

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

**The Bonds will be designated “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Qualified Tax-Exempt Obligations.”**

**MAGNOLIA POINTE MUNICIPAL UTILITY DISTRICT NO. 1**

(A Political Subdivision of the State of Texas Located within Collin and Hunt Counties, Texas)

**\$2,525,000**

**Unlimited Tax Utility Bonds, Series 2025**

**\$3,275,000**

**Unlimited Tax Road Bonds, Series 2025**

**Dated: August 1, 2025**

**Due: September 1, as shown on inside cover page**

The \$2,525,000 Unlimited Tax Utility Bonds, Series 2025 (the “Utility Bonds”) and the \$3,275,000 Unlimited Tax Road Bonds, Series 2025 (the “Road Bonds” and, together with the Utility Bonds, the “Bonds”), are obligations of Magnolia Pointe Municipal Utility District No. 1 (the “District”) and are not obligations of the State of Texas; Collin County, Texas; Hunt County, Texas; the City of Josephine, Texas; or any political subdivision or entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Collin County, Texas; the City of Josephine, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrars, initially, BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”). The Bonds are dated August 1, 2025, and interest on the Bonds accrues from the date of their delivery, currently scheduled for August 6, 2025 (the “Delivery Date”). Interest is payable 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 will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar to registered owners (“Registered Owners”) as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date (the “Record Date”). The Bonds are fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. 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 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 as described herein. See “THE BONDS — Book-Entry-Only System” and APPENDIX B — “BOOK-ENTRY-ONLY SYSTEM.”

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

The scheduled payment of principal of and interest on the Utility Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Utility Bonds by Build America Mutual Assurance Company (“BAM” or the “Insurer”). The scheduled payment of principal of and interest on the Road Bonds will be guaranteed under a separate municipal bond insurance policy to be issued concurrently with the delivery of the Road Bonds. See “BOND INSURANCE” and Appendix D herein.



The Utility Bonds represent the fourth series of bonds to be issued by the District for the purpose of constructing or acquiring a waterworks, sanitary sewer and storm drainage system serving the District (the “Utility System”). The Road Bonds represent the fifth series of bonds to be issued by the District for the purpose of constructing or acquiring a road system serving the District (the “Road System”). At an election held within the District on May 5, 2018, voters of the District authorized a total of \$131,440,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing the Utility System and a total of \$114,730,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing the Road System. See “THE BONDS—Authority for Issuance.”

When issued, the Utility Bonds and the Road Bonds will constitute valid and binding obligations of the District and will each be payable from the proceeds of separate annual ad valorem taxes, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. See “THE BONDS—Source of Payment.”

Investment in the Bonds is subject to special risk factors as described herein. Prospective purchasers should review this entire Official Statement, including particularly the section of this Official Statement entitled “RISK FACTORS,” before making an investment decision. See “RISK FACTORS.”

The Bonds are offered when, as, and if issued by the District subject, among other things, to the approval of the Attorney General of Texas and the approval of certain legal matters by Coats Rose, P.C., Dallas, Texas, Bond Counsel and Stradling Yocca Carlson & Rauth LLP, as Disclosure Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about August 6, 2025.

Dated: July 1, 2025

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

## \$2,525,000 Unlimited Tax Utility Bonds, Series 2025

### \$1,340,000 Serial Bonds

<i>Maturity (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Initial Reoffering Yield<sup>(a)</sup></i>	<i>CUSIP No. 559675<sup>(b)</sup></i>
2026	\$ 55,000	6.500%	3.200%	HD8
2027	55,000	6.500	3.250	HE6
2028	60,000	6.500	3.250	HF3
2029	65,000	6.500	3.250	HG1
2030	65,000	6.500	3.350	HH9
2031 <sup>(c)</sup>	70,000	4.500	3.450	HJ5
2032 <sup>(c)</sup>	75,000	4.000	3.600	HK2
2033 <sup>(c)</sup>	75,000	4.000	3.700	HL0
2034 <sup>(c)</sup>	80,000	4.000	3.900	HM8
2041 <sup>(c)</sup>	110,000	4.500	4.550	HU0
2042 <sup>(c)</sup>	115,000	4.500	4.650	HV8
2043 <sup>(c)</sup>	120,000	4.625	4.700	HW6
2044 <sup>(c)</sup>	125,000	4.625	4.730	HX4
2045 <sup>(c)</sup>	130,000	4.625	4.780	HY2
2046 <sup>(c)</sup>	140,000	4.750	4.820	HZ9

### \$1,185,000 Term Bonds

\$265,000 Term Bond Due September 1, 2037<sup>(c)(d)</sup> Interest Rate: 4.250% Yield: 4.250%<sup>(a)</sup> CUSIP<sup>(b)</sup> 559675HQ9

\$300,000 Term Bond Due September 1, 2040<sup>(c)(d)</sup> Interest Rate: 4.500% Yield: 4.500%<sup>(a)</sup> CUSIP<sup>(b)</sup> 559675HT3

\$295,000 Term Bond Due September 1, 2048<sup>(c)(d)</sup> Interest Rate: 4.750% Yield: 4.900%<sup>(a)</sup> CUSIP<sup>(b)</sup> 559675JB0

\$325,000 Term Bond Due September 1, 2050<sup>(c)(d)</sup> Interest Rate: 4.750% Yield: 5.000%<sup>(a)</sup> CUSIP<sup>(b)</sup> 559675JD6

<sup>(a)</sup> The initial reoffering yield has been provided by the Utility Bonds Initial Purchaser (herein defined) and represents the initial offering price to the public of a substantial amount of the Utility Bonds for each maturity. Such initial reoffering yield may be changed for subsequent purchasers. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.

