue.

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

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District’s deposits was \$265,892 and the bank balance was \$265,893. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at June 30, 2023, as listed below:

	Cash	Certificate of Deposit	Total
GENERAL FUND	\$ 12,217	\$ 250,000	\$ 262,217
DEBT SERVICE FUND	3,378		3,378
CAPITAL PROJECTS FUND	297		297
TOTAL DEPOSITS	<u>\$ 15,892</u>	<u>\$ 250,000</u>	<u>\$ 265,892</u>

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

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

The District invests in Local Government Investment Cooperative ("LOGIC"). LOGIC operates a public funds investment pool under the Public Funds Investment Act. The portfolio is managed by J. P. Morgan Investment Management Inc. (J. P. Morgan) and the day-to-day operations are provided by Hilltop Securities Asset Management, Inc., a Hilltop Holdings Company, and J. P. Morgan. LOGIC measures its portfolio assets at amortized cost. As a result, the District measures its investments in LOGIC at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from LOGIC.

The District invests in the Texas Short Term Asset Reserve Program ("TexSTAR"), an external public funds investment pool that is not SEC-registered. J.P. Morgan Investment Management Inc. provides investment management and Hilltop Securities Inc., provides participant services and marketing under an agreement with the TexSTAR Board of Directors. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investors Services Co. Investments held by TexSTAR are marked to market daily. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from TexSTAR.

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Certificates of deposit are recorded at acquisition cost.

As of June 30, 2023, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
Certificates of Deposit	\$ 250,000	\$ 250,000
LOGIC	430,441	430,441
TexSTAR	407,569	407,569
<u>DEBT SERVICE FUND</u>		
LOGIC	652,152	652,152
TexSTAR	404,813	404,813
<u>CAPITAL PROJECTS FUND</u>		
LOGIC	85,655	85,655
TOTAL INVESTMENTS	\$ 2,230,630	\$ 2,230,630

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District's investments in LOGIC and TexSTAR were rated AAAM by Standard and Poor's. The District manages credit risk by investing in certificates of deposit with balances below FDIC coverage.

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

Restrictions

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

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6. CAPITAL ASSETS AND INTANGIBLE ASSETS

The Development Agreement states that the Owner, or District as appropriate, will pay for the construction of all water, wastewater, drainage, roadway, and other infrastructure necessary to serve development within the District. Ownership of and maintenance for the water, drainage, and roadway facilities will remain with the District. The following table summarizes current year activity related to capital assets owned and maintained by the District:

	July 1, 2022	Increases	Decreases	June 30, 2023
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 2,032,387	\$ 38,653	\$ -0-	\$ 2,071,040
Capital Assets Subject to Depreciation				
Roads	\$ 3,749,019	\$	\$	\$ 3,749,019
Water System	2,712,943	353,007		3,065,950
Drainage System	2,358,410	31,472		2,389,882
Total Capital Assets Subject to Depreciation	<u>\$ 8,820,372</u>	<u>\$ 384,479</u>	<u>\$ -0-</u>	<u>\$ 9,204,851</u>
Accumulated Depreciation				
Roads	\$ 212,967	\$ 83,312	\$	\$ 296,279
Water System	183,820	92,534		276,354
Drainage System	197,818	56,104		253,922
Total Accumulated Depreciation	<u>\$ 594,605</u>	<u>\$ 231,950</u>	<u>\$ -0-</u>	<u>\$ 826,555</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 8,225,767</u>	<u>\$ 152,529</u>	<u>\$ -0-</u>	<u>\$ 8,378,296</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 10,258,154</u>	<u>\$ 191,182</u>	<u>\$ -0-</u>	<u>\$ 10,449,336</u>

Under the Development Agreement, wastewater infrastructure is conveyed to Argyle for ownership and maintenance and recorded as intangible assets for the right to receive service. The following table summarizes current year activity related to intangible assets:

	July 1, 2022	Increases	Decreases	June 30, 2023
Intangible Assets Subject to Amortization				
Wastewater System	\$ 2,121,926	\$ 808,466	\$ -0-	\$ 2,930,392
Accumulated Amortization				
Wastewater System	\$ 149,880	\$ 85,101	\$ -0-	\$ 234,981
Total Intangible Assets, Net of Accumulated Amortization	<u>\$ 1,972,046</u>	<u>\$ 723,365</u>	<u>\$ -0-</u>	<u>\$ 2,695,411</u>

