

OFFICIAL STATEMENT DATED MAY 13, 2025

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

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

NEW ISSUE – Book-Entry-Only

S&P Global Ratings (AG Insured)..... "AA"
Moody's Investors Service, Inc. (AG Insured) "A1"
Moody's Investors Service, Inc. (Underlying) "Baa2"
See "MUNICIPAL BOND INSURANCE" and "RATINGS" herein.

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

\$10,650,000
UNLIMITED TAX ROAD BONDS
SERIES 2025

Dated: June 1, 2025

Interest Accrues: Delivery Date

Due: March 1, as shown on inside cover page

The \$10,650,000 Unlimited Tax Road Bonds, Series 2025 (the "Bonds") are obligations of Northlake Municipal Management District No. 1 of Denton County (the "District") and are not obligations of the State of Texas; Denton County, Texas; the Town of Northlake, Texas; or any entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Denton County, Texas; the Town of Northlake, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

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

Principal of the Bonds is payable to the registered owner(s) of the Bonds at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. Interest on the Bonds accrues from the initial date of delivery (on or about June 11, 2025) (the "Delivery Date") and is payable on March 1, 2026, and each September 1 and March 1 thereafter until maturity or prior redemption to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each interest payment date. The Bonds are issuable in principal denominations of \$5,000 or any integral multiple thereof in fully registered form only.

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY INC.** See "MUNICIPAL BOND INSURANCE" and "APPENDIX B – Specimen Municipal Bond Insurance Policy."

**ASSURED
GUARANTY**

The Bonds constitute the sixth series of unlimited tax bonds to be issued by the District for the purpose of acquiring or constructing road improvements to serve the District (the "Road System"). The District has previously issued four series of unlimited tax bonds for the purpose of acquiring or constructing a water, sewer, and drainage system to serve the District (the "Utility System"). Voters of the District authorized the issuance of the following: \$273,926,860 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, \$237,092,017 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, \$410,890,290 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System and \$355,638,025 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System. Following the issuance of the Bonds, \$240,526,860 principal amount of unlimited tax bonds for Utility System purposes, \$165,407,017 principal amount of unlimited tax bonds for Road System purposes, \$410,890,290 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System and \$355,638,025 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System will remain authorized but unissued. See "THE BONDS—Authority for Issuance."

The Bonds, when issued, will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied by the District against all taxable property within the District. Investment in the Bonds is subject to special investment considerations as described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as, and if issued by the District and are also offered subject, among other things, to the approval of the Attorney General of Texas and of Coats Rose, P.C., Dallas, Texas, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about June 11, 2025.

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

\$10,650,000 Unlimited Tax Road Bonds, Series 2025

\$7,590,000 Serial Bonds

Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 66649T (b)	Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 66649T (b)
2032 (c)	\$ 320,000	6.625%	3.700%	KL7	2040 (c)	\$ 475,000	4.250%	4.500%	KU7
2033 (c)	335,000	4.125%	3.900%	KM5	2041 (c)	500,000	4.250%	4.550%	KV5
2034 (c)	355,000	4.125%	4.000%	KN3	2042 (c)	525,000	4.500%	4.600%	KW3
2035 (c)	370,000	4.125%	4.125%	KP8	2043 (c)	550,000	4.500%	4.650%	KX1
2036 (c)	390,000	4.125%	4.200%	KQ6	2044 (c)	575,000	4.500%	4.700%	KY9
2037 (c)	410,000	4.125%	4.300%	KR4	2045 (c)	605,000	4.500%	4.720%	KZ6
2038 (c)	430,000	4.250%	4.400%	KS2	2046 (c)	635,000	4.500%	4.740%	LA0
2039 (c)	450,000	4.250%	4.450%	KT0	2047 (c)	665,000	4.500%	4.760%	LB8

\$3,060,000 Term Bonds

\$1,625,000 Term Bonds Due March 1, 2031(d), Interest Rate: 6.625% (Price: \$108.822) (a), CUSIP No. 66649T KK9 (b)

\$1,435,000 Term Bonds Due March 1, 2049 (c)(d), Interest Rate: 4.125% (Price: \$88.552) (a), CUSIP No. 66649T LD4 (b)

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- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser (as herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on March 1, 2032, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on June 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*."
- (d) Subject to mandatory sinking fund redemption by lot or other customary method of random selection on March 1 in the years and in the amounts set forth herein under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District, c/o Coats Rose, P.C., 16000 North Dallas Parkway, Suite 350, Dallas, Texas 75248, upon payment of the costs for duplication thereof.

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

Assured Guaranty Inc. ("AG") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG 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 AG supplied by AG and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX B – Specimen Municipal Bond Insurance Policy."

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purpose.

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SALE AND DISTRIBUTION OF THE BONDS

Award and Marketing of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser"). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" on the inside cover page of this Official Statement, at a price of 97.001507% of the principal amount thereof, which resulted in a net effective interest rate of 4.643231%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

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

Subject to certain restrictions described in the Official Notice of Sale, the prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

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

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Inc. ("AG") will issue its Municipal Bond Insurance Policy (the "Policy") for the Bonds. 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, Maryland, California, Connecticut or Florida insurance law.

Assured Guaranty Inc.

AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL" and together with its subsidiaries, "Assured Guaranty"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG 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 relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Merger of Assured Guaranty Municipal Corp. Into Assured Guaranty Inc.

On August 1, 2024, Assured Guaranty Municipal Corp., a New York domiciled financial guaranty insurance company and an affiliate of AG ("AGM"), merged with and into AG, with AG as the surviving company (such transaction, the "Merger"). Upon the Merger, all liabilities of AGM, including insurance policies issued or assumed by AGM, became obligations of AG.

Current Financial Strength Ratings

On October 18, 2024, KBRA announced it had affirmed AG's insurance financial strength rating of "AA+" (stable outlook).

On July 10, 2024, Moody's, following Assured Guaranty's announcement of the Merger, announced that it had affirmed AG's insurance financial strength rating of "A1" (stable outlook).

On May 28, 2024, S&P announced it had affirmed AG's financial strength rating of "AA" (stable outlook). On August 1, 2024, S&P stated that following the Merger, there is no change in AG's financial strength rating of "AA" (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody's and/or KBRA may take. For more information regarding AG's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2024.

Capitalization of AG

At March 31, 2025:

- The policyholders' surplus of AG was approximately \$3,522 million.
- The contingency reserve of AG was approximately \$1,421 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately \$2,416 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG and (ii) the net unearned premium reserves and net deferred ceding commissions of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus, contingency reserve, and net unearned premium reserves and net deferred ceding commission income of AG were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2024 (filed by AGL with the SEC on February 28, 2025); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2025 (filed by AGL with the SEC on May 9, 2025).

All information relating to AG included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Inc.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AG included herein under the caption “MUNICIPAL BOND INSURANCE – Assured Guaranty Inc.” or included in a document incorporated by reference herein (collectively, the “AG Information”) shall be modified or superseded to the extent that any subsequently included AG Information (either directly or through incorporation by reference) modifies or supersedes such previously included AG Information. Any AG Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AG makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG 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 AG supplied by AG and presented under the heading “MUNICIPAL BOND INSURANCE.”

RATINGS

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

The Bonds are expected to receive an insured rating of “A1” (stable outlook) from Moody’s solely in reliance upon the issuance and delivery of the Policy by AG at the time of delivery of the Bonds. Moody’s has assigned an underlying rating of “Baa2” to the Bonds. An explanation of the ratings may be obtained from Moody’s, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody’s, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

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

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The Issuer	Northlake Municipal Management District No. 1 of Denton County (the "District"), a conservation and reclamation district and a body politic and a political subdivision of the State of Texas, was created by an order of the Texas Commission of Environmental Quality (the "Commission" or "TCEQ") dated August 9, 2017 under the authority of Article III, Section 52; Article III, Section 52-a; Article XVI, Section 59 of the Texas Constitution; Chapter 375, Texas Local Government Code, as amended; and Chapter 49, Texas Water Code, as amended. See "THE BONDS."
The Issue	The District's \$10,650,000 Unlimited Tax Road Bonds, Series 2025 (the "Bonds"), are dated June 1, 2025, and mature on March 1 in the years and in the principal amounts as shown on the inside cover page hereof. Interest on the Bonds accrues from the initial date of delivery (on or about June 11, 2025) (the "Delivery Date"), at the rates shown on the inside cover page hereof and is payable on March 1, 2026, and on each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 of principal amount for any one maturity. See "THE BONDS – General."
Redemption.....	<p><u>Optional Redemption:</u> The Bonds maturing on and after March 1, 2032, are subject to redemption prior to maturity at the option of the District, in whole or in part, on June 1, 2031, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. See "THE BONDS – Redemption Provisions – <i>Optional Redemption</i>."</p> <p><u>Mandatory Redemption:</u> The Bonds maturing on March 1 in the years 2031 and 2049, are term bonds (the "Term Bonds"). The Term Bonds are subject to certain mandatory sinking fund redemption provisions as set forth herein under "THE BONDS – Redemption Provisions – <i>Mandatory Redemption</i>."</p>
Source of Payment	Principal of and interest on the Bonds is payable from the proceeds of a continuing direct annual ad valorem tax, levied upon all taxable property within the District, without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Denton County, Texas; the Town of Northlake, Texas (the "Town"); or any entity other than the District. See "THE BONDS – Source of Payment."
Authority for Issuance.....	The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including Chapter 49, Texas Water Code, as amended; Chapter 375, Texas Local Government Code; an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board; and an election held within the boundaries of the District on May 5, 2018. See "THE BONDS – Authority for Issuance."
Payment Record.....	The District has never defaulted on the timely payment of principal or interest on its bonded indebtedness.
Outstanding Bonds	The District has previously issued the following bonds: \$9,725,000 Unlimited Tax Utility Bonds, Series 2020; \$5,845,000 Unlimited Tax Road Bonds, Series 2020; \$9,010,000 Unlimited Tax Utility Bonds,

	Series 2021; \$14,155,000 Unlimited Tax Road Bonds, Series 2021; \$5,335,000 Unlimited Tax Road Bonds, Series 2022; \$8,155,000 Unlimited Tax Utility Bonds, Series 2022; \$20,500,000 Unlimited Tax Road Bonds, Series 2023; \$6,510,000 Unlimited Tax Utility Bonds, Series 2023; and \$15,200,000 Unlimited Tax Road Bonds, Series 2024. Of the above-referenced bonds, \$89,060,000 principal amount will remain outstanding as of the Delivery Date (the “Outstanding Bonds”). See “THE BONDS – Outstanding Bonds.”
Use of Bond Proceeds.....	Proceeds from sale of the Bonds will be used to reimburse the Developer (defined herein) for the construction costs set out herein under “THE BONDS – Use and Distribution of Bond Proceeds.” Proceeds of the Bonds will also be used to pay twelve (12) months of capitalized interest, developer interest, and miscellaneous costs of issuance associated with the Bonds. See “THE BONDS – Use and Distribution of Bond Proceeds” for further information.
Not Qualified Tax-Exempt Obligations	The Bonds are <i>NOT</i> “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Not-Qualified Tax-Exempt Obligations.”
Municipal Bond Insurance	The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Inc. See “MUNICIPAL BOND INSURANCE” and “RATINGS.”
Ratings.....	S&P Global Ratings (AG Insured): “AA.” Moody’s Investors Service, Inc. (“Moody’s”) (AG Insured): “A1.” Moody’s (Underlying): “Baa2.” See “RATINGS.”
Bond Counsel	Coats Rose, P.C., Dallas, Texas.
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Dallas, Texas.
Financial Advisor.....	Robert W. Baird & Co. Incorporated, Irving, Texas.
Paying Agent/Registrar	BOKF, NA, Dallas, Texas.

THE DISTRICT

Location of the District	The District is located in southwest Denton County at the southwest corner of Cleveland-Gibbs Road and Mulkey Lane and lies wholly within the corporate limits of the Town and within Denton County, Texas. The District is located within the Northwest Independent School District. Access to the District may be achieved via Cleveland-Gibbs Road approximately 1 mile south of Farm-to-Market 407 or via FM 407 at multiple points west of Cleveland Gibbs Road. The District consists of approximately 1,182.03 acres. See “THE DISTRICT – Location of the District.”
Authority	The rights, powers, privileges, authority, and functions of the District are established by Article III, Section 52; Article III, Section 52-a; Article XVI, Section 59 of the Texas Constitution; the provisions of Chapter 375, Texas Local Government Code, as amended; and Chapter 49, Texas Water Code, as amended, and include, among others, the power to provide road, water, sanitary sewer, and drainage facilities. See “THE DISTRICT – General.”
Status of Development.....	The District is being developed as the master-planned community of “Pecan Square.” To date, approximately 2,454 single-family lots (on approximately 562.12 acres) have been developed within the following residential subdivisions in the District: Pecan Square, Phases 1A, 1B, 1C, 1D, 2A, 2B, 3A, 3B, 3C, 4A and 4C. As of April 1, 2025, the District included approximately 2,126 completed homes (approximately 1,985 occupied, 131 unoccupied homes, and 10 model homes), approximately 118 homes under construction, and

approximately 210 vacant developed lots available for home construction. In addition, 536 single family residential lots are under construction on approximately 120.40 acres.

The remaining land in the District includes approximately 13.10 acres planned for future development as additional residential sections; approximately 164.50 acres planned for use as school sites; approximately 7.81 acres planned for use as a church site; approximately 78.06 acres that are planned for development as multi-use and commercial properties; and approximately 236.04 acres are undevelopable within the District. See “DEVELOPMENT OF THE DISTRICT – Status of Development within the District.”

The Developer..... HP Gibbs LP, a Texas limited partnership (“HP”) was formed for the purpose of acquiring and holding for investment and selling tracts of land, including approximately 1,182.03 acres of land in the District by and through its affiliates including Pecan Square Phase 1 LLC, Pecan Square Phase 2A LLC, Pecan Square 2B LLC, Pecan Square Phase 3A LLC, Pecan Square Phase 3B LLC and Pecan Square Phase 5A LLC (collectively with HP, the “Developer”). The partners of HP include: BOH Investments GP, LLC, a Delaware limited liability company (“GP”), and BOH Subpartnership, L.P., a Texas limited partnership (“LP”). GP is the general partner of HP. The Developer determines the overall development plan for the land in the District and arranges for financing the construction of water, sewer, drainage and road facilities within the District either directly or through affiliate entities.

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

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

The Developer and its affiliate entities described herein currently own the remaining approximately 13.10 undeveloped but developable acres within the District. See “THE DEVELOPER” and “TAX DATA – Principal Taxpayers.”

Homebuilders Builders currently building homes within the District include Coventry Homes, D.R. Horton, Highland Homes, Pulte Homes and David Weekley Homes. The homes being marketed in the District range in size from approximately 1,956 to 4,312 square feet and in price from approximately \$423,000 to \$1,000,000. Homebuilding in

the District began in May 2019. See “DEVELOPMNET OF THE DISTRICT – Homebuilders within the District.”