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<sup>(c)</sup> Utility Bonds maturing on September 1, 2031, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on September 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. The yield on the Utility Bonds is calculated to the lower of yield to redemption or maturity. See “THE BONDS — Redemption of the Bonds.”

<sup>(d)</sup> The Utility Bonds maturing September 1, 2037, September 1, 2040, September 1, 2048 and September 1, 2050 are Term Bonds subject to mandatory sinking fund redemption prior to maturity. See “THE BONDS—Redemption of the Bonds.”

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

## \$3,275,000 Unlimited Tax Road Bonds, Series 2025

<i>Maturity (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Initial Reoffering Yield<sup>(a)</sup></i>	<i>CUSIP No. 559675<sup>(b)</sup></i>
2026	\$ 70,000	6.750%	3.150%	JE4
2027	75,000	6.750	3.150	JF1
2028	80,000	6.750	3.200	JG9
2029	80,000	6.750	3.250	JH7
2030	85,000	6.750	3.350	JJ3
2031 <sup>(c)</sup>	90,000	6.750	3.450	JK0
2032 <sup>(c)</sup>	95,000	4.750	3.550	JL8
2033 <sup>(c)</sup>	100,000	4.250	3.650	JM6
2034 <sup>(c)</sup>	105,000	4.250	3.750	JN4
2035 <sup>(c)</sup>	105,000	4.250	3.900	JP9
2036 <sup>(c)</sup>	115,000	4.250	4.050	JQ7
2037 <sup>(c)</sup>	120,000	4.250	4.200	JR5
2038 <sup>(c)</sup>	125,000	4.250	4.300	JS3
2039 <sup>(c)</sup>	130,000	4.250	4.400	JT1
2040 <sup>(c)</sup>	135,000	4.375	4.500	JU8
2041 <sup>(c)</sup>	140,000	4.500	4.600	JV6
2042 <sup>(c)</sup>	150,000	4.500	4.700	JW4
2043 <sup>(c)</sup>	155,000	4.625	4.750	JX2
2044 <sup>(c)</sup>	165,000	4.625	4.800	JY0
2045 <sup>(c)</sup>	170,000	4.625	4.830	JZ7
2046 <sup>(c)</sup>	180,000	4.625	4.860	KA0
2047 <sup>(c)</sup>	190,000	4.625	4.880	KB8
2048 <sup>(c)</sup>	195,000	4.750	4.900	KC6
2049 <sup>(c)</sup>	205,000	4.750	4.920	KD4
2050 <sup>(c)</sup>	215,000	4.750	4.940	KE2

- <sup>(a)</sup> The initial reoffering yield has been provided by the Road Bonds Initial Purchaser (herein defined) and represents the initial offering price to the public of a substantial amount of the Road Bonds for each maturity. Such initial reoffering yield may be changed for subsequent purchasers. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.
- <sup>(b)</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2025 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the District nor its agents or counsel assume responsibility for the accuracy of such numbers.
- <sup>(c)</sup> Road Bonds maturing on September 1, 2031, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on September 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. The yield on the Road Bonds is calculated to the lower of yield to redemption or maturity. See “THE BONDS — Redemption of the Bonds.”

## USE OF INFORMATION IN OFFICIAL STATEMENT

Except where otherwise indicated, all information contained in this Official Statement has been provided by the District. No dealer, broker, salesperson or other person has been authorized by the District or the Initial Purchaser to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein 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 does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or Owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The Initial Purchaser has provided the following sentence for inclusion in this Official Statement:

The Initial Purchaser has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Initial Purchaser does not guarantee the accuracy or completeness of such information.

The information and expressions of opinion herein 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 any other parties described herein since the date hereof. All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are available from Bond Counsel, for further information.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget,” or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the information under the captions “DEVELOPMENT OF THE DISTRICT.”

**THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. IN EVALUATING SUCH STATEMENTS, POTENTIAL INVESTORS SHOULD SPECIFICALLY CONSIDER THE VARIOUS FACTORS WHICH COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS**

References to website 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 websites, including the website maintained by the District, and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, SEC Rule 15c2-12, as amended.

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

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## **SALE AND DISTRIBUTION OF THE BONDS**

### **Award of the Bonds**

After requesting competitive bids for the Utility Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by Raymond James & Associates, Inc. (the “Utility Bonds Initial Purchaser”) to purchase the Utility Bonds bearing the interest rates shown under “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS” at a price of 98.048384% of the par value thereof, which resulted in a net effective interest rate of 4.768901%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

After requesting competitive bids for the Road Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by SAMCO Capital Markets, Inc. (the “Road Bonds Initial Purchaser”) to purchase the Road Bonds bearing the interest rates shown under “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS” at a price of 98.007446% of the par value thereof, which resulted in a net effective interest rate of 4.778704%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

The Utility Bonds Initial Purchaser and the Road Bonds Initial Purchaser are collectively referred to as the “Initial Purchasers” throughout this Official Statement.