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7. MAINTENANCE TAX

On November 6, 2012, voters of the District approved the levy and collection of a maintenance tax in an unlimited amount on each \$100 of assessed valuation of taxable property within the District. During the year ended June 30, 2023, the District levied an ad valorem maintenance tax rate of \$0.2787 per \$100 of assessed valuation, which resulted in a tax levy of \$332,808 on the adjusted taxable valuation of \$119,414,662 for the 2022 tax year. The maintenance tax is to be used by the District for any lawfully authorized purpose

NOTE 8. AMENDED AND RESTATED DEVELOPMENT AGREEMENT

The Developer and Argyle are parties to an Amended and Restated Development Agreement, effective May 27, 2008 (the "Development Agreement"). The Development Agreement contains various agreements among the parties, including: agreement of the Developer to acquire and construct water, sanitary sewer and drainage facilities and roads to serve the area of the District; the authority of Argyle to review and approve utility and road design and inspect construction; agreement of Argyle to provide retail sewer service to the area of the District and use reasonable efforts to insure that sewer capacities are available in amounts sufficient to serve the District; and the agreement that the District shall remain in the ETJ of Argyle and shall be immune from annexation by Argyle until the earlier to occur of: (a) 15 years from the effective date; or (b) the date that construction of public infrastructure to serve 100 percent of the development is complete and bonds have been issued by the District for reimbursement of all eligible costs relating to the public infrastructure and interceptor line. The term of the Development Agreement is 15 years from its effective date.

NOTE 9. WASTEWATER FACILITIES AND TREATMENT

The area within the District lies wholly within the sewer certificate of convenience and necessary (CCN) number 20826 held by Argyle. Argyle is the provider of retail wastewater service to the users within the District. Pursuant to the Development Agreement, upon completion of a phase of wastewater collection facilities by or on behalf of the District, the District conveys such facilities to Argyle. Such conveyance is made in consideration of various agreements made by Argyle in such Development Agreement, including the agreement to allocate and reserve capacity in such facilities for use by and benefit of the area within the District and assumption of all operation and maintenance responsibilities for such facilities. Argyle has entered into a four-party agreement with the Trinity River Authority ("TRA"), the City of Flower Mound and the Town of Northlake ("Northlake"), to participate in the Denton Creek Wastewater Transportation System.

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9. WASTEWATER FACILITIES AND TREATMENT (Continued)

NASH Canyon Falls LLC, or a predecessor in interest, on behalf of the District, funded 0.451 million gallons per day (MGD) of capacity in the TRA system capable of serving approximately 340 connections. As the retail provider of wastewater service to the District, Argyle has entered into the Denton Creek Regional Wastewater Treatment System Sixth Supplemental Contract dated December, 2001, with TRA; pursuant to which, it receives wastewater transportation and treatment service. Argyle has confirmed that treatment capacity is available in amounts sufficient to serve the entirety of the District area.

NOTE 10. WATER FACILITIES AND SUPPLY

The area within the District lies wholly within the water certificate of convenience and necessity (CCN) number 13270 held by the District. The District is the provider of retail water service to the users within the District. Service will be provided in phases to serve 340 single-family residential equivalent connections (“Connections”) at ultimate development of the District. Following completion of each phase of the water distribution facilities (the “WDFs”), the District retains ownership, operation, and maintenance obligations of the WDFs. As of September 1, 2022, WDFs have been completed to serve 340 Connections located in District phases 7-AR, 8-AR, 9-AR, 10-AR, 19-AR and 20-AR. Pursuant to an October 24, 2017, Water Systems Management Services Agreement between the District and Northlake, Northlake has agreed to provide operations and management services for the WDFs, including the obligation to provide wholesale treated water to the area of the District, including the District’s 340 Connections. The source of water is treated surface water from the Upper Trinity Regional Water District (“UTRWD”) delivered to a point of delivery within the District. Northlake has entered into a Regional Treated Water Supply Contract, dated December 2, 2010, with UTRWD pursuant to which it receives wholesale treated water. That Regional Treated Water Supply Contract acknowledges that Northlake will provide wholesale water service to the District. In the Water Systems Management Services Agreement, Northlake has agreed to ensure that continuous and adequate water service will be provided to District customers in times and amounts needed as the District develops.