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2024 Taxable Assessed Valuation.....	\$ 858,957,859	(a)
Estimate of Value as of April 1, 2025.....	\$1,016,631,076	(b)
Direct Debt:		
The Outstanding Bonds (as of delivery of the Bonds).....	\$ 89,060,000	
The Bonds.....	\$ 10,650,000	
Total.....	\$ 99,710,000	
Estimated Overlapping Debt.....	\$ 86,507,317	(c)
Total Direct and Estimated Overlapping Debt.....	\$ 186,217,317	(c)
Direct Debt Ratios:		
As a percentage of the 2024 Taxable Assessed Valuation.....	11.61	%
As a percentage of the Estimate of Value as of April 1, 2025.....	9.81	%
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of the 2024 Taxable Assessed Valuation.....	21.68	%
As a percentage of the Estimate of Value as of April 1, 2025.....	18.32	%
Utility System Debt Service Fund Balance (as of May 13, 2025).....	\$ 1,230,035	(d)
Road System Debt Service Fund Balance (as of May 13, 2025).....	\$ 3,068,123	(e)
General Operating Fund Balance (as of May 13, 2025).....	\$ 1,264,978	
2024 Tax Rate		
Utility System Debt Service.....	\$ 0.2350	
Road System Debt Service.....	\$ 0.3350	
Maintenance and Operations.....	\$ 0.1350	
Total.....	\$ 0.7050	(f)
Average Annual Debt Service Requirement (2025-2049).....	\$ 5,914,993	(g)
Maximum Annual Debt Service Requirement (2026).....	\$ 6,782,158	(g)
Debt Service Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2025-2049):		
Based on the 2024 Taxable Assessed Valuation at 95% Tax Collections.....	\$ 0.73	
Based on the Estimate of Value as of April 1, 2025, at 95% Tax Collections.....	\$ 0.62	
Debt Service Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2026):		
Based on the 2024 Taxable Assessed Valuation at 95% Tax Collections.....	\$ 0.84	
Based on the Estimate of Value as of April 1, 2025, at 95% Tax Collections.....	\$ 0.71	

- (a) Represents the taxable amount of the assessed value of all taxable property within the District as of January 1, 2024, provided by the Denton Central Appraisal District ("DCAD"). See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by DCAD for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of January 1, 2024 and includes an estimate of additional taxable value resulting from additional taxable improvements constructed in the District from January 1, 2024 through April 1, 2025. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT – Estimated Overlapping Debt Statement."
- (d) Neither Texas law nor the Bond Order (herein defined) requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Road System (herein defined), such as the Bonds.
- (e) Twelve (12) months of capitalized interest on the Bonds will be deposited into the Road System Debt Service Fund (herein defined) upon closing of the Bonds. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Utility System (herein defined).
- (f) See "TAX DATA – Tax Rate Distribution."
- (g) See "DISTRICT DEBT – Debt Service Requirement Schedule."

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

\$10,650,000
UNLIMITED TAX ROAD BONDS
SERIES 2025

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Northlake Municipal Management District No. 1 of Denton County (the "District") of its \$10,650,000 Unlimited Tax Road Bonds, Series 2025 (the "Bonds").

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

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

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

THE BONDS

General

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

Description

The Bonds are dated June 1, 2025, with interest payable on March 1, 2026, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds accrues from the initial date of delivery (on or about June 11, 2025) (the "Delivery Date"), and thereafter from the most recent Interest Payment Date to which interest has been paid. The Bonds mature on March 1 of the years and in the amounts shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" on the inside cover page hereof.

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

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

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

Book-Entry-Only System

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

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

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual

Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Successor Paying Agent/Registrar

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

Record Date

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

Registration, Transfer and Exchange

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

Mutilated, Lost, Stolen or Destroyed Bonds

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

Redemption Provisions

Optional Redemption: Bonds maturing on March 1, 2032, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on June 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mandatory Redemption: The Bonds maturing on March 1 in the years 2031 and 2049 are term bonds (the "Term Bonds") and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), and in the principal amount set forth in the following schedule:

<u>\$1,625,000 Term Bonds Maturing on March 1, 2031</u>	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2026	\$ 240,000
March 1, 2027	\$ 250,000
March 1, 2028	\$ 265,000
March 1, 2029	\$ 275,000
March 1, 2030	\$ 290,000
March 1, 2031 (Maturity)	\$ 305,000

\$1,435,000 Term Bonds Maturing on March 1, 2049

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2048	\$ 700,000
March 1, 2049 (Maturity)	\$ 735,000

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

Source of Payment

The Bonds are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. See "TAXING PROCEDURES." Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS." The Bonds are obligations solely of the District and are not obligations of the State of Texas; Denton County, Texas (the "County"); the Town of Northlake, Texas (the "Town"); or any political subdivision or entity other than the District.

Defeasance

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

Registered Owners' Remedies

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

trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

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

Authority for Issuance

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

Issuance of Additional Debt

The Bonds constitute the sixth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing road improvements to serve the District (the "Road System"). The District has previously issued four series of unlimited tax bonds for the purpose of acquiring or constructing a water, sewer, and drainage system to serve the District (the "Utility System"). At an election held within the District on May 5, 2018, voters of the District authorized the District's issuance of \$273,926,860 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System; \$410,890,290 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; \$237,092,017 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$355,638,025 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System; and could authorize additional amounts.

Following the issuance of the Bonds, the District will have: \$240,526,860 principal amount of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing the Utility System; \$410,890,290 principal amount of unlimited tax bonds authorized but unissued for the purpose of refunding bonds issued by the District for the Utility System; \$165,407,017 principal amount of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing the Road System; and \$355,638,025 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

After reimbursement with the proceeds of the Bonds, the District will still owe the Developer (defined herein) approximately \$15,000,000 for the current expenditures related to the construction of the Road System and \$30,000,000 for the current expenditures related to the Utility System on behalf of the District.

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

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

Election Date	Purpose	Amount Authorized	Issued to Date	Remaining Unissued
May 5, 2018	Utility System	\$ 273,926,860	\$ 33,400,000	\$ 240,526,860
May 5, 2018	Road System	237,092,017	71,685,000 ^(a)	165,407,017
May 5, 2018	Utility System Refunding	410,890,290	–	410,890,290
May 5, 2018	Road System Refunding	355,638,025	–	355,638,025

(a) Includes the Bonds.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose

by the qualified voters in the District; (b) approval of the master plan and issuance of bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The District does not provide fire protection service, and the Board has not considered calling such an election for approval of bonds for fire-fighting activities at this time. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds. The Town, pursuant to the public improvements agreement, will provide fire protection service within the boundaries of the District.

No Arbitrage

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

Funds

The Bond Order confirms the District’s fund for debt service on the Bonds, any previously issued unlimited tax bonds issued by the District for the Road System (the “Outstanding Road Bonds”), and any additional unlimited tax bonds issued by the District for the Road System (the “Road System Debt Service Fund”). Twelve (12) months of capitalized interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the Road System Debt Service Fund. The Road System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds, the Outstanding Road Bonds, and any additional unlimited tax bonds issued by the District for the Road System, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds, the Outstanding Road Bonds, and any of the District’s other duly authorized bonds issued for the Road System payable in whole or in part from taxes. Amounts on deposit in the Road System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, the Outstanding Road Bonds, and any additional bonds for the Road System payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. Amounts on deposit in the Road System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Utility System.

In connection with the Outstanding Bonds issued for the Utility System, the District has previously created its Utility System Debt Service Fund (the “Utility System Debt Service Fund”). The Utility System Debt Service Fund, which constitutes a trust fund for the benefit of the registered owners of the Outstanding Bonds issued for the Utility System, is to be kept separate from all other funds of the District and is to be used for payment of debt service on the Outstanding Bonds issued for the Utility System. Amounts on deposit in the Utility System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Outstanding Bonds issued for the Utility System. Amounts on deposit in the Utility System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Road System, including the Bonds.

Amendments to the Bond Order

The District may, without the consent of or notice to any Registered Owners, amend the Bond Order in any manner not detrimental to the interests of the Registered Owners, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the Registered Owners of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of the Bond Order, provided that, without the consent of the Registered Owners of all of the Bonds affected, and provided that it has not failed to make a timely

payment of principal of or interest on the Bonds, no such amendment, addition or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, the redemption price thereof, or the rate of interest thereon, change the place or places at, or the coin or currency in which any Bond or the interest thereon is payable, or in any other way modify the terms or sources of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) modify any of the provisions of the Bond Order relating to the amendment thereof, except to increase any percentage provided thereby or to provide that certain other provisions of the Bond Order cannot be modified or waived without the consent of the holder of each Bond affected thereby. In addition, a state, consistent with federal law, may, in the exercise of its police power, make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.

(b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.

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

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

Payment Record

The District has never defaulted on the timely payment of principal or interest on its bonded indebtedness.

Outstanding Bonds

The District has previously issued the following bonds: \$9,725,000 Unlimited Tax Utility Bonds, Series 2020; \$5,845,000 Unlimited Tax Road Bonds, Series 2020; \$9,010,000 Unlimited Tax Utility Bonds, Series 2021; \$14,155,000 Unlimited Tax Road Bonds, Series 2021; \$5,335,000 Unlimited Tax Road Bonds, Series 2022; \$8,155,000 Unlimited Tax Utility Bonds, Series 2022; \$20,500,000 Unlimited Tax Road Bonds, Series 2023; \$6,510,000 Unlimited Tax Utility Bonds, Series 2023; and \$15,200,000 Unlimited Tax Road Bonds, Series 2024. Of the above-referenced bonds, \$89,060,000 principal amount will remain outstanding as of the Delivery Date (the "Outstanding Bonds").

Use and Distribution of Bond Proceeds

Proceeds from sale of the Bonds will be used to reimburse the Developer for the construction costs set out below. Proceeds of the Bonds will also be used to pay twelve (12) months of capitalized interest, developer interest, and the below miscellaneous costs of issuance associated with the Bonds.

CONSTRUCTION COSTS

A. Construction Costs

1. Pecan Square Phase 3B – Paving	\$ 158,922
2. Pecan Square Phase 3B - Landscaping	141,947
3. Cleveland Gibbs Phase 2 – Mass Grading	161,970
4. Cleveland Gibbs Phase 2 – Utilities	371,870
5. Cleveland Gibbs Phase 2 – Paving	919,827
6. Cleveland Gibbs – Street Lighting	772,091
7. Pecan Square Phase 4A – Mass Grading	286,197
8. Pecan Square Phase 4A – Utilities	251,993
9. Pecan Square Phase 4A – Paving	1,558,293
10. Pecan Square Phase 4A – Street Lighting	102,878
11. Pecan Square Phase 4C – Mass Grading	55,006
12. Pecan Square Phase 4C – Paving	2,508,742
13. Engineering Costs	306,137
14. Construction Material Testing	74,077
15. Miscellaneous Costs	168,780
16. Land Costs	1,020,961
TOTAL CONSTRUCTION COSTS	\$ 8,859,690

NON-CONSTRUCTION COSTS

A. Legal Fees	\$ 249,750
B. Fiscal Advisor Fees	197,250
C. Interest	
1. Capitalized Interest (12 Months)	499,171
2. Developer Interest	393,924
D. Bond Discount	319,340
E. Bond Issuance Expense	48,761
F. Bond Engineering Fee	39,125
G. Attorney General's Fee (0.10% or \$9,500 max.)	9,500
H. Contingency	33,489
TOTAL NON-CONSTRUCTION COSTS	\$ 1,790,310

TOTAL BOND ISSUE REQUIREMENT **\$10,650,000**

(a) Represents sum of the difference between actual and allotted Bond Discount and Capitalized Interest.

Non-construction costs are based upon either contract amounts or various cost estimates by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the Auditor.

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

THE DISTRICT

General

The District, a conservation and reclamation district and a body politic and a political subdivision of the State of Texas, was created by an order of the Commission dated August 9, 2017 under the authority of Article III,

Section 52; Article III, Section 52-a; and Article XVI, Section 59 of the Texas Constitution; and operates pursuant to Chapter 375, Texas Local Government Code, as amended, and Chapter 49, Texas Water Code, as amended. The District, which lies wholly within the corporate limits of the Town, is subject to the continuing supervisory jurisdiction of the TCEQ with respect to water, sewer, and drainage facilities.

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

Location of the District

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

At the time of creation, the District contained approximately 386.83 acres and after various annexations now contains approximately 1,182.03 acres.

Management of the District

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

Name	Position	Term Expires August
Tanner Sheets	President	2027
Justin Christ	Vice President	2027
Peter J. Wangoe II	Secretary	2025
Drew Corn	Assistant Secretary	2025
Ibrahim Snoubar	Assistant Secretary	2025

Investment Policy

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

Consultants

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

Tax Assessor/Collector: The District’s Tax Assessor/Collector is Dawn Waye, the Denton County Tax Assessor/Collector (the “Tax Assessor/Collector”).

Bookkeeper: The District’s bookkeeper is L&S District Services, LLC (the “Bookkeeper”).

Utility System Operator: The District’s operator is Inframark, LLC (the “Operator”). Inframark was engaged by the District in January 2024 to replace the previous operator.

Auditor: The District engaged Mark C. Eyring, CPA PLLC to audit its financial statements for the fiscal year ended August 31, 2024. The District's audited financial statements are attached as "APPENDIX A" to this Official Statement.

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

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

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

Financial Advisor: Robert W. Baird & Co. Incorporated is engaged as financial advisor to the District in connection with the issuance of the Bonds (the "Financial Advisor"). The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

Historical Operations of the District

The following is a summary of the District's Operating Fund. The figures for the fiscal years ending August 31 in the years 2020 through 2024, were obtained from the District's annual financial report, reference to which is hereby made. See "APPENDIX A." The District is required by statute to have a certified public accountant prepare and file an annual audit of its financial records with the TCEQ.

	Year Ended August 31,				
	2024	2023	2022	2021	2020
<u>Revenues</u>					
Property taxes	\$ 473,118	\$ 279,299	\$ 171,894	\$ 344,349	\$ 223,243
Wastewater Treatment Service	811,999	140,232	248,930	155,605	39,539
Penalty and Interest	<u>47,031</u>	<u>31,165</u>	<u>1,911</u>	<u>-</u>	<u>1,087</u>
Total Revenues	\$ 1,317,401	\$ 450,696	\$ 422,735	\$ 499,954	\$ 263,869
<u>Expenditures</u>					
Professional Fees	\$ 189,652	\$ 97,942	\$ 71,933	\$ 75,228	\$ 54,489
Contracted Services	211,798	159,329	10,640	15,118	4,714
Repairs and Maintenance	538,347	106,480	15,886	-	-
Administrative Expenditures	27,057	22,085	14,795	12,806	10,857
Capital Outlay (a)	1,157,316	-	-	-	-
WWTP Lease Payments	<u>241,680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	\$ 2,365,850	\$ 385,836	\$ 113,254	\$ 103,152	\$ 70,060
Net Revenues (Deficit)	\$(1,033,117)	\$ 64,860	\$ 309,481	\$ 396,802	\$ 193,809
Other Financing Sources (Uses)	\$ 985,067	\$ -	\$ (18,261)	\$ -	\$ 96,000
Beginning Fund Balance	\$ 1,056,357	\$ 991,497	\$ 700,277	\$ 303,475	\$ 13,666
Ending Fund Balance	\$ 1,008,307	\$ 1,056,357	\$ 991,497	\$ 700,277	\$ 303,475

(a) Such expenditures are related to the construction and lease of the wastewater treatment plant ("WWTP"). The WWTP is owned, maintained and operated by the District. See "THE UTILITY SYSTEM."