### **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.

Information concerning reoffering yields or prices is the responsibility of the Initial Purchasers. 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 reoffering prices, including sales to dealers who may sell the Bonds into investment accounts.

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

### **Securities Laws**

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities acts 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**

The scheduled payment of principal of and interest on the Utility Bonds when due will be guaranteed under a municipal bond insurance policy (the “Utility Bonds Policy”) to be issued concurrently with the delivery of the Utility Bonds by Build America Mutual Assurance Company (“BAM” or the “Insurer”). The scheduled payment of principal of and interest on the Road Bonds will be guaranteed under a separate municipal bond insurance policy (the “Road Bonds Policy” and, together with the Utility Bonds Policy, the “Policies”) to be issued concurrently with the delivery of the Road Bonds. See “BOND INSURANCE.” A specimen of the Policies is set forth in Appendix D herein.

## **RATINGS**

S&P Global Ratings (“S&P”) is expected to assign the rating of “AA (Stable)” to the Utility Bonds based solely upon the delivery by the Insurer of the Utility Bonds Policy at the time of issuance of the Utility Bonds. S&P is also expected to assign the rating of “AA (Stable)” to the Road Bonds based solely upon the delivery by the Insurer of the Road Bonds Policy at the time of issuance of the Road Bonds. See the caption “BOND INSURANCE.”

Moody’s Investors Service, Inc. (“Moody’s”) has assigned the rating of “Baa2” to the Utility Bonds without regard to the issuance of any municipal bond guaranty insurance policy. Moody’s has also assigned the rating of “Baa2” to the Road Bonds without regard to the issuance of any municipal bond guaranty insurance policy.

Such ratings reflect only the views of Moody’s and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of either rating may have an adverse effect on the market price of the Bonds. The District has not undertaken any responsibility either to bring to the attention of the owners of the Bonds a proposed change in or withdrawal of any rating or to oppose any such proposed revision or withdrawal.

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

## OFFICIAL STATEMENT SUMMARY

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

### THE BONDS

The District .....	Magnolia Pointe Municipal Utility District No. 1 (the “District”), a political subdivision of the State of Texas, is located in Collin County, Texas, and Hunt County, Texas. See “THE DISTRICT.”
The Bonds .....	The District is issuing \$2,525,000 Unlimited Tax Utility Bonds, Series 2025 (the “Utility Bonds”) and \$3,275,000 Unlimited Tax Road Bonds, Series 2025 (the “Road Bonds”) and, together with the Utility Bonds, the “Bonds”). The Bonds are dated August 1, 2025 and mature on September 1 in the years and amounts set forth on the pages following the cover page hereof. Interest accrues from the date of the initial delivery of the Bonds at the rates per annum set forth 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 earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See “THE BONDS.”
Redemption .....	The Bonds maturing on and after September 1, 2031, are subject to optional redemption, in whole or from time to time in part, on September 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. The Utility Bonds maturing September 1, 2037, September 1, 2040, September 1, 2048 and September 1, 2050 are Term Bonds and are subject to mandatory sinking fund redemption. See “THE BONDS — Redemption of the Bonds.”
Book-Entry-Only System .....	The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (hereinafter defined) thereof. Principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”), to Cede & Co., which 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 “THE BONDS — Book-Entry-Only System.”

Source of Payment..... The Utility Bonds and the Road Bonds are payable from the proceeds of two separate continuing direct annual ad valorem taxes, unlimited as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas; Collin County, Texas; Hunt County, Texas; the City of Josephine, Texas; or any entity other than the District. See “THE BONDS — Source of Payment.”

Qualified Tax-Exempt Obligations..... The Bonds will be designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS —Qualified Tax-Exempt Obligations.”

Outstanding Bonds..... The Utility Bonds are the fourth series of bonds to be issued by the District for the purpose of purchasing, constructing, acquiring, owning, leasing or operating a waterworks system, a surface water system, a sanitary sewer system and a drainage and storm sewer system serving the District (the “Utility System”). The District has previously issued its (i) \$10,610,000 principal amount Unlimited Tax Utility Bonds, Series 2022, of which \$10,340,000 is currently outstanding, (ii) \$17,100,000 principal amount Unlimited Tax Utility Bonds, Series 2023, of which \$16,765,000 is currently outstanding; and (iii) \$20,000,000 principal amount Unlimited Tax Utility Bonds, Series 2024, of which \$20,000,000 is currently outstanding (collectively, the “Outstanding Utility Bonds”).