NOTE 11. UNREIMBURSED DEVELOPER COSTS

On or about May 26, 2016, the District executed a certain Development Financing Agreement with NASH Canyon Falls, LLC (“Developer”) which calls for the Developer to fund costs associated with the construction of water, sewer, drainage and road facilities within the District. In addition, the Development Financing Agreement contemplated that the Developer would advance funds to the District in order for the District to meet its financial obligations.

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11. UNREIMBURSED DEVELOPER COSTS (Continued)

Reimbursement to the Developer will come from future bond sales. The following table summarizes the current year activity related to unreimbursed developer costs for completed projects and operating advances:

Due to Developer, beginning of year	\$ 6,803,038
Current Year Reimbursements	<u>(3,349,742)</u>
Due to Developer, end of year	<u>\$ 3,453,296</u>

NOTE 12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide property, general liability, automobile, boiler and machinery, errors and omissions, law enforcement and workers compensation coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 13. BOND SALE

On December 29, 2022, the District closed on the sale of its \$6,250,000 Series 2022 Unlimited Tax Bonds. Proceeds from the bonds were used to reimburse the Developer for construction and engineering costs for road facilities serving Canyon Falls Villages 7-AR, 8-AR, 19-AR, 20-AR, wastewater capacity fees, pump station and ground storage tank, as well as land acquisition costs. Additional proceeds were used to pay for capitalized interest, developer interest and issuance costs of the bonds.

NOTE 14. USE OF SURPLUS FUNDS

On March 24, 2023, the Commission approved the use of surplus Capital Projects Fund monies in the amount of \$347,900 to reimburse the Developer for water, wastewater and drainage facilities to serve Canyon Falls Village 19-AR and 20-AR. The reimbursement was made in the current fiscal year.

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 15. PENDING BOND SALE

Subsequent to the report date, the District anticipates closing on the sale of its Unlimited Tax Bonds, Series 2023 in the approximate amount of \$3,000,000. Proceeds from the bonds will be used to reimburse the Developer for construction and engineering costs for utility infrastructure within the District. Additional proceeds will be used to pay for capitalized interest, developer interest, and bond issuance costs. Delivery of the bonds is expected in fourth quarter of 2023.

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**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
REQUIRED SUPPLEMENTARY INFORMATION**

JUNE 30, 2023

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023**

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 321,033	\$ 351,201	\$ 330,997	\$ (20,204)
Permit Fees	99,000	99,000	66,000	(33,000)
Investment and Miscellaneous Revenues	<u>2,400</u>	<u>2,400</u>	<u>27,064</u>	<u>24,664</u>
TOTAL REVENUES	<u>\$ 422,433</u>	<u>\$ 452,601</u>	<u>\$ 424,061</u>	<u>\$ (28,540)</u>
EXPENDITURES				
Service Operations:				
Professional Fees	\$ 91,000	\$ 91,000	\$ 80,642	\$ 10,358
Contracted Services	20,400	20,400	20,168	232
Other	<u>44,886</u>	<u>44,886</u>	<u>41,150</u>	<u>3,736</u>
TOTAL EXPENDITURES	<u>\$ 156,286</u>	<u>\$ 156,286</u>	<u>\$ 141,960</u>	<u>\$ 14,326</u>
NET CHANGE IN FUND BALANCE	\$ 266,147	\$ 296,315	\$ 282,101	\$ (14,214)
FUND BALANCE - JULY 1, 2022	<u>791,428</u>	<u>791,428</u>	<u>791,428</u>	<u></u>
FUND BALANCE - JUNE 30, 2023	<u>\$ 1,057,575</u>	<u>\$ 1,087,743</u>	<u>\$ 1,073,529</u>	<u>\$ (14,214)</u>

See accompanying independent auditor's report.

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**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY**

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

JUNE 30, 2023

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2023**

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

The District has financed the construction of water, wastewater, drainage and road infrastructure which are used to serve residents of the District. See Note 6, Note 9 and Note 10 for information related to the entities responsible for providing such services to the District as well as which entities are responsible for the ownership and maintenance of related facilities.