DEVELOPMENT OF THE DISTRICT

The District is being developed as the master-planned community of “Pecan Square.” To date, approximately 2,454 single-family lots (on approximately 562.12 acres) have been developed within the following residential subdivisions in the District: Pecan Square, Phases 1A, 1B, 1C, 1D, 2A, 2B, 3A, 3B, 3C, 4A and 4C. As of April 1, 2025, the District included approximately 2,126 completed homes (approximately 1,985 occupied, 131 unoccupied homes, and 10 model homes), approximately 118 homes under construction, and approximately 210 vacant developed lots available for home construction. In addition, 536 single family residential lots are under construction on approximately 120.40 acres.

The remaining land in the District includes approximately 13.10 acres planned for development as additional residential sections; approximately 164.50 acres planned for use as school sites; approximately 7.81 acres planned for use as a church site; approximately 78.06 acres that are planned for development as multi-use and commercial properties; and approximately 236.04 acres are undevelopable.

Status of Development within the District

The table below summarizes the development within the District as of April 1, 2025, by section.

Subdivision	Section Acreage (a)	Section Lots	Homes Completed	Homes Construction	Vacant Lots
Pecan Square, Phase 1A	54.42	197	194	–	3
Pecan Square, Phase 1B	54.39	250	243	2	5
Pecan Square, Phase 1C	34.77	206	206	–	–
Pecan Square, Phase 1D	5.67	22	22	–	–
Pecan Square, Phase 2A ^(b)	37.48	192	192	–	–
Pecan Square, Phase 2B ^(c)	114.17	524	510	1	13
Pecan Square, Phase 3A	39.63	199	199	–	–
Pecan Square, Phase 3B	36.07	131	79	26	26
Pecan Square, Phase 3C	77.40	267	265	1	1
Pecan Square, Phase 4A	39.06	212	–	72	140
Pecan Square, Phase 4C	69.06	254	216	13	25
Totals	562.12	2,454	2,126	118	210
Under Development ^(d)	120.40				
Remaining Developable	13.10				
Future Church Site	7.81				
Future School Sites	164.50				
Future Commercial Site	78.06				
Undevelopable	236.04				
District Total	1,182.03				

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

(b) Consists of Phases 2A-1, 2A-2, and 2A-3.

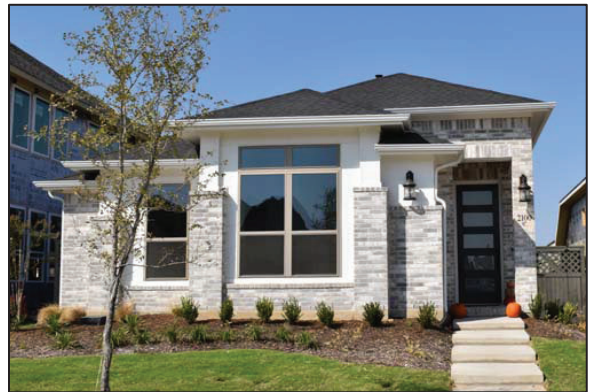
(c) Consists of Phases 2B-1, 2B-2, and 2B-3.

(d) Consists of Phase 4B (184 lots on 57.48 acres), Phase 5A (218 lots on 30.17 acres) and Phase 5B (134 lots on 32.75 acres).

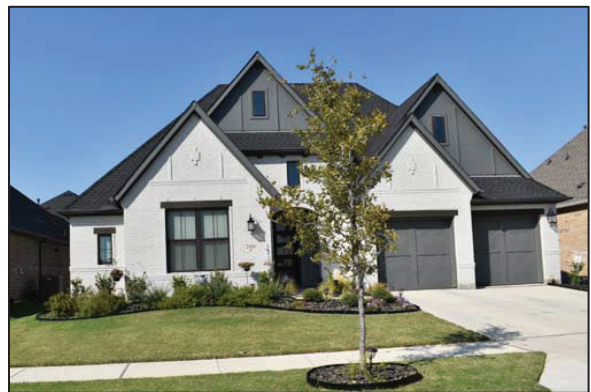
Homebuilders within the District

Builders currently building homes within the District include Coventry Homes, D.R. Horton, Highland Homes, Pulte Homes and David Weekley Homes. The homes being marketed in the District range in size from approximately 1,956 to 4,312 square feet and in price from approximately \$423,000 to \$1,000,000. Homebuilding in the District began in May 2019.

PHOTOGRAPHS TAKEN IN THE DISTRICT
(October 2024)



PHOTOGRAPHS TAKEN IN THE DISTRICT
(October 2024)



THE DEVELOPER

The Role of a Developer

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

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

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

Description of the Developer

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

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

On August 31, 2021, the Developer sold approximately 294.21 acres of developable land within the District to Highland Homes (approximately 102.41 acres), David Weekley Homes (approximately 90.17 acres) and MHI Partnership (Coventry Homes) (approximately 101.63 acres). The Developer has been and is managing the development of such acreage on behalf of Highland Homes, David Weekley Homes and MHI Partnership acreage into 1,051 single family lots as Pecan Square Phases 3C, 4A, 4B, 4C, and 5B. These entities have assigned their reimbursement rights to the Developer. The Developer and its affiliate entities described herein currently own the remaining approximately 13.10 undeveloped but developable acres within the District.

Development Financing

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

On January 7, 2022, the Developer financed the development of Pecan Square with a line of credit from Frost Bank in the amount of \$40,000,000 with a variable interest rate equal to the Secured Overnight Financing Rate (SOFR) plus 2.50%. In October 2024 the Developer reduced the line of credit to \$33,000,000. Such line of credit matures on October 25, 2027, and is secured by certain land owned by the Developer within the District and the reimbursements the Developer expects to receive from proceeds from the bond sales of the District. As of April 1, 2025, the balance on such loan was \$13,149,722. According to the Developer, it is in compliance with all material terms of such line of credit.

Lot Sales Contracts

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

According to the Developer, each of the builders is in compliance with their respective lot sale contracts. As of April 1, 2025, the total number of lots contracted and purchased by each builder is listed below:

Homebuilder	Total Lots Contracted	Total Lots Purchased
Ashton Woods Homes	188	188
CB Jeni Homes	43	43
Coventry Homes	189	145
David Weekley Homes	138	138
D.R. Horton	431	431
Drees Custom Homes	103	59
Highland Homes	282	217
Perry Homes	139	139
Pulte Homes	208	206
Toll Brothers	135	135
Cadance Homes	65	-
Totals	1,921	1,701

THE ROAD SYSTEM

The District's Road System has and will be funded with proceeds of the Bonds, as well as future bonds issued by the District for acquiring or constructing the Road System. See "INVESTMENT CONSIDERATIONS – Future Debt" and "THE BONDS – Issuance of Additional Debt." Construction of the District's roads is subject to certain regulations by the Town, the County and the Texas Department of Transportation. The roads in the District are constructed with reinforced concrete pavement with curbs on cement or lime-stabilized subgrade. Remaining streets provide local interior service within the District. The District's road facilities will, upon completion, be conveyed to the Town and will be maintained by the Town. The Road System also includes streetlights, landscape, and irrigation. Public utilities such as water, wastewater, and storm drainage are typically located within street rights-of-way.

THE UTILITY SYSTEM

Regulation

According to the Engineer, the Utility System has been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the County, and the Town. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies and inspected by the TCEQ.

Description of the Utility System

Water Supply

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

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

Wastewater Treatment

According to the Development Agreement, the District will own, operate, and maintain a wastewater treatment plant (the "WWTP") with capacity limited to serving the full development of the District. According to the Development Agreement, the Town will pay the District to treat the wastewater. Currently, the District leases a 0.550 million gallon per day ("mgd") plant capable of serving approximately 2,200 esfcs based on the average flow rate of 250 gallons per connection. The District is in the process of expanding the WWTP by 0.33 mgd which would add approximately 1,320 esfcs of additional treatment capacity based on the TCEQ average flow rate of 250 gallons per connection. Such expansion is fully designed, bid and contracted. Construction is ongoing and is expected to be completed by the fourth quarter of 2025.

On April 19, 2024, the TCEQ issued a Notice of Enforcement for Comprehensive Compliance Investigation to the District (the "Notice of Enforcement"), based on alleged violations occurring at the District's WWTP. Such alleged violations included the failure to prevent the unauthorized discharge of pollutants into or adjacent to waters in the state. The Notice of Enforcement also cited alleged violations for failure to comply with certain reporting and testing requirements. The Texas Legislature has granted the TCEQ broad enforcement powers and the TCEQ also has a broad array of remedies available in enforcement actions including, but not limited to, issuance of administrative orders with or without penalties; referrals for civil or criminal judicial proceedings; permit, license, registration, or certificate revocation or suspension; or resolution informally without a contested case proceeding pursuant to an agreed order. Penalties may be assessed in amounts up to \$25,000 per violation per day.

The District has and continues to work with the TCEQ on all requested and necessary steps to remediate the issues included in the Notice of Enforcement. The recent delivery of Phase 3 of the WWTP along with the planned delivery of Phase 4 of the WWTP in the fourth quarter of 2025 is expected to ensure that the District will be able to maintain adequate plant operations going forward.

The District's utility operator currently anticipates resolving the outstanding alleged violations with an agreed order which will set forth certain corrective actions to be taken by the District, which may include payment of an administrative penalty assessed by the TCEQ. As of the date hereof, an agreed order from the TCEQ has not been received by the District. See "INVESTMENT CONSIDERATIONS – Recent TCEQ Action."

Wastewater Collection System

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

The District's current wastewater capacity is capable of serving the 2,454 ESFCs currently within the District.

Drainage

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

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DISTRICT DEBT

2024 Taxable Assessed Valuation.....	\$ 858,957,859	(a)
Estimate of Value as of April 1, 2025.....	\$1,016,631,076	(b)
Direct Debt:		
The Outstanding Bonds (as of delivery of the Bonds).....	\$ 89,060,000	
The Bonds.....	\$ 10,650,000	
Total.....	\$ 99,710,000	
Estimated Overlapping Debt.....	\$ 86,507,317	(c)
Total Direct and Estimated Overlapping Debt.....	\$ 186,217,317	(c)
Direct Debt Ratios:		
As a percentage of the 2024 Taxable Assessed Valuation.....	11.61	%
As a percentage of the Estimate of Value as of April 1, 2025.....	9.81	%
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of the 2024 Taxable Assessed Valuation.....	21.68	%
As a percentage of the Estimate of Value as of April 1, 2025.....	18.32	%
Utility System Debt Service Fund Balance (as of May 13, 2025).....	\$ 1,230,035	(d)
Road System Debt Service Fund Balance (as of May 13, 2025).....	\$ 3,068,123	(e)
General Operating Fund Balance (as of May 13, 2025).....	\$ 1,264,978	
2024 Tax Rate		
Utility System Debt Service.....	\$ 0.2350	
Road System Debt Service.....	\$ 0.3350	
Maintenance and Operations.....	\$ 0.1350	
Total.....	\$ 0.7050	(f)
Average Annual Debt Service Requirement (2025-2049).....	\$ 5,914,993	(g)
Maximum Annual Debt Service Requirement (2026).....	\$ 6,782,158	(g)
Debt Service Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2025-2049):		
Based on the 2024 Taxable Assessed Valuation at 95% Tax Collections.....	\$ 0.73	
Based on the Estimate of Value as of April 1, 2025, at 95% Tax Collections.....	\$ 0.62	
Debt Service Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2026):		
Based on the 2024 Taxable Assessed Valuation at 95% Tax Collections.....	\$ 0.84	
Based on the Estimate of Value as of April 1, 2025, at 95% Tax Collections.....	\$ 0.71	

- (a) Represents the taxable amount of the assessed value of all taxable property within the District as of January 1, 2024, provided by the Denton Central Appraisal District ("DCAD"). See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by DCAD for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of January 1, 2024 and includes an estimate of additional taxable value resulting from additional taxable improvements constructed in the District from January 1, 2024 through April 1, 2025. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT – Estimated Overlapping Debt Statement."
- (d) Neither Texas law nor the Bond Order (herein defined) requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Road System (herein defined), such as the Bonds.
- (e) Twelve (12) months of capitalized interest on the Bonds will be deposited into the Road System Debt Service Fund (herein defined) upon closing of the Bonds. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Utility System (herein defined).
- (f) See "TAX DATA – Tax Rate Distribution."
- (g) See "DISTRICT DEBT – Debt Service Requirement Schedule."

Estimated Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt April 30, 2025	Overlapping	
		Percent	Amount
The Town of Northlake	\$ 113,090,000	26.21%	\$ 29,636,953
Denton County	671,155,000	0.45%	2,991,844
Northwest ISD	2,205,085,000	2.44%	53,878,520
Total Estimated Overlapping Debt			\$ 86,507,317
Direct Debt (a)			\$ 99,710,000 (a)
Total Direct and Estimated Overlapping Debt			\$186,217,317 (a)

(a) Includes the Outstanding Bonds and the Bonds.

Debt Ratios

Direct Debt Ratio:		
As a percentage of the 2024 Taxable Assessed Valuation.....	11.61	%
As a percentage of the Estimate of Value as of April 1, 2025.....	9.81	%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of the 2024 Taxable Assessed Valuation.....	21.68	%
As a percentage of the Estimate of Value as of April 1, 2025.....	18.32	%

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Debt Service Requirement Schedule

The following schedule sets forth the total debt service requirements of the District as of the delivery of the Bonds, plus the principal and interest requirements on the Bonds. Totals may not sum due to rounding.