The Road Bonds are the fifth series of bonds to be issued by the District for the purpose of purchasing, constructing, acquiring, owning, operating or maintain macadamized, graveled, and paved roads and turnpikes or improvements, including storm drainage, in aid of such roads (the “Road System”). The District previously issued its (i) \$4,340,000 principal amount Unlimited Tax Road Bonds, Series 2019, of which \$3,840,000 is currently outstanding, (ii) \$5,585,000 principal amount Unlimited Tax Road Bonds, Series 2020, of which \$5,090,000 is currently outstanding, (iii) \$16,700,000 principal amount Unlimited Tax Road Bonds, Series 2021, of which \$15,775,000 is currently outstanding; and (iv) \$5,250,000 principal amount Unlimited Tax Road Bonds, Series 2024, of which \$5,250,000 is currently outstanding (collectively, the “Outstanding Road Bonds”).

The Outstanding Utility Bonds and the Outstanding Road Bonds are collectively referred to herein as the “Outstanding Bonds.”

Payment Record..... The Bonds represent the eighth and ninth series of bonds issued by the District . The District has never defaulted on the timely payment of principal or interest on its bonded indebtedness. See “THE BONDS – Payment Record.”

Authority for Issuance ..... At an election held within the District on May 5, 2018, voters of the District authorized the District’s issuance of \$131,440,000 principal amount of unlimited tax utility bonds for the purpose of acquiring or constructing the Utility System; \$197,160,000 principal amount of unlimited tax utility bonds for the purpose of refunding bonds issued by the District for the Utility System; \$114,730,000 bonds for the purpose of constructing or acquiring the Road System; and \$172,095,000 principal amount of unlimited tax utility bonds for the purpose of refunding bonds issued by the District for the Road System.

Following the issuance of the Bonds, the following principal amounts of unlimited tax utility bonds will remain authorized but unissued: \$81,205,000 principal amount for acquiring or constructing the Utility System; and \$197,160,000 principal amount for the refunding of bonds issued by the District for the Utility System; \$79,580,000 principal amount for acquiring or constructing the Road System; \$172,095,000 principal amount for the refunding of bonds issued for the Road System.

The Utility Bonds are issued pursuant to (i) Article XVI, Section 59 of the Constitution; (ii) Chapter 7955 of the Texas Special District Local Laws Code and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (iii) an election held within the District on May 5, 2018; (iv) an order adopted by the Board of Directors of the District on the date of the sale of the Bonds (the “Utility Bond Order”), and (v) an approving order of the Texas Commission on Environmental Quality (the “TCEQ”).

The Road Bonds are issued pursuant to (i) Article III, Section 52 of the Constitution; (ii) Chapter 7955 of the Texas Special District Local Laws Code and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (iii) an election held within the District on May 5, 2018; and (iv) an order adopted by the Board of Directors of the District on the date of the sale of the Road Bonds (the “Road Bond Order”).

The Utility Bond Order and the Road Bond Order are referred to collectively as the “Bond Orders” in this

	Official Statement. See “THE BONDS — Authority for Issuance.”
Use of Utility Bond Proceeds .....	Proceeds from the sale of the Utility Bonds will be used to reimburse the Developer (herein defined) for the District’s pro-rata share of water distribution, wastewater collection and drainage facilities which were constructed to serve the District, as described further under “THE BONDS — Use and Distribution of Utility Bond Proceeds.” Proceeds of the Utility Bonds will also be used to pay developer interest, 12 months of capitalized interest on the Utility Bonds and costs of issuance of the Utility Bonds. See “THE BONDS — Use and Distribution of Utility Bond Proceeds” for further information.
Use of Road Bond Proceeds .....	Proceeds from the sale of the Road Bonds will be used to reimburse the Developer (herein defined) for costs associated with certain road improvements set out under “THE BONDS — Use and Distribution of Road Bond Proceeds.” Proceeds of the Road Bonds will also be used to pay developer interest, 12 months of capitalized interest on the Road Bonds and costs of issuance of the Road Bonds. See “THE BONDS — Use and Distribution of Road Bond Proceeds” for further information.
Municipal Bond Insurance.....	The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under separate municipal bond insurance policies to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company (“BAM” or the “Insurer”).
Ratings .....	<p>S&amp;P Global Ratings (“S&amp;P”) has assigned the ratings of “AA (Stable)” to the Bonds based solely upon the delivery by the Insurer of the Insurer’s municipal bond insurance policies for the Bonds at the time of issuance of the Bonds.</p> <p>Moody’s Investors Service, Inc. (“Moody’s”) has assigned the ratings of “Baa2” to the Utility Bonds and “Baa2” to the Road Bonds without regard to the issuance of any municipal bond guaranty insurance policies. See “RATINGS.”</p>
Legal Opinion .....	Coats Rose, P.C., Dallas, Texas. See “LEGAL MATTERS.”
Disclosure Counsel .....	Stradling Yocca Carlson & Rauth LLP.
Financial Advisor.....	Tierra Financial Advisors, LLC, Arlington, Texas (“Tierra”). Tierra is a wholly-owned subsidiary of D.R. Horton, Inc., the ultimate parent company of the primary

developer of land in the District. See “RELATIONSHIP AMONG THE PARTIES” herein.