2. LOCATION OF DISTRICT:

The District contains a portion of the development known as Canyon Falls (“Canyon Falls”). Canyon Falls is a 1,200-acre mixed-use master planned community located in southwestern Denton County approximately 37 miles northwest of the Central Business District of the City of Dallas, approximately 27 miles north of the Central Business District of the City of Fort Worth, and approximately 20 miles south of the City of Denton. Approximately 173 acres of Canyon Falls are located within the District and the extraterritorial jurisdiction of Argyle; approximately 514 acres are located within Canyon Falls Water Control and Improvement District No. 2 of Denton County and the corporate limits of the Town of Northlake; and the balance is not located within a special district but is located within the corporate limits of the Town of Flower Mound.

See accompanying independent auditor’s report.

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2023**

PROFESSIONAL FEES:	
Auditing	\$ 13,000
Engineering	8,835
Legal	<u>58,807</u>
TOTAL PROFESSIONAL FEES	<u>\$ 80,642</u>
CONTRACTED SERVICES:	
Bookkeeping	<u>\$ 20,168</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Expenses and Payroll Taxes	\$ 6,960
Insurance	2,931
Delivery, Courier and Publishing	2,152
Website, Repairs, and Other	<u>5,072</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 17,115</u>
INSPECTION FEES	<u>\$ 24,035</u>
TOTAL EXPENDITURES	<u><u>\$ 141,960</u></u>

See accompanying independent auditor's report.

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
INVESTMENTS
JUNE 30, 2023**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year
<u>GENERAL FUND</u>				
Certificate of Deposit	XXXX4766	4.24%	01/06/24	\$ 250,000
LOGIC	XXXX0001	Varies	Daily	430,441
TexSTAR	XXXX1110	Varies	Daily	<u>407,569</u>
TOTAL GENERAL FUND				<u>\$ 1,088,010</u>
<u>DEBT SERVICE FUND</u>				
LOGIC	XXXX0003	Varies	Daily	\$ 652,152
TexSTAR	XXXX0300	Varies	Daily	<u>404,813</u>
TOTAL DEBT SERVICE FUND				<u>\$ 1,056,965</u>
<u>CAPITAL PROJECTS FUND</u>				
LOGIC	XXXX0002	Varies	Daily	<u>\$ 85,655</u>
TOTAL - ALL FUNDS				<u>\$ 2,230,630</u>

See accompanying independent auditor's report.

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2023**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JULY 1, 2022	\$	1,156	\$	2,697
Adjustments to Beginning				
Balance		<u>(325)</u>	\$	<u>831</u>
			<u>(760)</u>	\$
				1,937
Original 2022 Tax Levy	\$	332,960	\$	777,025
Adjustment to 2022 Tax Levy		<u>(152)</u>	<u>332,808</u>	<u>(352)</u>
TOTAL TO BE				<u>776,673</u>
ACCOUNTED FOR		\$	333,639	\$
				778,610
TAX COLLECTIONS:				
Prior Years	\$	283	\$	225
Current Year		<u>330,714</u>	<u>330,997</u>	<u>771,786</u>
				<u>772,011</u>
TAXES RECEIVABLE -				
JUNE 30, 2023		<u>\$</u>	<u>2,642</u>	<u>\$</u>
				<u>6,599</u>
TAXES RECEIVABLE BY				
YEAR:				
2022	\$	2,094	\$	4,887
2021 and prior		<u>548</u>		<u>1,712</u>
TOTAL	\$	<u><u>2,642</u></u>	\$	<u><u>6,599</u></u>

See accompanying independent auditor's report.

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2023**

	2022	2021	2020	2019
PROPERTY VALUATIONS:				
Land	\$ 41,901,745	\$ 29,413,441	\$ 17,042,329	\$ 14,789,431
Improvements	82,147,038	27,677,238	9,365,662	115,244
Personal Property	72,912			
Exemptions	(4,707,033)	(1,695,804)	(525,755)	(127,807)
TOTAL PROPERTY VALUATIONS	\$ 119,414,662	\$ 55,394,875	\$ 25,882,236	\$ 14,776,868
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.6504	\$ 0.70	\$ 0.00	\$ 0.00
Maintenance	0.2787	0.30	1.00	1.00
TOTAL TAX RATES PER \$100 VALUATION	\$ 0.9291	\$ 1.00	\$ 1.00	\$ 1.00
ADJUSTED TAX LEVY*	\$ 1,109,481	\$ 553,949	\$ 258,823	\$ 147,769
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED				
	99.37 %	99.59 %	99.93 %	100.00 %

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

Maintenance Tax – Maximum tax rate in an unlimited amount per \$100 of assessed valuation approved by voters on November 6, 2012.