Calendar Year	Outstanding Debt Service	The Bonds			Total Debt Service
		Principal	Interest	Debt Service	
2025	\$ 1,769,258	\$ -	\$ -	\$ -	\$ 1,769,258
2026	5,934,613	240,000	607,546	847,546	6,782,158
2027	5,915,356	250,000	479,406	729,406	6,644,763
2028	5,880,797	265,000	462,347	727,347	6,608,144
2029	5,858,178	275,000	444,459	719,459	6,577,638
2030	5,824,638	290,000	425,744	715,744	6,540,381
2031	5,809,288	305,000	406,034	711,034	6,520,322
2032	5,789,997	320,000	385,331	705,331	6,495,328
2033	5,783,831	335,000	367,822	702,822	6,486,653
2034	5,778,888	355,000	353,591	708,591	6,487,478
2035	5,787,281	370,000	338,638	708,638	6,495,919
2036	5,783,372	390,000	322,963	712,963	6,496,334
2037	5,781,272	410,000	306,463	716,463	6,497,734
2038	5,770,966	430,000	288,869	718,869	6,489,834
2039	5,770,294	450,000	270,169	720,169	6,490,463
2040	5,763,334	475,000	250,513	725,513	6,488,847
2041	5,767,975	500,000	229,794	729,794	6,497,769
2042	5,770,328	525,000	207,356	732,356	6,502,684
2043	5,767,406	550,000	183,169	733,169	6,500,575
2044	5,767,866	575,000	157,856	732,856	6,500,722
2045	5,779,194	605,000	131,306	736,306	6,515,500
2046	5,010,944	635,000	103,406	738,406	5,749,350
2047	3,686,569	665,000	74,156	739,156	4,425,725
2048	2,806,531	700,000	44,756	744,756	3,551,288
2049	1,009,800	735,000	15,159	750,159	1,759,959
Total	\$ 130,367,974	\$ 10,650,000	\$ 6,856,852	\$ 17,506,852	\$ 147,874,826

Average Annual Debt Service Requirement (2025–2049)\$ 5,914,993

Maximum Annual Debt Service Requirement (2026)\$ 6,782,158

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TAXING PROCEDURES

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

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds and any additional bonds payable from taxes that the District may hereafter issue for the purpose of constructing or acquiring the Road System (see "INVESTMENT CONSIDERATIONS – Future Debt") and to pay the expenses of assessing and collecting such taxes. The Board is also authorized to levy an annual ad valorem tax, without legal limit as to rate or amount, on all taxable property in the District in sufficient amount to pay the principal of and interest on any bonds payable from taxes that the District has heretofore or may hereafter issue for the purpose of acquiring or constructing the Utility System (see "INVESTMENT CONSIDERATIONS – Future Debt") and to pay the expenses of assessing and collecting such taxes. In the Bond Order, the District agrees to levy such a tax from year to year as described more fully above under "THE BONDS – Source of Payment." Under Texas law, the Board is also authorized to levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water, wastewater and drainage system and road system and for the payment of certain contractual obligations if authorized by its voters. See "TAX DATA – Tax Rate Limitation."

Property Tax Code and County-Wide Appraisal District

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

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

Although the District has the responsibility for establishing tax rates and levying and collecting its taxes each year, under the Property Tax Code, the District does not establish appraisal standards or determine the frequency of revaluation or reappraisal. DCAD is governed by a board of directors elected by the governing

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

Property Subject to Taxation by the District

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

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

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

Freeport Goods Exemption and "Goods-in-Transit": A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days.

Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A “Goods-in-Transit” Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Valuation of Property for Taxation

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

The Property Tax Code requires DCAD to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all property in DCAD at least once every three years. It is not known what frequency of reappraisals will be utilized by DCAD 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 DCAD 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 DCAD chooses to formally include such values on its appraisal roll.

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against DCAD to comply with the Property Tax Code. The District may challenge the level of appraisal of a certain category of

property, the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption. The District may not, however, protest a valuation of any individual property.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, Texas law provides for an additional notice and, upon petition by qualified voters, an election which could result in the repeal of certain tax rate increases on residential homesteads. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and DCAD is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of the 2024 Taxable Assessed Valuation, approximately 11.54 acres of land within the District was designated for agricultural use, open space, inventory deferment, or timberland.

Tax Abatement

The Town and/or the County may designate all or part of the area within the District as a reinvestment zone. The District, at the option and discretion of the District, and the County and/or Town may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdiction. None of the area within the District has been designated as a reinvestment zone to date, and the District has not approved any such tax abatement agreements.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes, unless it elects to transfer such functions to another governmental entity. The date of delinquency may be postponed if the tax bills are mailed after January 1. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors of the District based on valuation of property within the District as of the preceding January 1.

Taxes are due September 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person at least sixty-five (65) years

of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas Law is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in equal installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes within the District in the preceding 24 months.

Reappraisal of Property after Disaster

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, DCAD 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's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "INVESTMENT CONSIDERATIONS – Tax Collection Limitations" and "– Registered Owners' Remedies."

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a 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 herein as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all land, 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

pursuant to Chapter 49 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, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

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, plus any unused increment rates, as calculated and described in Section 26.013 of the Property Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, 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 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, 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 the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

The District: A determination as to the District's status as a Special Taxing Unit, Developed District or Developing District is made on an annual basis. For the 2024 tax year, the District was classified as 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.

TAX DATA

General

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

collect ad valorem taxes, in an unlimited amount, for operation and maintenance purposes. For the 2024 tax year, the District levied a total tax of \$0.705 per \$100 of assessed valuation, composed of a maintenance and operations tax rate of \$0.135, a Road System debt service tax of \$0.335, and a Utility System debt service tax of \$0.235.

Tax Rate Limitation

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

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. For the 2024 tax year, the District levied a Utility System debt service tax rate of \$0.235 per \$100 of assessed valuation and a Road System debt service tax rate of \$0.335 per \$100 of assessed valuation. See "Tax Rate Distribution" below.

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. The Board is authorized by the District's voters to levy such maintenance tax in an amount not to exceed \$1.20 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. For the 2024 tax year, the District levied a maintenance tax of \$0.135 per \$100 of assessed valuation. See "Tax Rate Distribution" below.

Historical Tax Collections

The following table illustrates the collection history of the District for the 2020-2024 tax years:

Tax Year	Assessed Valuation	Tax Rate	Adjusted Levy	Collections Current Year	Current Year Ending 8/31	Collections 2/28/25
2020	\$ 96,834,489	\$ 0.705	\$ 682,683	99.37%	2021	100.00%
2021	233,536,583	0.705	1,646,433	99.01	2022	100.00
2022	411,254,944	0.705	2,899,347	99.96	2023	100.00
2023	677,489,772	0.705	4,776,303	99.97	2024	100.00
2024	858,957,859	0.705	6,055,653	97.74 (a)	2025	97.74 (a)

(a) In process of collection.

Tax Rate Distribution

	2024	2023	2022	2021	2020
Road System Debt Service	\$0.3350	\$0.3700	\$0.3150	\$0.3250	\$0.1500
Utility System Debt Service	0.2350	0.2650	0.3225	0.3100	0.2000
Maintenance	0.1350	0.0700	0.0675	0.0700	0.3550
Total	\$0.7050	\$0.7050	\$0.7050	\$0.7050	\$0.7050

Analysis of Tax Base

The following table illustrates the District's total taxable assessed value in the 2020–2024 tax years by type of property.

Type of Property	2024 Assessed Valuation	2023 Assessed Valuation	2022 Assessed Valuation	2021 Assessed Valuation	2020 Assessed Valuation
Land	\$ 293,656,240	\$ 233,944,088	\$ 158,663,386	\$ 105,837,364	\$ 70,073,298
Improvements	637,924,298	512,354,975	284,845,055	135,297,834	30,037,026
Personal Property	817,245	1,664,837	1,135,002	149,321	–
Exemptions	(73,439,924)	(70,474,128)	(33,388,499)	(7,747,936)	(3,275,835)
Total	\$ 858,957,859	\$ 677,489,772	\$ 411,254,944	\$ 233,536,583	\$ 96,834,489

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2024:

Taxpayer	Type of Property	Assessed Valuation 2024 Tax Roll	Percent of 2024 Value
Highland Homes Dallas, LLC ^(a)	Land & Improvements	\$ 14,750,262	1.71%
DFH Coventry LLC ^(a)	Land & Improvements	14,067,481	1.64%
HP Gibbs, LP ^(b)	Land	12,510,427	1.45%
Pecan Square Phase 2B, LLC ^(b)	Land	11,981,216	1.39%
MHI Partnership Ltd ^(a)	Land & Improvements	11,015,156	1.28%
DFC Pecan Square LLC ^(b)	Land	9,957,830	1.16%
HHS-Pecan Square Development, LLC ^(b)	Land	9,479,173	1.10%
Weekley Homes LLC ^(a)	Land & Improvements	6,052,545	0.70%
CND-Pecan Square II, LLC ^(b)	Land	5,070,680	0.59%
Toll Southwest LLC ^(a)	Land & Improvements	3,191,215	0.37%
Total		\$ 98,075,985	11.40%

(a) See "DEVELOPMENT OF THE DISTRICT – Homebuilders within the District."

(b) See "THE DEVELOPER."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the debt service tax rates per \$100 of taxable assessed valuation that would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District's tax base occurs beyond the 2024 Taxable Assessed Valuation (\$858,957,859) or the Estimate of Value as of April 1, 2025 (\$1,016,631,076). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirement (2025 -2049).....	\$ 5,914,993
Debt Service Tax Rate of \$0.73 on 2024 Taxable Assessed Valuation.....	\$ 5,956,873
Debt Service Tax Rate of \$0.62 on Estimate of Value as of April 1, 2025.....	\$ 5,987,957
Maximum Annual Debt Service Requirement (2026).....	\$ 6,782,158
Debt Service Tax Rate of \$0.84 on 2024 Taxable Assessed Valuation.....	\$ 6,854,484
Debt Service Tax Rate of \$0.71 on Estimate of Value as of April 1, 2025.....	\$ 6,857,177

Estimated Overlapping Taxes

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

Set forth below is a compilation of all 2024 taxes levied by such jurisdictions per \$100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

<u>Taxing Jurisdiction</u>	<u>2024 Tax Rate</u>
The District	\$0.705000
Denton County	\$0.187869
Denton County ESD No. 1	\$0.060000
Town of Northlake	\$0.295000
Northwest Independent School District	\$1.117900
Total Tax Rate	\$2.365769

INVESTMENT CONSIDERATIONS

General

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

The ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential, commercial, retail and multi-family housing industry, not only due to general economic conditions, but also due to the particular factors discussed below.

Recent TCEQ Action

As further described herein under “THE UTILITY SYSTEM,” the District currently operates a wastewater treatment plant. The WWTP has recently experienced certain operational issues which have, from time to time, negatively affected the performance of the WWTP and resulted in excursions from the parameters of the District’s wastewater discharge permit.

On April 19, 2024, the TCEQ issued a Notice of Enforcement for Comprehensive Compliance Investigation to the District (the “Notice of Enforcement”), based on alleged violations occurring at the District’s WWTP. Such alleged violations included the failure to prevent the unauthorized discharge of pollutants into or adjacent to waters in the state. The Notice of Enforcement also cited alleged violations for failure to comply with certain reporting and testing requirements. The Texas Legislature has granted the TCEQ broad enforcement powers and the TCEQ also has a broad array of remedies available in enforcement actions including, but not limited to, issuance of administrative orders with or without penalties; referrals for civil or criminal judicial proceedings; permit, license, registration, or certificate revocation or suspension; or resolution informally without a contested case proceeding pursuant to an agreed order. Penalties may be assessed in amounts up to \$25,000 per violation per day.

The District has and continues to work with the TCEQ on all requested and necessary steps to remediate the issues included in the Notice of Enforcement. The recent delivery of Phase 3 of the WWTP along with the planned delivery of Phase 4 of the WWTP in the fourth quarter of 2025 is expected to ensure that the District will be able to maintain adequate plant operations going forward. See “THE SYSTEM” and “THE DISTRICT - Historical Operations of the District.”

The District’s utility operator currently anticipates resolving the outstanding alleged violations with an agreed order which will set forth certain corrective actions to be taken by the District, which may include payment of an administrative penalty assessed by the TCEQ. As of the date hereof, an agreed order from the TCEQ has not been received by the District.

Factors Affecting Taxable Values and Tax Payments

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on construction activity, particularly on 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, 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 32 miles northwest from the central business district of the City of Dallas, Texas, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Dallas metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of Dallas and the nation could adversely affect development 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 could be affected by competition from other residential developments, including other residential developments located in the northern portion of the Dallas 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. The competitive position of a builder in the sale of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District and tax revenues to be received by the District.

Economic Factors: The rate of development within the District is directly related to the vitality of the residential housing development industry in the Dallas-Fort Worth metropolitan area. New construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. New construction can also be affected by energy availability and costs, including oil and gasoline prices, upon which the Texas economy is heavily dependent. Decreased levels of such construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District.

Dependence on Major Taxpayers and the Developer: The District's tax base is concentrated in a small number of taxpayers. As reflected in this Official Statement under the caption "TAX DATA – Principal Taxpayers," the District's top ten principal taxpayers as of January 1, 2024, owned approximately 11.40% of the assessed value of property located in the District. In addition, the Developer owned a total of approximately 5.70% of the assessed value of property located in the District as of January 1, 2024. The District cannot represent that its tax base will in the future be (i) distributed among a significantly larger number of taxpayers or (ii) less concentrated in property owned by a relatively small number of property owners than it is currently. Failure by the Developer or one or more of the District's principal property owners to make full and timely payments of taxes due may have an adverse effect on the investment quality or security of the Bonds. If any one or more of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meet its debt service requirements, the availability of which is uncertain. See "INVESTMENT CONSIDERATIONS – Tax Collection Limitations" below and "THE DEVELOPER" herein.

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

Vacant Developed Lots: As of April 1, 2025, approximately 210 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.

Developer Under No Obligation to the District: The Developer has informed the District of their current plans to continue to develop land in the District for residential purposes. However, the Developer is not obligated to implement such plan on any particular schedule or at all. Thus, the furnishing of information related to the

proposed development by the Developer should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer, or any other subsequent landowners to whom a party may sell all or a portion of their holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developers' right to sell their land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer. Failure to construct taxable improvements on developed lots and tracts and failure of the Developer to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developer (see "TAX DATA – Principal Taxpayers") for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developer will be or what effect, if any, such conditions may have on their ability to pay taxes. See "THE DEVELOPER" and "DEVELOPMENT OF THE DISTRICT."

Maximum Impact on District Tax Rate: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners within the District to pay their taxes. The 2024 Taxable Assessed Valuation of all taxable property within the District is \$858,957,859 and the Estimate of Value as of April 1, 2025 is \$1,016,631,076. See "TAX DATA." After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds and the Bonds (2026) is \$6,782,158, and the average annual debt service requirement on the Outstanding Bonds and the Bonds (2025-2049) is \$5,914,993. Assuming no decrease to the District's 2024 Taxable Assessed Valuation, tax rates of \$0.84 and \$0.73 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no decrease from Estimate of Value as of April 1, 2025, tax rates of \$0.71 and \$0.62 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. See "DISTRICT DEBT – Debt Service Requirement Schedule" and "TAX DATA – Tax Rate Calculations."

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

Increase in Costs of Building Materials and Labor Shortages

As a result of low supply and high demand, shipping constraints, and the ongoing trade war (including tariffs and retaliatory tariffs), there have been substantial increases in the cost of lumber and other materials, causing many homebuilders and general contractors to experience budget overruns. Further, the federal administration's on-again, off-again tariffs, and the threatened impositions of tariffs may impact the ability of the homebuilders in the District to estimate costs. The federal administration's immigration policies may additionally impact the State's workforce, particularly in construction. Mass deportations or immigration policies that make it challenging for foreign workers to work in the United States may result in labor shortages that impact the homebuilders' ability to construct homes within the District. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact existing values. The District makes no representations regarding the probability of development continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of the Developer or homebuilders.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming, and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within six

(6) months of foreclosure unless the property is his residence homestead or designated for agricultural use, in which case the taxpayer may redeem the property within two years of foreclosure). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. The District's lien on taxable property within the District for taxes levied against such property can be foreclosed only in a judicial proceeding.

Registered Owners' Remedies

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

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

Bankruptcy Limitation to Registered Owners' Rights

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

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

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

The District may not be placed into bankruptcy involuntarily.