## THE DISTRICT

Description.....	By act of the 84th Texas Legislature, Regular Session, effective September 1, 2015, the District was created as Double R Municipal Utility District No. 1 of Hunt County. By order of the TCEQ dated December 18, 2018, the District’s name was changed to Magnolia Pointe Municipal Utility District No. 1. The creation and operation of the District is pursuant to Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution and Chapter 7955, Texas Special District Local Laws Code. The District operates under Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT.”
Location .....	<p>The District is located approximately 35 miles northeast of the central business district of the City of Dallas, Texas, and approximately four miles south of the City of Josephine, Texas. The District lies entirely within the extraterritorial jurisdiction the City of Josephine, Texas. The District consists of two separate non-contiguous sections on either side of Farm to Market Road 1777 between County Roads 638 and 1213 on the south and Cook Street to the north.</p> <p>At the time of creation, the District contained approximately 94.30 acres. After annexations of acreage into the District in 2016, 2019 and 2022, the District currently contains approximately 825 total acres. Approximately 150 acres within the District are located in Hunt County, Texas, and approximately 675 acres are located in Collin County, Texas.</p>
Developer and Principal Landowner .....	The developer and principal land-owner of the land within the District is D.R. Horton – Texas, LTD., a Texas limited partnership (the “Developer”). The Developer is wholly owned by D.R. Horton, Inc., a Delaware corporation and publicly held company, the stock of which is listed on the New York Stock Exchange under the ticker symbol “DHI.” See “THE DEVELOPER AND PRINCIPAL LANDOWNER.”
Development within the District.....	The property within the District is being developed as residential communities known as Magnolia Pointe and Waverly Estates. Magnolia Pointe is fully built out with 1,918 single family homes. At full buildout, Waverly Estates is expected to consist of 784 single-family homes and as of May 1, 2025, home construction had been completed within Phases 1B and 4, other than one vacant

lot within Phase 4, and home construction was ongoing within Phases 1A and 3.

As of May 1, 2025, the District included 2,254 completed homes, of which 2,216 homes were owned by individual homeowners and 35 homes were owned by the Developer (15 of which were in escrow with individual homeowners as of May 1, 2025). As of such date, the Developer also owned 63 homes under construction and 385 vacant finished lots.

The Developer is currently building single-family homes in the District. Homes in the District constructed by the Developer range in price from approximately \$223,990 to over \$381,990 and in size from approximately 1,250 to over 2,500 square feet.

The Developer has also conveyed 41 finished lots to Bloomfield Homes and 31 finished lots to Davidson Homes, each of which are constructing single family homes on such lots within the Waverly Estates project.

In addition to the foregoing residential development, the District also includes road rights-of-way, drainage easements and open spaces, as well as the site of a wastewater treatment plant, a school site and amenity centers for the residential development.

See “THE DEVELOPER AND PRINCIPAL LANDOWNER,” “DEVELOPMENT OF THE DISTRICT,” and “THE DISTRICT.”

## **RISK FACTORS**

THE DISTRICT’S TAX IS LEVIED ONLY ON THE PROPERTY LOCATED WITHIN THE DISTRICT. THEREFORE, THE INVESTMENT SECURITY AND QUALITY OF THE BONDS IS DEPENDENT UPON THE SUCCESSFUL DEVELOPMENT OF PROPERTY LOCATED WITHIN THE DISTRICT AND THE PAYMENT AND COLLECTION OF TAXES LEVIED THEREON. THE BONDS ARE SUBJECT TO CERTAIN RISK FACTORS. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED “RISK FACTORS,” BEFORE MAKING AN INVESTMENT DECISION.