See accompanying independent auditor's report.

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2023**

S E R I E S - 2 0 2 0 R O A D

Due During Fiscal Years Ending June 30	Principal Due February 15	Interest Due August 15/ February 15	Total
2024	\$ 165,000	\$ 134,174	\$ 299,174
2025	165,000	130,874	295,874
2026	170,000	127,574	297,574
2027	175,000	124,004	299,004
2028	180,000	120,154	300,154
2029	180,000	116,013	296,013
2030	185,000	111,693	296,693
2031	190,000	107,069	297,069
2032	195,000	102,129	297,129
2033	205,000	96,863	301,863
2034	210,000	91,123	301,123
2035	215,000	85,033	300,033
2036	220,000	78,583	298,583
2037	225,000	71,983	296,983
2038	235,000	65,233	300,233
2039	240,000	58,184	298,184
2040	250,000	50,744	300,744
2041	260,000	42,994	302,994
2042	265,000	34,934	299,934
2043	275,000	26,720	301,720
2044	285,000	18,126	303,126
2045	295,000	9,219	304,219
2046			
2047			
	<u>\$ 4,785,000</u>	<u>\$ 1,803,423</u>	<u>\$ 6,588,423</u>

See accompanying independent auditor's report.

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2023**

S E R I E S - 2 0 2 1 R O A D

Due During Fiscal Years Ending June 30	Principal Due February 15	Interest Due August 15/ February 15	Total
2024	\$ 110,000	\$ 86,756	\$ 196,756
2025	110,000	84,556	194,556
2026	115,000	82,356	197,356
2027	115,000	80,056	195,056
2028	120,000	77,756	197,756
2029	120,000	75,356	195,356
2030	125,000	72,956	197,956
2031	125,000	70,456	195,456
2032	130,000	67,800	197,800
2033	135,000	64,875	199,875
2034	135,000	61,669	196,669
2035	140,000	58,294	198,294
2036	145,000	54,794	199,794
2037	150,000	50,988	200,988
2038	155,000	46,863	201,863
2039	160,000	42,600	202,600
2040	165,000	37,800	202,800
2041	170,000	32,850	202,850
2042	175,000	27,750	202,750
2043	180,000	22,500	202,500
2044	185,000	17,100	202,100
2045	190,000	11,550	201,550
2046	195,000	5,850	200,850
2047			
	<u>\$ 3,350,000</u>	<u>\$ 1,233,531</u>	<u>\$ 4,583,531</u>

See accompanying independent auditor's report.

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2023**

S E R I E S - 2 0 2 2

Due During Fiscal Years Ending June 30	Principal Due February 15	Interest Due August 15/ February 15	Total
2024	\$ 145,000	\$ 314,340	\$ 459,340
2025	150,000	270,025	420,025
2026	160,000	261,025	421,025
2027	170,000	251,425	421,425
2028	175,000	241,225	416,225
2029	185,000	232,475	417,475
2030	195,000	221,375	416,375
2031	205,000	213,575	418,575
2032	210,000	205,375	415,375
2033	220,000	196,975	416,975
2034	230,000	188,175	418,175
2035	240,000	178,975	418,975
2036	250,000	169,375	419,375
2037	265,000	159,375	424,375
2038	275,000	148,775	423,775
2039	290,000	137,775	427,775
2040	300,000	125,450	425,450
2041	315,000	112,700	427,700
2042	330,000	99,313	429,313
2043	345,000	84,875	429,875
2044	365,000	69,781	434,781
2045	380,000	53,813	433,813
2046	420,000	37,187	457,187
2047	430,000	18,812	448,812
	<u>\$ 6,250,000</u>	<u>\$ 3,992,196</u>	<u>\$ 10,242,196</u>

See accompanying independent auditor's report.