Future Debt

At an election held within the District on May 5, 2018, voters of the District authorized the District's issuance of \$273,926,860 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System; \$410,890,290 principal amount of unlimited tax bonds for the purpose of refunding bonds

issued by the District for the Utility System; \$237,092,017 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$355,638,025 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System; and could authorize additional amounts.

Following the issuance of the Bonds, the District will have: \$240,526,860 principal amount of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing the Utility System; \$410,890,290 principal amount of unlimited tax bonds authorized but unissued for the purpose of refunding bonds issued by the District for the Utility System; \$165,407,017 principal amount of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing the Road System; and \$355,638,025 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

After reimbursement with the proceeds of the Bonds, the District will still owe the Developers approximately \$15,000,000 for the current expenditures related to the construction of the Road System and \$30,000,000 for the current expenditures related to the Utility System on behalf of the District.

Based on present engineering costs estimates and on development plans supplied by the Developer, in the opinion of the Engineer (hereinafter defined), following the issuance of the Bonds, the remaining principal amount of authorized but unissued bonds will be sufficient to fully reimburse the Developer for the existing facilities.

All of the remaining bonds that have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The issuance of such bonds for the Utility System is subject to the prior approval of the TCEQ; however, the District's issuance of bonds for the Road System, including the Bonds, is not subject to approval of the TCEQ.

Marketability of the Bonds

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

Continuing Compliance with Certain Covenants

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

Approval of the Bonds

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

Future and Proposed Legislation

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives, or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Environmental Regulations

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the TCEQ may impact new industrial, commercial and residential development in the Dallas-Fort Worth area. Under the Clean Air Act (“CAA”) Amendments of 1990, a ten-county Dallas-Fort Worth area (“2008 DFW Area”) – Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Rockwall, Tarrant, and Wise Counties – has been designated a “severe” nonattainment area under the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), with an attainment year of 2026. The “severe” nonattainment classification provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

Further, a nine-county Dallas-Fort Worth area (“2015 DFW Area”) – Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Tarrant, and Wise Counties was designated a “serious” nonattainment area under the eight-hour ozone standard of 70 ppb promulgated by the EPA in 2015 (the “2015 Ozone Standard”), effective July 22, 2024. The requirements for an area designated as “serious” vary and establish several attainment deadlines ranging from January 1, 2026 to January 1, 2028, with such deadlines applicable to specific requirements of the EPA’s final action.

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the 2008 and 2015 DFW Areas setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the 2008 and 2015 DFW Areas to reach attainment with the ozone standards by the EPA’s attainment deadlines. These additional controls could have a negative impact on the area’s economic growth and development. As a result of the DFW Area’s reclassification, the TCEQ must submit revisions of the SIP to the EPA no later than January 1, 2026, addressing the “serious” nonattainment classification.

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

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

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future. Further, the EPA has established a NPDWR for six (6) Per- and Polyfluoroalkyl Substances (“PFAS”), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal management district must comply may have an impact on the municipal management district’s ability to obtain and maintain compliance with TPDES permits.

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 permit, if the District’s inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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

While the *Sackett* decision and subsequent regulatory action removed a great deal of uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction, operations of

municipal management districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

Potential Impact of Natural Disaster

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

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

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.

2025 Legislative Session

The 89th Regular Legislative Session convened on January 14, 2025 and will conclude on June 2, 2025. The Governor of Texas may call additional special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Texas Legislature could enact laws that materially change current laws affecting ad valorem tax matters, elections, and other matters which could adversely affect the District and also affect the marketability or market value of the Bonds. The District can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions.

Bond Insurance Risk Factors

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

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

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

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

The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies. Neither the District nor the Initial Purchaser have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" herein for further information provided by the Bond Insurer and the Insurance Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

LEGAL MATTERS

Legal Opinions

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

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

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

Opinion

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

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

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

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

State, Local and Foreign Taxes

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

Not Qualified Tax-Exempt Obligations

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

CONTINUING DISCLOSURE OF INFORMATION

As required by SEC Rule 15c2-12, and in the Bond Order, the District has the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, audited financial statements and timely notice of specified material events, in an electronic format as prescribed by the Municipal Securities Rulemaking Board (“MSRB”). The MSRB has established the Electronic Municipal Market Access (“EMMA”) system for such purpose.

Annual Reports

The District will provide certain financial information and operating data to annually to the MSRB. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings “DISTRICT DEBT” (except under the subheading “Estimated Overlapping Debt Statement”), “TAX DATA,” and “APPENDIX A.”

The District will update and provide this information to the MSRB through its EMMA system within six months after the end of each of its fiscal years ending in or after 2025. The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financials if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements within such period and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulations.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12.

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

Event Notices

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

other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms “material” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under federal securities laws. Neither the Bonds nor the Bond Order make any provision for debt service reserves or liquidity enhancement. The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

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

Limitations and Amendments

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

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

Compliance with Prior Undertakings

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

OFFICIAL STATEMENT

General

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

The District's audited financial statements for the fiscal year ended August 31, 2024 has been provided by the District's auditor, Mark C. Eyring, CPA PLLC, and attached hereto as "APPENDIX A". Mark C. Eyring, CPA PLLC, has agreed to the publication of its audit opinion on such financial statements in this Official Statement.

Experts

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

The information contained in this Official Statement relating to engineering and to the description of the Utility System and the Road System, and, in particular, that engineering information included in the sections entitled "THE BONDS", "THE DISTRICT," "DEVELOPMENT OF THE DISTRICT," and "THE UTILITY SYSTEM" and "THE ROAD SYSTEM" has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as an expert in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by the Tax Assessor/Collector and DCAD. Such information has been included herein in reliance upon the Tax Assessor/Collector's authority as an expert in the field of tax collection and DCAD's authority as an expert in the field of property appraisal.

Certification as to Official Statement

At the time of payment for and delivery of the Bonds, the District will furnish the Initial Purchaser a certificate, executed by the authorized members of the Board, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the information, descriptions and statements of or pertaining to the District contained in this Official Statement, on the date thereof and on the date of delivery were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, this Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; and (c) insofar as the descriptions and statements, including financial data contained in this Official Statement, of or pertaining to entities other than the District and their activities are concerned, such statements and data have been obtained from sources which the District believes to be reliable and that the District has no reason to believe that they are untrue in any material respect or omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; however, the District has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. This Official Statement is duly approved by the Board of Directors of the District as of the date specified on the first page hereof.

Updating of Official Statement

The District will 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, to the other matters described in the Official Statement, until the delivery of the Bonds to the Initial Purchaser, unless the respective Initial Purchaser notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of

time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

CONCLUDING STATEMENT

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

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

/s/ Tanner Sheets

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

ATTEST:

/s/ Peter Wangoe II

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

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

NORTHLAKE MUNICIPAL
MANAGEMENT DISTRICT NO. 1
DENTON COUNTY, TEXAS
ANNUAL AUDIT REPORT
AUGUST 31, 2024

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Mark C. Eyring, CPA, PLLC

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January 14, 2025

INDEPENDENT AUDITOR'S REPORT

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

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Northlake Municipal Management District No. 1 as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise Northlake Municipal Management District No. 1's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Northlake Municipal Management District No. 1, as of August 31, 2024, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Required Supplementary Information

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

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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Northlake Municipal Management District No. 1's basic financial statements. The supplementary information on Pages 23 to 45 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

A handwritten signature in dark ink, appearing to read "M. G. O.", is centered on the page.

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Northlake Municipal Management District No. 1 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended August 31, 2024.

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

Financial Analysis of the District as a Whole

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

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

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

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

Summary of Net Position

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Current and other assets	\$ 3,498,625	\$ 2,488,604	\$ 1,010,021
Capital assets	16,314,334	33,516,415	(17,202,081)
Total assets	<u>19,812,959</u>	<u>36,005,019</u>	<u>(16,192,060)</u>
Long-term liabilities	85,354,678	79,676,578	5,678,100
Other liabilities	2,486,074	1,432,318	1,053,756
Total liabilities	<u>87,840,752</u>	<u>81,108,896</u>	<u>6,731,856</u>
Net position:			
Invested in capital assets, net of related debt	(71,316,339)	(47,390,246)	(23,926,093)
Restricted	2,279,708	1,400,020	879,688
Unrestricted	1,008,838	886,349	122,489
Total net position	<u>\$ (68,027,793)</u>	<u>\$ (45,103,877)</u>	<u>\$ (22,923,916)</u>

Summary of Changes in Net Position

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 4,783,321	\$ 2,908,089	\$ 1,875,232
Charges for services	811,999	140,232	671,767
Other revenues	162,359	97,399	64,960
Total revenues	<u>5,757,679</u>	<u>3,145,720</u>	<u>2,611,959</u>
Expenses:			
Service operations	2,445,532	486,743	1,958,789
Capital outlay	22,130,731	0	22,130,731
Debt service	4,105,332	1,682,062	2,423,270
Total expenses	<u>28,681,595</u>	<u>2,168,805</u>	<u>26,512,790</u>
Change in net position	(22,923,916)	976,915	(23,900,831)
Net position, beginning of year	<u>(45,103,877)</u>	<u>(46,080,792)</u>	<u>976,915</u>
Net position, end of year	<u>\$ (68,027,793)</u>	<u>\$ (45,103,877)</u>	<u>\$ (22,923,916)</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended August 31, 2024 were \$3,283,206, an increase of \$833,163 from the prior year.

The General Fund balance decreased by \$48,050, in accordance with the District's financial plan.

The Debt Service Fund balance increased by \$806,279, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by \$74,934 as bond proceeds and interest earnings exceeded authorized expenditures.

General Fund Budgetary Highlights

The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 22 of this report. The budgetary fund balance as of August 31, 2024 was expected to be \$1,112,610 and the actual end of year fund balance was \$1,008,307.

Capital Asset and Debt Administration

Capital Assets

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

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2024</u>	<u>2023</u>	<u>Change</u>
Easements	\$ 746,013	\$	\$ 746,013
Construction in progress	12,921,989	31,605,553	(18,683,564)
Lease assets	800,363		800,363
Wastewater treatment facilities	1,845,969	1,910,862	(64,893)
Totals	<u>\$ 16,314,334</u>	<u>\$ 33,516,415</u>	<u>\$ (17,202,081)</u>

Changes to capital assets during the fiscal year ended August 31, 2024, are summarized as follows:

Additions:

Utilities and roads constructed by developer	\$ 4,035,078
Leased assets	985,067
Wastewater treatment plant improvements	<u>51,114</u>
	5,071,259

Decreases:

Utilities and roads transferred to other entities	(22,009,596)
Depreciation	<u>(263,744)</u>

Net change to capital assets	<u>\$ (17,202,081)</u>
------------------------------	------------------------

Debt

Subsequent to August 31, 2024, the District issued its \$15,200,000 Series 2024 unlimited tax road bonds on December 19, 2024.

Changes in the bonded debt position of the District during the fiscal year ended August 31, 2024, are summarized as follows:

Bonded debt payable, beginning of year	\$ 50,600,000
Bonds sold	27,010,000
Bonds paid	<u>(1,510,000)</u>
Bonded debt payable, end of year	<u>\$ 76,100,000</u>

At August 31, 2024, the District had \$240,526,860 of bonds authorized but unissued for the purposes of acquiring, constructing and improving a water, sanitary sewer and drainage system within the District and \$191,257,017 for road purposes authorized but unissued

The District's Series 2021, 2022 and 2023 road and utility bonds have an underlying rating of Baa2 by Moody's. The Series 2020, 2021, 2022 and 2023 road and utility bonds are insured by Build America Mutual Assurance Company. The insured rating of the Series 2020, 2021, 2022 and 2023 road and utility bonds is AA by Standard & Poor's. There were no changes in the bond ratings during the fiscal year ended August 31, 2024.

As further described in Note 5 of the notes to the financial statements, the developer within the District is constructing water, sewer and drainage facilities and road improvements on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality as applicable. At August 31, 2024, the estimated amount due to the developer was \$12,436,592.

As further described in Note 10 of the notes to the financial statements, the District assumed two leases from the developer for the District's interim wastewater treatment plant, phase 1 and phase 2. At August 31, 2024, the unpaid principal payable amount of the phase 1 and 2 leases was \$783,531.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base increased approximately \$266,230,000 for the 2023 tax year (approximately 65%), primarily due to the addition of new houses to the tax base.

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

Relationship to the Town of Northlake

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

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

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

AUGUST 31, 2024

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
ASSETS						
Cash, including interest-bearing accounts, Note 7	\$ 48,405	\$ 39,737	\$ 125,445	\$ 213,587	\$	\$ 213,587
Certificates of deposit, at cost, Note 7		1,050,000		1,050,000		1,050,000
Temporary investments, Note 7	913,608	1,055,591		1,969,199		1,969,199
Receivables:						
Property taxes	531	4,809		5,340		5,340
Accrued interest		1,323		1,323		1,323
Due from other entity, Note 9	176,986			176,986		176,986
Due from other funds	587	3,390		3,977	(3,977)	0
Prepaid expenditures	82,190			82,190		82,190
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	13,668,002	13,668,002
Depreciable capital assets				0	2,646,332	2,646,332
Total assets	<u>\$1,222,307</u>	<u>\$2,154,850</u>	<u>\$ 125,445</u>	<u>\$ 3,502,602</u>	<u>16,310,357</u>	<u>19,812,959</u>
LIABILITIES						
Accounts payable	\$ 210,079	\$	\$	\$ 210,079		210,079
Due to other fund	3,390		587	3,977	(3,977)	0
Long-term liabilities, Note 5:						
Due within one year				0	2,275,995	2,275,995
Due in more than one year				0	85,354,678	85,354,678
Total liabilities	<u>213,469</u>	<u>0</u>	<u>587</u>	<u>214,056</u>	<u>87,626,696</u>	<u>87,840,752</u>
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	<u>531</u>	<u>4,809</u>	<u>0</u>	<u>5,340</u>	<u>(5,340)</u>	<u>0</u>
FUND BALANCES / NET POSITION						
Fund balances:						
Assigned to:						
Debt service		2,150,041		2,150,041	(2,150,041)	0
Capital projects			124,858	124,858	(124,858)	0
Unassigned	<u>1,008,307</u>			<u>1,008,307</u>	<u>(1,008,307)</u>	<u>0</u>
Total fund balances	<u>1,008,307</u>	<u>2,150,041</u>	<u>124,858</u>	<u>3,283,206</u>	<u>(3,283,206)</u>	<u>0</u>
Total liabilities, deferred inflows, and fund balances	<u>\$1,222,307</u>	<u>\$2,154,850</u>	<u>\$ 125,445</u>	<u>\$ 3,502,602</u>		
Net position:						
Invested in capital assets, net of related debt, Note 4					(71,316,339)	(71,316,339)
Restricted for debt service					2,154,850	2,154,850
Restricted for capital projects					124,858	124,858
Unrestricted, Note 5					<u>1,008,838</u>	<u>1,008,838</u>
Total net position					<u>\$ (68,027,793)</u>	<u>\$(68,027,793)</u>