## SELECTED FINANCIAL INFORMATION

2024 Certified Taxable Assessed Valuation	\$ 542,636,367 <sup>(a)</sup>
Estimated Assessed Valuation as of June 1, 2025	\$ 662,917,962 <sup>(b)</sup>
Direct Debt:	
The Outstanding Utility Bonds (as of June 1, 2025)	47,105,000
The Outstanding Road Bonds (as of June 1, 2025)	29,955,000
The Utility Bonds	2,525,000
The Road Bonds	<u>3,275,000</u>
Total	\$ 82,860,000
Estimated Overlapping Debt	<u>\$ 67,856,788 <sup>(c)</sup></u>
Total Direct and Estimated Overlapping Debt	\$ 150,716,788
Direct Debt Ratio:	
As a percentage of 2024 Certified Taxable Assessed Valuation	15.27%
As a percentage of Estimated Assessed Valuation as of June 1, 2025	12.50%
Direct and Estimated Overlapping Debt Ratio:	
As a percentage of 2024 Certified Taxable Assessed Valuation	27.77%
As a percentage of Estimated Assessed Valuation as of June 1, 2025	22.74%
District Funds	
Utility Bond Debt Service Fund (as of June 2, 2025)	\$ 3,315,086 <sup>(d)</sup>
Road Bond Debt Service Fund (as of June 2, 2025)	\$ 3,286,889 <sup>(e)</sup>
Utility System Capital Projects Fund Balance (as of June 2, 2025)	\$ 2,044,329
Road System Capital Projects Fund Balance (as of June 2, 2025)	\$ 85,963
Operating Fund (as of June 2, 2025)	\$ 2,021,885
2024 Tax Rate per \$100 of Taxable Assessed Valuation:	
Utility Debt Service	\$ 0.530
Road Debt Service	0.290
Maintenance & Operation	<u>0.130</u>
Total	\$ 0.950
Combined Average Annual Debt Service Requirements on the Utility Bonds (2026-2051)	\$ 4,853,381
Combined Maximum Annual Debt Service Requirements on the Utility Bonds (2045)	\$ 5,581,895
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Estimated Average Annual Debt Service Requirement on the Bonds (2026-2051):	
Based on 2024 Certified Taxable Assessed Valuation at 95% Collections	\$ 0.94
Based on Estimated Assessed Valuation as of June 1, 2025 at 95% Collections	\$ 0.77
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Debt Service Requirement on the Utility Bonds (2045):	
Based on 2024 Certified Taxable Assessed Valuation at 95% Collections	\$ 1.08
Based on Estimated Assessed Valuation as of June 1, 2025 at 95% Collections	\$ 0.89
Average Annual Debt Service Requirements on the Utility Bonds (2026-2051)	\$ 3,071,199 <sup>(f)</sup>
Maximum Annual Debt Service Requirements on the Utility Bonds (2048)	\$ 3,487,425 <sup>(f)</sup>
Utility System Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Estimated Average Annual Debt Service Requirement on the Utility Bonds (2026-2051):	
Based on 2024 Certified Taxable Assessed Valuation at 95% Collections	\$ 0.60
Based on Estimated Assessed Valuation as of June 1, 2025 at 95% Collections	\$ 0.49
Utility System Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Debt Service Requirement on the Utility Bonds (2048):	
Based on 2024 Certified Taxable Assessed Valuation at 95% Collections	\$ 0.68
Based on Estimated Assessed Valuation as of June 1, 2025 at 95% Collections	\$ 0.55



Average Annual Debt Service Requirements on the Road Bonds (2026-2051)	\$ 1,782,182 <sup>(g)</sup>
Maximum Annual Debt Service Requirements on the Road Bonds (2045)	\$ 2,167,836 <sup>(g)</sup>

Road System Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay

Average Annual Debt Service Requirement on the Road Bonds (2026-2051):

Based on 2024 Certified Taxable Assessed Valuation at 95% Collections	\$ 0.35
Based on Estimated Assessed Valuation as of June 1, 2025 at 95% Collections	\$ 0.28

Road System Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay

Maximum Debt Service Requirement on the Road Bonds (2045):

Based on 2024 Certified Taxable Assessed Valuation at 95% Collections	\$ 0.42
Based on Estimated Assessed Valuation as of June 1, 2025 at 95% Collections	\$ 0.34

- 
- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2024, provided by the Collin Central Appraisal District and the Hunt County Central Appraisal District (collectively, the “Appraisal Districts”). See “TAX DATA” and “TAXING PROCEDURES.”
- (b) Provided by the Appraisal Districts 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 value resulting from the construction of taxable improvements from January 1, 2024 to June 1, 2025. No taxes will be levied on this estimated assessed value. See “TAX DATA” and “TAXING PROCEDURES.”
- (c) See “DISTRICT DEBT — Direct and Estimated Overlapping Debt Statement.”
- (d) Neither Texas law nor the Utility Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. The funds in the Utility System Debt Service Fund are pledged only to pay the debt service on the Utility Bonds, and any other bonds issued for the purpose of acquiring or constructing the Utility System. The Utility Bonds include 12 months of capitalized interest which will be deposited into the Utility System Debt Service Fund.
- (e) Neither Texas law nor the Road Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. The funds in the Road System Debt Service Fund are pledged only to pay the debt service on the Road Bonds, and any other bonds issued for the purpose of acquiring or constructing the Road System. The Road Bonds include 12 months of capitalized interest which will be deposited into the Road System Debt Service Fund.
- (f) Debt Service on the Utility Bonds and the Outstanding Utility Bonds. See “DISTRICT DEBT – Estimated Utility System Debt Service Requirement Schedule.”
- (g) Debt Service on the Road Bonds and the Outstanding Road Bonds. See “DISTRICT DEBT – Estimated Road System Debt Service Requirement Schedule.”

## **MAGNOLIA POINTE MUNICIPAL UTILITY DISTRICT NO. 1**

(A Political Subdivision of the State of Texas Located within Collin and Hunt Counties, Texas)

**\$2,525,000**

**Unlimited Tax Utility Bonds, Series 2025**

**\$3,275,000**

**Unlimited Tax Road Bonds, Series 2025**

### **INTRODUCTION**

This Official Statement of Magnolia Pointe Municipal Utility District No. 1 (the “District”) is provided to furnish information with respect to the issuance by the District of its \$2,525,000 Unlimited Tax Utility Bonds, Series 2025 (the “Utility Bonds”) and its \$3,275,000 Unlimited Tax Road Bonds, Series 2025 (the “Road Bonds” and, together with the Utility Bonds, the “Bonds”).