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2023**

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending June 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2024	\$ 420,000	\$ 535,270	\$ 955,270
2025	425,000	485,455	910,455
2026	445,000	470,955	915,955
2027	460,000	455,485	915,485
2028	475,000	439,135	914,135
2029	485,000	423,844	908,844
2030	505,000	406,024	911,024
2031	520,000	391,100	911,100
2032	535,000	375,304	910,304
2033	560,000	358,713	918,713
2034	575,000	340,967	915,967
2035	595,000	322,302	917,302
2036	615,000	302,752	917,752
2037	640,000	282,346	922,346
2038	665,000	260,871	925,871
2039	690,000	238,559	928,559
2040	715,000	213,994	928,994
2041	745,000	188,544	933,544
2042	770,000	161,997	931,997
2043	800,000	134,095	934,095
2044	835,000	105,007	940,007
2045	865,000	74,582	939,582
2046	615,000	43,037	658,037
2047	430,000	18,812	448,812
	<u>\$ 14,385,000</u>	<u>\$ 7,029,150</u>	<u>\$ 21,414,150</u>

See accompanying independent auditor's report.

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JUNE 30, 2023**

Description	Original Bonds Issued	Bonds Outstanding July 1, 2022
Canyon Falls Municipal Utility District No. 1 of Denton County Unlimited Tax Road Bonds, Series 2020	\$ 4,945,000	\$ 4,945,000
Canyon Falls Municipal Utility District No. 1 of Denton County Unlimited Tax Road Bonds, Series 2021	3,375,000	3,375,000
Canyon Falls Municipal Utility District No. 1 of Denton County Unlimited Tax Bonds, Series 2022	<u>6,250,000</u>	<u> </u>
TOTAL	<u><u>\$ 14,570,000</u></u>	<u><u>\$ 8,320,000</u></u>

Bond Authority:	Tax Bonds- Utility	Refunding Bonds- Utility	Road Bonds
Amount Authorized by Voters	\$ 50,515,000	\$ 50,515,000	\$ 48,595,000
Amount Issued	<u>6,250,000</u>	<u> </u>	<u>8,320,000</u>
Remaining to be Issued	<u><u>\$ 44,265,000</u></u>	<u><u>\$ 50,515,000</u></u>	<u><u>\$ 40,275,000</u></u>

Debt Service Fund cash and investment balances as of June 30, 2023: \$ 1,060,343

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 892,256

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding June 30, 2023</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 160,000	\$ 137,374	\$ 4,785,000	BOKF, N.A. Dallas, TX
	25,000	105,434	3,350,000	BOKF, N.A. Dallas, TX
<u>6,250,000</u>			<u>6,250,000</u>	BOKF, N.A. Dallas, TX
<u>\$ 6,250,000</u>	<u>\$ 185,000</u>	<u>\$ 242,808</u>	<u>\$ 14,385,000</u>	
<u>Refunding Bonds- Road</u>				
\$ 48,595,000				
<u>\$ 48,595,000</u>				

See accompanying independent auditor's report.

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FOUR YEARS**

	Amounts		
	2023	2022	2021
REVENUES			
Property Taxes	\$ 330,997	\$ 178,853	\$ 247,417
Permit Fees	66,000	184,800	277,200
Investment and Miscellaneous Revenues	27,064	1,543	376
TOTAL REVENUES	\$ 424,061	\$ 365,196	\$ 524,993
EXPENDITURES			
Professional Fees	\$ 80,642	\$ 79,845	\$ 76,598
Contracted Services	20,168	18,730	18,022
Other	41,150	82,253	91,138
TOTAL EXPENDITURES	\$ 141,960	\$ 180,828	\$ 185,758
NET CHANGE IN FUND BALANCE	\$ 282,101	\$ 184,368	\$ 339,235
BEGINNING FUND BALANCE	791,428	607,060	267,825
ENDING FUND BALANCE	\$ 1,073,529	\$ 791,428	\$ 607,060

See accompanying independent auditor's report.

Percentage of Total Revenues

<u>2020</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
\$ 147,769	78.0 %	49.0 %	47.1 %	66.9 %
70,400	15.6	50.6	52.8	31.8
<u>2,982</u>	<u>6.4</u>	<u>0.4</u>	<u>0.1</u>	<u>1.3</u>
\$ <u>221,151</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 41,711	19.0 %	21.9 %	14.6 %	18.9 %
10,972	4.8	5.1	3.4	5.0
<u>31,850</u>	<u>9.7</u>	<u>22.5</u>	<u>17.4</u>	<u>14.4</u>
\$ <u>84,533</u>	<u>33.5 %</u>	<u>49.5 %</u>	<u>35.4 %</u>	<u>38.3 %</u>
\$ 136,618	<u>66.5 %</u>	<u>50.5 %</u>	<u>64.6 %</u>	<u>61.7 %</u>
<u>131,207</u>				
\$ <u><u>267,825</u></u>				

See accompanying independent auditor's report.