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

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1

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

FOR THE YEAR ENDED AUGUST 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	\$ 473,703	\$ 4,297,114	\$	\$ 4,770,817	\$ (1,986)	\$ 4,768,831
Wastewater treatment service	811,999			811,999		811,999
Penalty and interest		14,490		14,490		14,490
Interest on deposits	47,031	112,411	2,917	162,359		162,359
Total revenues	1,332,733	4,424,015	2,917	5,759,665	(1,986)	5,757,679
EXPENDITURES / EXPENSES						
Service operations:						
Professional fees	189,652	2,957		192,609		192,609
Contracted services	211,798	33,151		244,949		244,949
Repairs, maintenance and other operating expenditures	538,347			538,347		538,347
Administrative expenditures	27,057	210		27,267		27,267
Depreciation				0	263,744	263,744
Capital outlay / non-capital outlay	1,157,316		23,375,039	24,532,355	(2,401,624)	22,130,731
Debt service:						
Principal retirement	201,536	1,510,000		1,711,536	(1,711,536)	0
Bond issuance expenditures			1,222,047	1,222,047		1,222,047
Interest	40,144	2,738,596	1,138,472	3,917,212	144,689	4,061,901
Total expenditures / expenses	2,365,850	4,284,914	25,735,558	32,386,322	(3,704,727)	28,681,595
Excess (deficiency) of revenues over expenditures	(1,033,117)	139,101	(25,732,641)	(26,626,657)	3,702,741	(22,923,916)
OTHER FINANCING SOURCES (USES)						
Bonds issued, Note 5		1,202,425	25,807,575	27,010,000	(27,010,000)	0
Bond issuance discount, Note 5		(535,247)		(535,247)	535,247	0
Proceeds from lease, Note 10	985,067			985,067	(985,067)	0
Total other financing sources (uses)	985,067	667,178	25,807,575	27,459,820	(27,459,820)	0
Net change in fund balances / net position	(48,050)	806,279	74,934	833,163	(23,757,079)	(22,923,916)
Beginning of year	1,056,357	1,343,762	49,924	2,450,043	(47,553,920)	(45,103,877)
End of year	\$ 1,008,307	\$ 2,150,041	\$ 124,858	\$ 3,283,206	\$(71,310,999)	\$(68,027,793)

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

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1NOTES TO THE FINANCIAL STATEMENTSAUGUST 31, 2024

NOTE 1: REPORTING ENTITY

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

Basic Financial Statements

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

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

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

Interfund Activity

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

Receivables

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

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

Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Plant and equipment	10-45 years
Underground lines	45 years

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Lease assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Long-term Liabilities

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

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

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

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 3,283,206
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		16,314,334
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (76,100,000)	
Less: Issuance discount (to be amortized as interest expense)	1,689,450	
Leases payable	(783,531)	
Due to developers for construction	<u>(12,436,592)</u>	(87,630,673)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Uncollected property taxes		<u>5,340</u>
Net position, end of year		<u>\$ (68,027,793)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Total net change in fund balances	\$	833,163
The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay	\$	2,401,624
Depreciation	<u>(263,744)</u>	2,137,880
The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:		
Bonds issued	(27,010,000)	
Principal reduction, bonds	1,510,000	
Lease liabilities	(985,067)	
Principal reduction, leases	<u>201,536</u>	(26,283,531)
The funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:		
Issuance discount		390,558
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:		
Uncollected property taxes		<u>(1,986)</u>
Change in net position	<u>\$</u>	<u>(22,923,916)</u>

NOTE 4: CAPITAL ASSETS

At August 31, 2024, "Invested in capital assets, net of related debt" was \$(71,316,339). As further described in Note 9, under the terms of agreements with the Town of Northlake (the "Town"), the District transfers the ownership of certain capital assets (other than the wastewater treatment plant) constructed by the District to the Town. Under the terms of the agreements, the District is to pay for construction of a water distribution system, a sanitary sewer collection system, a drainage system and roads to serve the District. The District shall be the owner of each phase of the systems until such phase is completed and approved by the Town, at which time ownership of such phase shall be transferred to the Town. However, the District shall have a security interest therein until all bonds issued by the District pursuant to the respective agreement are retired. The District will permit and construct a wastewater treatment plant ("WWTP") with capacity to serve the District. The WWTP is owned, maintained and operated by the District.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Easements	\$	\$ 746,013	\$	\$ 746,013
Construction in progress	<u>31,605,553</u>	<u>4,520,475</u>	<u>23,204,039</u>	<u>12,921,989</u>
Total capital assets not being depreciated	<u>31,605,553</u>	<u>5,266,488</u>	<u>23,204,039</u>	<u>13,668,002</u>
Depreciable capital assets:				
Lease assets		985,067		985,067
Wastewater treatment facilities	<u>2,067,528</u>	<u>14,147</u>		<u>2,081,675</u>
Total depreciable capital assets	<u>2,067,528</u>	<u>999,214</u>	<u>0</u>	<u>3,066,742</u>
Less accumulated depreciation for:				
Lease assets		(184,704)		(184,704)
Wastewater treatment facilities	<u>(156,666)</u>	<u>(79,040)</u>		<u>(235,706)</u>
Total accumulated depreciation	<u>(156,666)</u>	<u>(263,744)</u>	<u>0</u>	<u>(420,410)</u>
Total depreciable capital assets, net	<u>1,910,862</u>	<u>735,470</u>	<u>0</u>	<u>2,646,332</u>
Total capital assets, net	<u>\$ 33,516,415</u>	<u>\$ 6,001,958</u>	<u>\$ 23,204,039</u>	<u>\$ 16,314,334</u>
Changes to capital assets:				
Capital outlay		\$ 2,401,624	\$	
Assets transferred to non-depreciable assets		1,194,443	1,194,443	
Assets transferred to other entities		22,009,596	22,009,596	
Increase in liability to developer for construction		4,035,078		
Capital outlay paid (decrease in liability) to developer		(23,375,039)		
Less depreciation expense for the fiscal year		<u>(263,744)</u>		
Net increases / decreases to capital assets		<u>\$ 6,001,958</u>	<u>\$ 23,204,039</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended August 31, 2024 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 50,600,000	\$ 27,010,000	\$ 1,510,000	\$ 76,100,000	\$ 2,240,000
Less deferred amounts:					
For issuance discounts	<u>(1,298,892)</u>	<u>(535,247)</u>	<u>(144,689)</u>	<u>(1,689,450)</u>	<u>(141,048)</u>
Total bonds payable	<u>49,301,108</u>	<u>26,474,753</u>	<u>1,365,311</u>	<u>74,410,550</u>	<u>2,098,952</u>
Lease agreements, Note 10	<u>0</u>	<u>985,067</u>	<u>201,536</u>	<u>783,531</u>	<u>177,043</u>
Due to developer for operating advances (see below)	171,000		171,000	0	-----
Due to developer for construction (see below)	<u>31,605,553</u>	<u>4,035,078</u>	<u>23,204,039</u>	<u>12,436,592</u>	<u>-----</u>
Total due to developers	<u>31,776,553</u>	<u>4,035,078</u>	<u>23,375,039</u>	<u>12,436,592</u>	<u>0</u>
Total long-term liabilities	<u>\$ 81,077,661</u>	<u>\$ 31,494,898</u>	<u>\$ 24,941,886</u>	<u>\$ 87,630,673</u>	<u>\$ 2,275,995</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Subsequent to August 31, 2024, the District issued its \$15,200,000 Series 2024 unlimited tax road bonds on December 19, 2024.

The District pays the amount due September 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future. As of August 31, 2024, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 2,240,000	\$ 2,733,768	\$ 4,973,768
2026	2,345,000	2,611,713	4,956,713
2027	2,445,000	2,491,455	4,936,455
2028	2,530,000	2,376,772	4,906,772
2029	2,625,000	2,259,904	4,884,904
2030 - 2034	14,495,000	9,655,194	24,150,194
2035 - 2039	16,975,000	6,999,961	23,974,961
2040 - 2044	19,955,000	3,910,508	23,865,508
2045 - 2048	<u>12,490,000</u>	<u>776,937</u>	<u>13,266,937</u>
	<u>\$ 76,100,000</u>	<u>\$ 33,816,212</u>	<u>\$ 109,916,212</u>

Utility bonds voted	\$ 273,926,860
Utility bonds approved for sale and sold	33,400,000
Utility bonds voted and not issued	240,526,860

Road bonds voted	237,092,017
Road bonds approved for sale and sold	45,835,000
Road bonds voted and not issued	191,257,017

Refunding bonds voted	One and one-half times the amount of unlimited tax bonds previously issued
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The bond issues payable at August 31, 2024, were as follows:

	<u>Series 2020 Utility</u>	<u>Series 2020 Road</u>	<u>Series 2021 Utility</u>
Amounts outstanding, August 31, 2024	\$8,825,000	\$5,305,000	\$8,510,000
Interest rates	2.00% to 4.50%	2.00% to 4.50%	2.00% to 4.50%
Maturity dates, serially beginning/ending	March 1, 2025/2045	March 1, 2025/2045	March 1, 2025/2046
Interest payment dates	March 1/September 1	March 1/September 1	March 1/September 1
Callable dates	March 1, 2025*	March 1, 2025*	March 1, 2026*

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>Series 2021 Road</u>	<u>Series 2022 Utility</u>	<u>Series 2022 Road</u>
Amounts outstanding, August 31, 2024	\$13,275,000	\$7,950,000	\$5,225,000
Interest rates	2.125% to 4.625%	3.125% to 5.50%	3.125% to 5.50%
Maturity dates, serially beginning/ending	March 1, 2025/2046	March 1, 2025/2047	March 1, 2025/2047
Interest payment dates	March 1/September 1	March 1/September 1	March 1/September 1
Callable dates	March 1, 2026*	March 1, 2028*	March 1, 2028*
	<u>Series 2023 Utility</u>	<u>Series 2023 Road</u>	
Amounts outstanding, August 31, 2024	\$6,510,000	\$20,500,000	
Interest rates	4.25% to 6.75%	4.25% to 6.75%	
Maturity dates, serially beginning/ending	March 1, 2025/2048	March 1, 2025/2048	
Interest payment dates	March 1/September 1	March 1/September 1	
Callable dates	September 1, 2029*	September 1, 2029*	

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

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

Developer Construction Commitments and Liabilities

The developer within the District is constructing certain facilities within the District's boundaries. The District has agreed to reimburse the developer for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality as applicable. The District's engineer stated that cost of the construction in progress at August 31, 2024, was \$12,436,592. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

NOTE 6: PROPERTY TAXES

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

On August 28, 2023, the District levied the following ad valorem taxes for the 2023 tax year on the adjusted taxable valuation of \$677,489,772:

	<u>Rate</u>	<u>Amount</u>
Debt service, Utilities	\$ 0.2650	\$ 1,795,348
Debt service, Roads	0.3700	2,506,712
Maintenance	<u>0.0700</u>	<u>474,243</u>
	<u>\$ 0.7050</u>	<u>\$ 4,776,303</u>

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

2023 tax year total property tax levy	\$ 4,776,303
Appraisal district adjustments to prior year taxes	<u>(7,472)</u>
Statement of Activities property tax revenues	<u>\$ 4,768,831</u>

Concentration of Tax Base

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

NOTE 7: DEPOSITS

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

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

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

At the balance sheet date the carrying value and market value of the investment in TexPool were \$1,969,199.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 8: RISK MANAGEMENT

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

On August 31, 2024, the District had physical damage and boiler and machinery coverage of \$6,890,000, comprehensive general liability coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general aggregate and consultant's crime coverage of \$10,000.

NOTE 9: AGREEMENTS WITH THE TOWN OF NORTHLAKE

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

Services provided by the WWTP to the Town will be billed to the Town in accordance with the Interlocal Agreement Regarding Wastewater Treatment Services (the "WWTP Agreement") between the District and the Town. For the wastewater treatment services provided by the District, the Town shall pay the same projected rate per gallon (the "Projected Rate") that the Town pays the Trinity River Authority, currently or as amended, for similar services under Section 12 of that certain Trinity River Authority of Texas - Denton Creek Regional Wastewater Treatment System Sixth Supplemental Contract (Town of Northlake, Texas), dated December 1, 2001 (the "TRA Contract"). The monthly amount owed by the Town will be calculated by multiplying the monthly metered flow by the Projected Rate. At the close of each Annual Payment Period (as defined by the TRA Contract), the TRA shall determine the Town's actual rate per gallon (the "Adjusted Rate") for the previous Annual Payment Period. The District shall then multiply the Town's Adjusted Rate by the actual metered gallons during the Annual Payment Period resulting in the "Town's Adjusted Annual Payment". The difference between the amounts which have actually been paid by the Town and the Town's Adjusted Annual Payment shall be applied as a credit or debit to the Town's account with the District. In the event the Town terminates the TRA Contract, the Town shall pay the District the same rate per gallon the Town pays the new provider. The District first received flow from the Town on September 11, 2019. The District accrued wastewater treatment service revenues of \$811,999 from the Town for the fiscal year ended August 31, 2024. At this date, \$176,986 was receivable from the Town.

NOTE 10: LEASE AGREEMENTS

The District has assumed the interim wastewater treatment plant phase 1 and phase 2 lease agreements entered into by the developer. The phase 1 lease term is 60 months, after which the lease is automatically extended 90 days. The cost of the lease was \$10,500 per month during the initial 60 month term and \$7,500 per month during any extended term. The lease was effective as of August 1, 2019 and entered the extended term in August 2024. The District's engineer estimates the leased plant phase 1 will be in use until December 2028. Lease costs for the year ended August 31, 2024, were \$123,000, of which \$104,577 was principal and \$18,423 was interest. At this date the District had prepaid two months' lease cost in the amount of \$15,000.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

At August 31, 2024, the phase 1 lease payments due were as follows:

<u>Due During Fiscal Years Ending August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 75,629	\$ 14,371	\$ 90,000
2026	79,104	10,896	90,000
2027	82,738	7,262	90,000
2028	86,539	3,461	90,000
2029	29,721	279	30,000
	<u>\$ 353,731</u>	<u>\$ 36,269</u>	<u>\$ 390,000</u>

The phase 2 lease term is 60 months, after which the lease is automatically extended 90 days. The cost of the lease is \$9,890 per month during the initial 60 month term and \$7,950 per month during any extended term. The lease was effective as of July 1, 2022. The District's engineer estimates the leased plant phase 2 will be in use until December 2028. Lease costs for the year ended August 31, 2024, were \$118,680, of which \$96,959 was principal and \$18,423 was interest. At this date the District had prepaid two months' lease cost in the amount of \$19,780.