The Utility Bonds are issued pursuant to (i) Article XVI, Section 59 of the Constitution; (ii) Chapter 7955 of the Texas Special District Local Laws Code and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (iii) an election held within the District on May 5, 2018; (iv) an order adopted by the Board of Directors of the District on the date of the sale of the Bonds (the “Utility Bond Order”), and (v) an approving order of the Texas Commission on Environmental Quality (the “TCEQ”).

The Road Bonds are issued pursuant to (i) Article III, Section 52 of the Constitution; (ii) Chapter 7955 of the Texas Special District Local Laws Code and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (iii) an election held within the District on May 5, 2018; and (iv) an order adopted by the Board of Directors of the District on the date of the sale of the Road Bonds (the “Road Bond Order”).

The Utility Bond Order and the Road Bond Order are referred to collectively as the “Bond Orders” in this Official Statement. See “THE BONDS — Authority for Issuance.”

This Official Statement includes descriptions of the Bonds, D.R. Horton—Texas, Ltd., a Texas limited partnership (the “Developer”), the Bond Orders, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Coats Rose, P.C., 16000 North Dallas Parkway, Suite 350 Dallas, Texas 75248, upon payment of the costs of duplication therefor. 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.

### **CHANGES SINCE THE PRELIMINARY OFFICIAL STATEMENT**

Since the date of the Preliminary Official Statement with respect to the Bonds dated June 24, 2025, changes have been made to this Official Statement under the caption “TAXING PROCEDURES—Property Subject to Taxation by the District” to reflect the fact that the District adopted an exemption for the residential homesteads of persons 65 years of age or older and certain disabled persons in the amount of \$10,000 for the 2024 and 2025 tax years. See the caption “TAXING PROCEDURES—Property Subject to Taxation by the District.”

### **RELATIONSHIP AMONG THE PARTIES**

Tierra Financial Advisors, LLC, serves as financial advisor to the District (the “Financial Advisor”) and is a wholly owned subsidiary of D.R. Horton, Inc., a Delaware corporation (“D.R. Horton, Inc.”), the ultimate parent company of the Developer. The District was created in 2013 at the direction of D.R. Horton, Inc. to facilitate development in the District, and the Developer, which is a wholly-owned subsidiary of D.R. Horton, Inc. and the primary developer of land in the district, owned approximately 7.41% of the total taxable assessed value of property in the District as of January 1, 2024. See “DEVELOPMENT OF THE DISTRICT,” “THE

DEVELOPER AND PRINCIPAL LANDOWNER” and “TAX DATA — Principal Taxpayers.” A portion of the proceeds of the Bonds will be used to reimburse the Developer for expenditures incurred in connection with the development of infrastructure in the District. See “THE BONDS — Use and Distribution of Utility Bond Proceeds” and “—Use and Distribution of Road Bond Proceeds.” No employees of the Developer, D.R. Horton, Inc., or any other subsidiary or affiliate of D.R. Horton, Inc., are members of the Board of the District and the Financial Advisor is subject to federal laws and regulations that require it to disclose, manage and mitigate conflicts of interest consistent with its fiduciary duties to the District.

## **THE BONDS**

### **General**

The following is a description of certain of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Orders. Copies of the Bond Orders may be obtained from the District upon written request made to Coats Rose, P.C., 16000 North Dallas Parkway, Suite 350 Dallas, Texas 75248.

The Bonds are dated August 1, 2025, with interest payable on March 1, 2026 and each September 1 and March 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption. The Bonds are fully registered bonds maturing on September 1 of the years shown on the inside cover page of this Official Statement. Principal of the Bonds will be payable to the registered owners (the “Registered Owners”) at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the “Record Date”) or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

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

The Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 and any integral multiple thereof. So long as DTC is the securities depository all payments of principal and interest on the Bonds will be made to DTC and will be paid to the Beneficial Owners in accordance with DTC’s procedures and the procedures of DTC’s Participants. See APPENDIX C — “BOOK-ENTRY-ONLY SYSTEM.”

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

Provision is made in the Bond Orders 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.

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

In the event the Book-Entry-Only System is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying

Agent/Registrar in Dallas, Texas. 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. At any time after the date of delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

## **Redemption of the Bonds**

***Optional Redemption.*** Bonds maturing on September 1, 2031, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2030, 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 Sinking Fund Redemption of Term Utility Bonds.*** The Utility Bonds maturing September 1, 2037, September 1, 2040, September 1, 2048 and September 1, 2050 (collectively, the “Term Utility Bonds”) shall be subject to annual mandatory sinking fund redemption as shown on the tables below:

### **Term Utility Bonds Maturing September 1, 2037**

<b><i>Sinking Fund Redemption Date (September 1)</i></b>	<b><i>Principal Amount to be Redeemed</i></b>
2035	\$85,000
2036	90,000
2037 (Maturity)	90,000

**Term Utility Bonds Maturing September 1, 2040**

<i><b>Sinking Fund Redemption Date (September 1)</b></i>	<i><b>Principal Amount to be Redeemed</b></i>
2038	\$ 95,000
2039	100,000
2040 (Maturity)	105,000