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND – FOUR YEARS**

	Amounts		
	2023	2022	2021
REVENUES			
Property Taxes	\$ 772,011	\$ 385,067	\$
Investment and Miscellaneous Revenues	<u>27,876</u>	<u>14,494</u>	<u>84</u>
TOTAL REVENUES	<u>\$ 799,887</u>	<u>\$ 399,561</u>	<u>\$ 84</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 6,404	\$ 3,475	\$ 1,494
Debt Service Principal	185,000		
Debt Service Interest and Fees	<u>243,508</u>	<u>165,094</u>	
TOTAL EXPENDITURES	<u>\$ 434,912</u>	<u>\$ 168,569</u>	<u>\$ 1,494</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 364,975</u>	<u>\$ 230,992</u>	<u>\$ (1,410)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Long-Term Debt	<u>\$ 174,977</u>	<u>\$ 61,807</u>	<u>\$ 233,535</u>
NET CHANGE IN FUND BALANCE	\$ 539,952	\$ 292,799	\$ 232,125
BEGINNING FUND BALANCE	<u>524,924</u>	<u>232,125</u>	
ENDING FUND BALANCE	<u>\$ 1,064,876</u>	<u>\$ 524,924</u>	<u>\$ 232,125</u>

See accompanying independent auditor's report.

Percentage of Total Revenues

2020	2023	2022	2021	2020
\$	96.5 %	96.4 %	%	%
	<u>3.5</u>	<u>3.6</u>	<u>100.0</u>	
\$ -0-	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>N/A %</u>
\$	0.8 %	0.9 %	1,778.6 %	%
	23.1			
	<u>30.4</u>	<u>41.3</u>		
\$ -0-	<u>54.3 %</u>	<u>42.2 %</u>	<u>1,778.6 %</u>	<u>N/A %</u>
\$ -0-	<u>45.7 %</u>	<u>57.8 %</u>	<u>(1,678.6) %</u>	<u>N/A %</u>
\$ -0-				
\$ -0-				
\$ -0-				

See accompanying independent auditor's report.

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2023**

District Mailing Address - Canyon Falls Municipal Utility
District No. 1 of Denton County
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

District Telephone Number - (713) 860-6400

Board Members:	Term of Office (Elected or <u>Appointed</u>)	Fees of Office for the year ended <u>June 30, 2023</u>	Expense Reimbursements for the year ended <u>June 30, 2023</u>	<u>Title</u>
James R. Campbell	05/2022 05/2026 (Elected)	\$ 1,800	\$ 214	President
Milton Wade Arnold	05/2020 05/2024 (Elected)	\$ 450	\$ 15	Vice President
Jeremy Holden	05/2022 05/2026 (Elected)	\$ 1,500	\$ 428	Secretary/ Treasurer
John Burnett	05/2022 05/2024 (Appointed)	\$ 1,200	\$ 107	Assistant Secretary
David Stoner	01/2023 05/2024 (Appointed)	\$ 750	\$ 37	Assistant Secretary

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

Submission date of most recent District Registration Form: September 13, 2023.

The limit on Fees of Office that a Director may receive during a fiscal year is the maximum amount allowed by law as set by Board Resolution on August 16, 2012. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**CANYON FALLS MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2023**

Consultants:	<u>Date Hired</u>	<u>Fees / Compensation for the year ended June 30, 2023</u>	<u>Title</u>
Crawford & Jordan, LLP	07/24/12	\$ 37,200 \$ 85,625	General Counsel Bond Counsel
Allen Boone Humphries Robinson LLP	08/19/16	\$ 23,584 \$ 88,933	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	07/17/20	\$ 13,000 \$ 19,100	Auditor AUP and Other
Dye & Toverly, LLC	07/24/12	\$ 20,343	Bookkeeper
Johnson Volk Consulting	04/15/16	\$ 8,835	Engineer
Hilltop Securities Inc.	09/18/20	\$ 114,603	Financial Advisor

See accompanying independent auditor's report.

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APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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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

Municipal Advisory Services
Provided By