At August 31, 2024, the phase 2 lease payments due were as follows:

<u>Credits Due During Fiscal Years Ending August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 101,414	\$ 17,266	\$ 118,680
2026	106,073	12,607	118,680
2027	99,078	7,772	106,850
2028	91,731	3,669	95,400
2029	31,504	296	31,800
	<u>\$ 429,800</u>	<u>\$ 41,610</u>	<u>\$ 471,410</u>

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED AUGUST 31, 2024

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Property taxes	\$ 467,153	\$ 467,153	\$ 473,703	\$ 6,550
Wastewater treatment service	247,000	247,000	811,999	564,999
Interest on deposits and investments	<u>28,000</u>	<u>28,000</u>	<u>47,031</u>	<u>19,031</u>
TOTAL REVENUES	<u>742,153</u>	<u>742,153</u>	<u>1,332,733</u>	<u>590,580</u>
EXPENDITURES				
Service operations:				
Professional fees	124,000	124,000	189,652	65,652
Contracted services	289,300	289,300	211,798	(77,502)
Repairs, maintenance and other operating expenditures			538,347	538,347
Administrative expenditures	27,920	27,920	27,057	(863)
Capital outlay			1,157,316	1,157,316
Debt service:				
Principal and interest	<u>244,680</u>	<u>244,680</u>	<u>241,680</u>	<u>(3,000)</u>
TOTAL EXPENDITURES	<u>685,900</u>	<u>685,900</u>	<u>2,365,850</u>	<u>1,679,950</u>
EXCESS REVENUES (EXPENDITURES)	56,253	56,253	(1,033,117)	(1,089,370)
OTHER FINANCING SOURCES (USES)				
Proceeds from lease	<u>0</u>	<u>0</u>	<u>985,067</u>	<u>985,067</u>
TOTAL OTHER FINANCIAL SOURCES (USES)	<u>0</u>	<u>0</u>	<u>985,067</u>	<u>985,067</u>
EXCESS SOURCES (USES)	56,253	56,253	(48,050)	(104,303)
FUND BALANCE, BEGINNING OF YEAR	<u>1,056,357</u>	<u>1,056,357</u>	<u>1,056,357</u>	<u>0</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,112,610</u>	<u>\$ 1,112,610</u>	<u>\$ 1,008,307</u>	<u>\$ (104,303)</u>

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

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

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
AUGUST 31, 2024

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

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

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1
SCHEDULE OF SERVICES AND RATES
AUGUST 31, 2024

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

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

2. Retail Service Providers

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

 Contact the Town of Northlake.

b. Water and Wastewater Retail Connections:

 Contact the Town of Northlake.

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

 Contact the Town of Northlake.

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

Does the District have Debt Service standby fees? Yes ☐ No ☒

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

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

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

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1

EXPENDITURES

FOR THE YEAR ENDED AUGUST 31, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Professional fees:				
Auditing	\$ 10,000	\$	\$	\$ 10,000
Legal	99,728	2,957		102,685
Engineering	79,924			79,924
	<u>189,652</u>	<u>2,957</u>	<u>0</u>	<u>192,609</u>
Contracted services:				
Bookkeeping	10,052			10,052
Operation and billing	201,746			201,746
Tax assessor-collector		1,507		1,507
Central appraisal district		31,644		31,644
	<u>211,798</u>	<u>33,151</u>	<u>0</u>	<u>244,949</u>
Repairs, maintenance and other				
Operating expenditures	<u>538,347</u>	<u>0</u>	<u>0</u>	<u>538,347</u>
Administrative expenditures:				
Insurance	22,388			22,388
Other	4,669	210		4,879
	<u>27,057</u>	<u>210</u>	<u>0</u>	<u>27,267</u>
CAPITAL OUTLAY				
Authorized expenditures	<u>1,157,316</u>	<u>0</u>	<u>23,375,039</u>	<u>24,532,355</u>
DEBT SERVICE				
Principal retirement	<u>201,536</u>	<u>1,510,000</u>	<u>0</u>	<u>1,711,536</u>
Bond issuance expenditures	<u>0</u>	<u>0</u>	<u>1,222,047</u>	<u>1,222,047</u>
Interest and fees:				
Interest	40,144	2,736,196	1,138,472	3,914,812
Paying agent fees		2,400		2,400
	<u>40,144</u>	<u>2,738,596</u>	<u>1,138,472</u>	<u>3,917,212</u>
TOTAL EXPENDITURES	<u>\$ 2,365,850</u>	<u>\$ 4,284,914</u>	<u>\$ 25,735,558</u>	<u>\$ 32,386,322</u>

See accompanying independent auditor's report.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1ANALYSIS OF CHANGES IN DEPOSITS
ALL GOVERNMENTAL FUND TYPESFOR THE YEAR ENDED AUGUST 31, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS				
Cash receipts from revenues excluding maintenance taxes	\$ 843,441	\$ 4,434,943	\$ 2,917	\$ 5,281,301
Maintenance tax receipts		473,703		473,703
Proceeds from sale of bonds		667,178	25,807,575	26,474,753
Transfer of maintenance taxes	<u>473,117</u>			<u>473,117</u>
TOTAL DEPOSITS PROVIDED	<u>1,316,558</u>	<u>5,575,824</u>	<u>25,810,492</u>	<u>32,702,874</u>
APPLICATIONS OF DEPOSITS				
Cash disbursements for:				
Current expenditures	712,427	36,318		748,745
Capital outlay	172,249		23,375,039	23,547,288
Debt service	241,680	4,248,596	2,360,519	6,850,795
Transfer of maintenance taxes	<u></u>	<u>473,117</u>	<u></u>	<u>473,117</u>
TOTAL DEPOSITS APPLIED	<u>1,126,356</u>	<u>4,758,031</u>	<u>25,735,558</u>	<u>31,619,945</u>
INCREASE (DECREASE) IN DEPOSITS	190,202	817,793	74,934	1,082,929
DEPOSITS BALANCES, BEGINNING OF YEAR	<u>771,811</u>	<u>1,327,535</u>	<u>50,511</u>	<u>2,149,857</u>
DEPOSITS BALANCES, END OF YEAR	<u>\$ 962,013</u>	<u>\$ 2,145,328</u>	<u>\$ 125,445</u>	<u>\$ 3,232,786</u>

See accompanying independent auditor's report.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1

SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS

AUGUST 31, 2024

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
TexPool				
No. 4497981000001	Market	On demand	\$ 913,608	\$ 0
DEBT SERVICE FUND				
Certificates of Deposit				
No. 9009004960	5.11%	2/21/25	\$ 450,000	\$ 567
No. 9009004961	5.11%	2/21/25	<u>600,000</u>	<u>756</u>
			<u>\$ 1,050,000</u>	<u>\$ 1,323</u>
TexPool				
No. 4497983000002	Market	On demand	\$ 299,063	\$ 0
No. 4497983000003	Market	On demand	<u>756,528</u>	<u>0</u>
			<u>\$ 1,055,591</u>	<u>\$ 0</u>
			<u>\$ 3,019,199</u>	<u>\$ 1,323</u>

See accompanying independent auditor's report.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED AUGUST 31, 2024

	<u>Maintenance Taxes</u>	<u>Road Debt Service Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 992	\$ 3,129	\$ 3,205
Additions and corrections to prior year taxes	<u>(1,001)</u>	<u>(3,175)</u>	<u>(3,295)</u>
Adjusted receivable, beginning of year	(9)	(46)	(90)
2023 ADJUSTED TAX ROLL	<u>474,243</u>	<u>2,506,712</u>	<u>1,795,348</u>
Total to be accounted for	474,234	2,506,666	1,795,258
Refund of prior year taxes collected in prior years	<u>141</u>	<u>658</u>	<u>674</u>
Tax collections: Current tax year	(473,713)	(2,503,911)	(1,793,341)
Prior tax years	<u>(131)</u>	<u>(611)</u>	<u>(584)</u>
RECEIVABLE, END OF YEAR	<u>\$ 531</u>	<u>\$ 2,802</u>	<u>\$ 2,007</u>
RECEIVABLE, BY TAX YEAR			
2023	<u>\$ 531</u>	<u>\$ 2,802</u>	<u>\$ 2,007</u>
RECEIVABLE, END OF YEAR	<u>\$ 531</u>	<u>\$ 2,802</u>	<u>\$ 2,007</u>

See accompanying independent auditor's report.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED AUGUST 31, 2024

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Land	\$ 233,944,088	\$ 158,663,386	\$ 105,837,364	\$ 70,073,298
Improvements	512,354,975	284,845,055	135,297,834	30,037,026
Personal property	1,664,837	1,135,002	149,321	0
Less exemptions	<u>(70,474,128)</u>	<u>(33,388,499)</u>	<u>(7,747,936)</u>	<u>(3,275,835)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 677,489,772</u>	 <u>\$ 411,254,944</u>	 <u>\$ 233,536,583</u>	 <u>\$ 96,834,489</u>
Debt service tax rates, utilities	\$ 0.26500	\$ 0.32250	\$ 0.31000	\$ 0.20000
Debt service tax rates, roads	0.37000	0.31500	0.32500	0.15000
Maintenance tax rates*	<u>0.07000</u>	<u>0.06750</u>	<u>0.07000</u>	<u>0.35500</u>
 TOTAL TAX RATES PER \$100 VALUATION	 <u>\$ 0.70500</u>	 <u>\$ 0.70500</u>	 <u>\$ 0.70500</u>	 <u>\$ 0.70500</u>
TAX ROLLS	<u>\$ 4,776,303</u>	<u>\$ 2,906,069</u>	<u>\$ 1,653,739</u>	<u>\$ 683,536</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>99.9 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

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

See accompanying independent auditor's report.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
AUGUST 31, 2024

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

Due During Fiscal Years Ending August 31	Series 2020 Utility.		
	Principal Due March 1,	Interest Due March 1, September 1	Total
2025	\$ 315,000	\$ 226,087	\$ 541,087
2026	325,000	211,688	536,688
2027	335,000	196,837	531,837
2028	345,000	182,400	527,400
2029	350,000	168,500	518,500
2030	360,000	154,300	514,300
2031	370,000	143,400	513,400
2032	380,000	135,900	515,900
2033	395,000	128,150	523,150
2034	405,000	120,150	525,150
2035	415,000	111,950	526,950
2036	425,000	103,284	528,284
2037	440,000	94,094	534,094
2038	450,000	84,638	534,638
2039	460,000	74,969	534,969
2040	475,000	64,737	539,737
2041	490,000	53,881	543,881
2042	500,000	42,744	542,744
2043	515,000	31,325	546,325
2044	530,000	19,238	549,238
2045	545,000	6,472	551,472
TOTALS	<u>\$ 8,825,000</u>	<u>\$ 2,354,744</u>	<u>\$ 11,179,744</u>

See accompanying independent auditor's report.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)AUGUST 31, 2024

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

<u>Due During Fiscal Years Ending August 31</u>	<u>Series 2020 Road</u>		
	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2025	\$ 190,000	\$ 139,057	\$ 329,057
2026	195,000	130,393	325,393
2027	200,000	121,506	321,506
2028	205,000	112,394	317,394
2029	210,000	103,057	313,057
2030	220,000	93,381	313,381
2031	225,000	86,181	311,181
2032	230,000	81,631	311,631
2033	235,000	76,981	311,981
2034	240,000	72,232	312,232
2035	250,000	67,331	317,331
2036	255,000	62,121	317,121
2037	265,000	56,597	321,597
2038	270,000	50,912	320,912
2039	280,000	45,069	325,069
2040	285,000	38,888	323,888
2041	295,000	32,362	327,362
2042	300,000	25,669	325,669
2043	310,000	18,806	328,806
2044	320,000	11,519	331,519
2045	325,000	3,860	328,860
TOTALS	<u>\$ 5,305,000</u>	<u>\$ 1,429,947</u>	<u>\$ 6,734,947</u>

See accompanying independent auditor's report.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)AUGUST 31, 2024

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

Due During Fiscal Years Ending August 31	Series 2021 Utility		
	Principal Due March 1	Interest Due March 1, September 1	Total
2025	\$ 260,000	\$ 198,362	\$ 458,362
2026	270,000	186,438	456,438
2027	280,000	176,162	456,162
2028	290,000	169,063	459,063
2029	300,000	163,162	463,162
2030	310,000	157,063	467,063
2031	325,000	150,712	475,712
2032	335,000	144,113	479,113
2033	345,000	137,312	482,312
2034	360,000	130,263	490,263
2035	370,000	122,962	492,962
2036	385,000	115,172	500,172
2037	400,000	106,832	506,832
2038	410,000	97,969	507,969
2039	425,000	88,575	513,575
2040	440,000	78,569	518,569
2041	460,000	67,881	527,881
2042	475,000	56,778	531,778
2043	490,000	45,319	535,319
2044	510,000	33,125	543,125
2045	525,000	20,187	545,187
2046	545,000	6,812	551,812
TOTALS	<u>\$ 8,510,000</u>	<u>\$ 2,452,831</u>	<u>\$ 10,962,831</u>

See accompanying independent auditor's report.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1

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

AUGUST 31, 2024

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

<u>Series 2021 Road</u>			
<u>Due During Fiscal Years Ending August 31</u>	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2025	\$ 460,000	\$ 314,969	\$ 774,969
2026	470,000	293,463	763,463
2027	480,000	277,494	757,494
2028	495,000	267,135	762,135
2029	505,000	256,509	761,509
2030	520,000	245,619	765,619
2031	530,000	234,463	764,463
2032	545,000	223,041	768,041
2033	560,000	210,950	770,950
2034	575,000	198,181	773,181
2035	590,000	185,075	775,075
2036	605,000	171,632	776,632
2037	620,000	157,462	777,462
2038	635,000	142,559	777,559
2039	650,000	127,300	777,300
2040	665,000	111,685	776,685
2041	685,000	95,652	780,652
2042	700,000	79,206	779,206
2043	720,000	62,344	782,344
2044	735,000	45,066	780,066
2045	755,000	27,372	782,372
2046	775,000	9,203	784,203
TOTALS	<u>\$ 13,275,000</u>	<u>\$ 3,736,380</u>	<u>\$ 17,011,380</u>

See accompanying independent auditor's report.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1

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

AUGUST 31, 2024

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

Due During Fiscal Years Ending August 31	Series 2022 Utility		
	Principal Due March 1	Interest Due March 1, September 1	Total
2025	\$ 230,000	\$ 326,531	\$ 556,531
2026	250,000	313,331	563,331
2027	265,000	299,169	564,169
2028	275,000	284,318	559,318
2029	295,000	268,644	563,644
2030	305,000	252,525	557,525
2031	310,000	236,381	546,381
2032	315,000	221,944	536,944
2033	320,000	209,244	529,244
2034	325,000	196,344	521,344
2035	335,000	183,144	518,144
2036	340,000	169,643	509,643
2037	340,000	156,044	496,044
2038	350,000	142,244	492,244
2039	360,000	128,044	488,044
2040	365,000	113,544	478,544
2041	370,000	98,843	468,843
2042	380,000	83,844	463,844
2043	390,000	68,444	458,444
2044	395,000	52,744	447,744
2045	405,000	38,516	443,516
2046	505,000	24,297	529,297
2047	525,000	8,203	533,203
TOTALS	<u>\$ 7,950,000</u>	<u>\$ 3,875,985</u>	<u>\$ 11,825,985</u>

See accompanying independent auditor's report.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1

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

AUGUST 31, 2024

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

Due During Fiscal Years Ending August 31	Series 2022 Road		
	Principal Due March 1	Interest Due March 1, September 1	Total
2025	\$ 125,000	\$ 216,056	\$ 341,056
2026	145,000	208,632	353,632
2027	165,000	200,106	365,106
2028	170,000	190,894	360,894
2029	180,000	181,269	361,269
2030	185,000	171,463	356,463
2031	195,000	161,487	356,487
2032	200,000	151,119	351,119
2033	205,000	141,769	346,769
2034	210,000	133,469	343,469
2035	215,000	124,969	339,969
2036	220,000	116,269	336,269
2037	225,000	107,369	332,369
2038	235,000	98,169	333,169
2039	240,000	88,669	328,669
2040	250,000	78,868	328,868
2041	255,000	68,768	323,768
2042	270,000	58,268	328,268
2043	275,000	47,368	322,368
2044	285,000	36,168	321,168
2045	300,000	25,781	325,781
2046	330,000	15,938	345,938
2047	345,000	5,391	350,391
TOTALS	<u>\$ 5,225,000</u>	<u>\$ 2,628,259</u>	<u>\$ 7,853,259</u>

See accompanying independent auditor's report.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1

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

AUGUST 31, 2024

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

Due During Fiscal Years Ending August 31	Series 2023 Utility		
	Principal Due March 1	Interest Due March 1, September 1	Total
2025	\$ 160,000	\$ 315,718	\$ 475,718
2026	165,000	304,750	469,750
2027	175,000	293,275	468,275
2028	180,000	281,293	461,293
2029	190,000	268,806	458,806
2030	195,000	255,813	450,813
2031	205,000	242,313	447,313
2032	215,000	228,138	443,138
2033	225,000	216,100	441,100
2034	235,000	206,325	441,325
2035	245,000	196,125	441,125
2036	255,000	185,500	440,500
2037	265,000	174,450	439,450
2038	275,000	162,975	437,975
2039	290,000	150,969	440,969
2040	300,000	138,244	438,244
2041	315,000	124,791	439,791
2042	330,000	110,475	440,475
2043	340,000	95,400	435,400
2044	355,000	79,763	434,763
2045	375,000	63,337	438,337
2046	390,000	46,125	436,125
2047	405,000	28,238	433,238
2048	425,000	9,562	434,562
TOTALS	<u>\$ 6,510,000</u>	<u>\$ 4,178,485</u>	<u>\$ 10,688,485</u>

See accompanying independent auditor's report.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)AUGUST 31, 2024

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

<u>Due During Fiscal Years Ending August 31</u>	<u>Series 2023 Road</u>		
	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2025	\$ 500,000	\$ 996,988	\$ 1,496,988
2026	525,000	963,018	1,488,018
2027	545,000	926,906	1,471,906
2028	570,000	889,275	1,459,275
2029	595,000	849,957	1,444,957
2030	620,000	812,825	1,432,825
2031	650,000	777,900	1,427,900
2032	675,000	741,462	1,416,462
2033	705,000	705,275	1,410,275
2034	735,000	669,275	1,404,275
2035	770,000	631,650	1,401,650
2036	800,000	592,400	1,392,400
2037	835,000	551,525	1,386,525
2038	870,000	508,900	1,378,900
2039	910,000	464,400	1,374,400
2040	950,000	417,900	1,367,900
2041	990,000	372,494	1,362,494
2042	1,035,000	328,844	1,363,844
2043	1,080,000	283,900	1,363,900
2044	1,125,000	237,044	1,362,044
2045	1,175,000	188,169	1,363,169
2046	1,225,000	137,168	1,362,168
2047	1,280,000	83,937	1,363,937
2048	1,335,000	28,369	1,363,369
TOTALS	<u>\$ 20,500,000</u>	<u>\$ 13,159,581</u>	<u>\$ 33,659,581</u>

See accompanying independent auditor's report.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1

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

AUGUST 31, 2024

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

Due During Fiscal Years Ending August 31	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total
2025	\$ 2,240,000	\$ 2,733,768	\$ 4,973,768
2026	2,345,000	2,611,713	4,956,713
2027	2,445,000	2,491,455	4,936,455
2028	2,530,000	2,376,772	4,906,772
2029	2,625,000	2,259,904	4,884,904
2030	2,715,000	2,142,989	4,857,989
2031	2,810,000	2,032,837	4,842,837
2032	2,895,000	1,927,348	4,822,348
2033	2,990,000	1,825,781	4,815,781
2034	3,085,000	1,726,239	4,811,239
2035	3,190,000	1,623,206	4,813,206
2036	3,285,000	1,516,021	4,801,021
2037	3,390,000	1,404,373	4,794,373
2038	3,495,000	1,288,366	4,783,366
2039	3,615,000	1,167,995	4,782,995
2040	3,730,000	1,042,435	4,772,435
2041	3,860,000	914,672	4,774,672
2042	3,990,000	785,828	4,775,828
2043	4,120,000	652,906	4,772,906
2044	4,255,000	514,667	4,769,667
2045	4,405,000	373,694	4,778,694
2046	3,770,000	239,543	4,009,543
2047	2,555,000	125,769	2,680,769
2048	1,760,000	37,931	1,797,931
TOTALS	<u>\$ 76,100,000</u>	<u>\$ 33,816,212</u>	<u>\$ 109,916,212</u>

See accompanying independent auditor's report.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1
ANALYSIS OF CHANGES IN GENERAL LONG-TERM BONDED DEBT
FOR THE YEAR ENDED AUGUST 31, 2024

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
Bond Series:	2020 Utility	2020 Road	2021 Utility
Interest Rate:	2.00% to 4.50%	2.00% to 4.50%	2.00% to 4.50%
Dates Interest Payable:	March 1/ September 1	March 1/ September 1	March 1/ September 1
Maturity Dates:	March 1, 2025/2045	March 1, 2025/2045	March 1, 2025/2046
Bonds Outstanding at Beginning of Current Year	\$ 9,135,000	\$ 5,490,000	\$ 8,765,000
Less Retirements	<u>(310,000)</u>	<u>(185,000)</u>	<u>(255,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 8,825,000</u>	<u>\$ 5,305,000</u>	<u>\$ 8,510,000</u>
Current Year Interest Paid:	<u>\$ 240,150</u>	<u>\$ 147,494</u>	<u>\$ 209,950</u>

Bond Descriptions and Original Amount of Issue

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

Paying Agent/Registrar

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

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1

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

FOR THE YEAR ENDED AUGUST 31, 2024

	<u>(4)</u>	<u>(5)</u>	<u>(6)</u>
Bond Series:	2021 Road	2022 Utility	2022 Road
Interest Rate:	2.125% to 4.625%	3.125% to 5.50%	3.125% to 5.50%
Dates Interest Payable:	March 1/ September 1	March 1/ September 1	March 1/ September 1
Maturity Dates:	March 1, 2025/2046	March 1, 2025/2047	March 1, 2025/2047
Bonds Outstanding at Beginning of Current Year	\$ 13,720,000	\$ 8,155,000	\$ 5,335,000
Less Retirements	<u>(445,000)</u>	<u>(205,000)</u>	<u>(110,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 13,275,000</u>	<u>\$ 7,950,000</u>	<u>\$ 5,225,000</u>
Current Year Interest Paid:	<u>\$ 335,896</u>	<u>\$ 338,494</u>	<u>\$ 222,519</u>

Bond Descriptions and Original Amount of Issue

(4) Northlake Municipal Management District No. 1 Unlimited Tax Road Bonds, Series 2021 (\$14,155,000)

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

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

Paying Agent/Registrar

(4) (5) (6) BOKF, Dallas, Texas

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1

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

FOR THE YEAR ENDED AUGUST 31, 2024

	<u>(7)</u>	<u>(8)</u>	<u>Totals</u>
Bond Series:	2023 Utility	2023 Road	
Interest Rate:	4.25% to 6.75%	4.25% to 6.75%	
Dates Interest Payable:	March 1/ September 1	March 1/ September 1	
Maturity Dates:	March 1, 2025/2048	March 1, 2025/2048	
Bonds Outstanding at Beginning of Current Year	\$	\$	\$ 50,600,000
Add Bonds Sold	6,510,000	20,500,000	27,010,000
Less Retirements	<u>0</u>	<u>0</u>	<u>(1,510,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 6,510,000</u>	<u>\$ 20,500,000</u>	<u>\$ 76,100,000</u>
Current Year Interest Paid:	<u>\$ 298,819</u>	<u>\$ 942,874</u>	<u>\$ 2,736,196</u>

Bond Descriptions and Original Amount of Issue

(7) Northlake Municipal Management District No. 1 Unlimited Tax Utility Bonds, Series 2023
(\$6,510,000)

(8) Northlake Municipal Management District No. 1 Unlimited Tax Road Bonds, Series 2023
(\$20,500,000)

Paying Agent/Registrar

(7) (8) BOKF, Dallas, Texas

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Road Tax Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 273,926,860	\$ 237,092,017	One and one-half times the
Amount Issued:	33,400,000	45,835,000	amount of unlimited tax
Remaining to be Issued:	240,526,860	191,257,017	bonds previously issued

Net Debt Service Fund deposits balances as of August 31, 2024:	\$2,150,041
Average annual debt service payment for remaining term of all debt:	4,579,842

See accompanying independent auditor's report.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND

FOR YEARS ENDED AUGUST 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2024	2023	2022	2021	2020	2024	2023	2022	2021	2020
REVENUES										
Property taxes	\$ 473,703	\$ 279,299	\$ 171,894	\$ 344,349	\$ 223,243	35.5 %	62.0 %	40.7 %	68.9 %	84.6 %
Wastewater treatment service	811,999	140,232	248,930	155,605	39,539	61.0	31.1	58.8	31.1	15.0
Penalty and interest	47,031	31,165	1,911	0	1,087	3.5	6.9	0.5	0.0	0.4
TOTAL REVENUES	1,332,733	450,696	422,735	499,954	263,869	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Service operations:										
Professional fees	189,652	97,942	71,933	75,228	54,489	14.2	21.7	17.0	15.0	20.7
Contracted services	211,798	159,329	10,640	15,118	4,714	15.9	35.4	2.5	3.0	1.8
Repairs and maintenance and other op. exp.	538,347	106,480	15,886	0	0	40.5	23.6	3.8	0.0	0.0
Administrative expenditures	27,057	22,085	14,795	12,806	10,857	2.0	4.9	3.5	2.6	4.1
Capital outlay	1,157,316					86.8				
Debt service principal and interest	241,680					18.1				
TOTAL EXPENDITURES	2,365,850	385,836	113,254	103,152	70,060	177.5	85.6	26.8	20.6	26.6
EXCESS REVENUES (EXPENDITURES)	\$(1,033,117)	\$ 64,860	\$ 309,481	\$ 396,802	\$ 193,809	(77.5) %	14.4 %	73.2 %	79.4 %	73.4 %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	N/A	N/A	N/A	N/A	N/A					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	N/A	N/A	N/A	N/A	N/A					

See accompanying independent auditor's report.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND

FOR YEARS ENDED AUGUST 31

REVENUES	AMOUNT				PERCENT OF TOTAL REVENUES			
	2024	2023	2022	2021*	2024	2023	2022	2021
Property taxes	\$ 4,297,114	\$ 2,624,894	\$ 1,481,881	\$ 336,992	97.2 %	97.3 %	96.5 %	99.1 %
Penalty and interest	14,490	9,427	3,946	1,091	0.3	0.3	0.3	0.2
Accrued interest on bonds received at date of sale	0	0	44,476	34,324	0.0	0.0	2.9	0.7
Interest on deposits and investments and other	112,411	66,042	4,024	99	2.5	2.4	0.3	0.0
TOTAL REVENUES	4,424,015	2,700,363	1,534,327	372,506	100.0	100.0	100.0	100.0
EXPENDITURES								
Current:								
Professional fees	2,957	2,850	388	0	0.1	0.1	0.0	0.0
Contracted services	33,151	16,937	9,637	0	0.7	0.6	0.6	0.0
Other expenditures	210	450	425	15	0.0	0.0	0.0	0.1
Debt service:								
Principal retirement	1,510,000	1,160,000	465,000	0	34.1	43.0	30.3	0.0
Interest and fees	2,738,596	1,567,598	994,705	441,452	62.0	58.1	64.9	118.4
TOTAL EXPENDITURES	4,284,914	2,747,835	1,470,155	441,467	96.9	101.8	95.8	118.5
EXCESS REVENUES (EXPENDITURES)	\$ 139,101	\$ (47,472)	\$ 64,172	\$ (68,961)	3.1 %	(1.8) %	4.2 %	(18.5) %

*First year of activity.

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

AUGUST 31, 2024

Complete District Mailing Address: Northlake Municipal Management District No. 1
c/o Coats Rose, P.C.
16000 North Dallas Parkway, Suite 350
Dallas, Texas 75248

District Business Telephone No.: 972-788-1600

Submission date of the most recent District Registration Form: July 11, 2024

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

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Tanner Sheets c/o Coats Rose, P.C. 16000 North Dallas Parkway, Suite 350 Dallas, Texas 775248	Appointed 8/09/23- 8/09/27	\$ 0	\$ 273	President
Justin Christ c/o Coats Rose, P.C. 16000 North Dallas Parkway, Suite 350 Dallas, Texas 775248	Appointed 8/09/23- 8/09/27	0	217	Vice President
Peter J. Wangoe II c/o Coats Rose, P.C. 16000 North Dallas Parkway, Suite 350 Dallas, Texas 775248	Appointed 8/09/23- 8/09/25	0	104	Secretary
Drew Corn c/o Coats Rose, P.C. 16000 North Dallas Parkway, Suite 350 Dallas, Texas 775248	Appointed 4/26/24- 8/09/25	0	0	Assistant Secretary
Ibrahim Snoubar c/o Coats Rose, P.C. 16000 North Dallas Parkway, Suite 350 Dallas, Texas 775248	Appointed 6/10/24- 8/09/25	0	0	Assistant Secretary

NORTHLAKE MUNICIPAL MANAGEMENT DISTRICT NO. 1

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

AUGUST 31, 2024

CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Coats Rose, P.C. 16000 North Dallas Parkway, Suite 350 Dallas, Texas 75248	11/29/17	\$ 99,728 560,327 Bonds	Attorney
L & S District Services, LLC P.O. Box 170 Tomball, Texas 77377	11/29/17	10,052 1,800 Bonds	Bookkeeper
Inframark, LLC 2002 West Grand Parkway N., Suite 100 Katy, Texas 77449	1/03/24	594,334	Operator
Kimley-Horn & Associates, Inc. 5750 Genesis Court Frisco, Texas 75034	11/29/17	201,059 120,785 Bonds	Engineer
Denton County Tax Assessor Collector Denton County Annex 101 N. Washington Kaufman, Texas 75142	9/07/18	1,507	Tax Assessor- Collector
Denton Central Appraisal District P.O. Box 2816 Denton, Texas 76202	Legislative Action	31,644	Central Appraisal District
Robert W. Baird & Co. 1331 Lamar, Suite 1360 Houston, Texas 77010	11/29/17	438,034 Bonds	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	8/20/19	10,000 10,400 Bonds	Independent Auditor

See accompanying independent auditor's report.

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY INC. ("AG"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AG, 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 Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the 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 AG. 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 AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

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 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 AG 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 of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AG which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount 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 or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, AG 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 AG to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AG, 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, (a) 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 and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY INC.

By _____
Authorized Officer

1633 Broadway, New York, N.Y. 10019

(212) 974-0100

Form 500 (8/24)