**Term Utility Bonds Maturing September 1, 2048**

<i><b>Sinking Fund Redemption Date (September 1)</b></i>	<i><b>Principal Amount to be Redeemed</b></i>
2047	\$145,000
2048 (Maturity)	150,000

**Term Utility Bonds Maturing September 1, 2050**

<i><b>Sinking Fund Redemption Date (September 1)</b></i>	<i><b>Principal Amount to be Redeemed</b></i>
2049	\$160,000
2050 (Maturity)	165,000

**Record Date for Interest Payment**

Interest on the Bonds will be paid to the registered owner appearing on the registration and transfer books of the Paying Agent/Registrar at the close of business on the "Record Date" (the fifteenth calendar day of the month next preceding each interest payment date) and shall be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid, to the address of the registered owner recorded in the registration and transfer books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

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

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

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

## **Annexation**

Under existing Texas law, since all of the land within the District is situated within the extraterritorial jurisdiction of the City of Josephine, Texas (the “City”), the District may be annexed for full purposes by the City, subject to compliance by the City with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements include the requirement that the City hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City must assume the District’s assets and obligations (including the Bonds and the Outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City and ultimately the qualified voters in the District, and, therefore, the District makes no representation that the City will ever attempt to annex the District for full purposes and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should such annexation occur. The Bond Orders provide for the termination of the pledge of taxes to the Bonds upon annexation and dissolution by the City.

## **Consolidation**

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater systems of the district or districts with which it is consolidating, subject to voter approval. In their consolidation agreement, the consolidating districts may agree to assume each other’s bonds, notes, and other obligations. If each district assumes the other’s bonds, notes, and other obligations, taxes may be levied uniformly on all taxable property within the consolidated district in payment of same. If the districts do not assume each other’s bonds, notes and other obligations, each district’s taxes are levied on property in each of the original districts to pay said debts created by the respective original district as if no consolidation had taken place. No representation is made concerning the likelihood of consolidation, but the District currently has no plans to do so.

## **Authority for Issuance**

The Utility Bonds are issued pursuant to (i) Article XVI, Section 59 of the Constitution; (ii) Chapter 7955 of the Texas Special District Local Laws Code and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (iii) an election held within the District on May 5, 2018; (iv) the Utility Bond Order, and (v) an approving order of the TCEQ.

The Road Bonds are issued pursuant to (i) Article III, Section 52 of the Constitution; (ii) Chapter 7955 of the Texas Special District Local Laws Code and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (iii) an election held within the District on May 5, 2018; and (iv) the Road Bond Order.

At an election held within the District on May 5, 2018, voters of the District authorized the District’s issuance of \$131,440,000 principal amount of unlimited tax utility bonds for the purpose of acquiring or constructing the Utility System; \$197,160,000 principal amount of unlimited tax utility bonds for the purpose of refunding bonds issued by the District for the Utility System; \$114,730,000 bonds for the purpose of constructing or acquiring the Road System; and \$172,095,000 principal amount of unlimited tax utility bonds for the purpose of refunding bonds issued by the District for the Road System.

## **Bond Debt Service Funds**

The Utility Bond Order creates a fund for debt service on the Utility Bonds and any additional unlimited tax bonds issued by the District for the Utility System (the “Utility Bond Debt Service Fund”). Twelve (12) months of capitalized interest on the Utility Bonds will be deposited from the proceeds from sale of the Utility Bonds into the Utility Bond Debt Service Fund. The Utility Bond Debt Service Fund, which constitutes a trust fund for the benefit of the owners of bonds issued for the Utility System, and any additional unlimited tax bonds

issued by the District 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 Utility Bonds and any of the District's other duly authorized bonds issued for the Utility System payable in whole or in part from taxes. Amounts on deposit in the Utility Bond 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 Utility Bonds and any additional bonds for the Utility System payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

The Road Bond Order creates a fund for debt service on the Road Bonds and any additional unlimited tax bonds issued by the District for the Road System (the "Road Bond Debt Service Fund"). Twelve (12) months of capitalized interest on the Road Bonds will be deposited from the proceeds from sale of the Road Bonds into the Road Bond Debt Service Fund. The Road Bond Debt Service Fund, which constitutes a trust fund for the benefit of the owners of bonds issued for the Road System, 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 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 Bond 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 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.

#### **Source of Payment**

The Utility Bonds and the Road Bonds are payable from the proceeds of two separate continuing direct annual ad valorem taxes, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Orders, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Paying Agent/Registrar fees, and fees of the Appraisal Districts (herein defined). Tax proceeds, after deduction for collection costs, will be placed in the applicable Debt Service Fund and used solely to pay principal of and interest on the applicable Bonds, any additional bonds payable from taxes that the District may hereafter issue for the Utility System or the Road System, as applicable, and fees of the Paying Agent/Registrar.

The Utility Bonds and the Road Bonds are each supported by a separate unlimited tax levied by the District. Amounts on deposit in the Utility System Debt Service Fund may not be used to pay debt service on bonds issued for the Road System, including the Road Bonds. 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, including the Utility Bonds. The Bonds are obligations solely of the District and are not the obligations of the State of Texas; Collin County, Texas; Hunt County, Texas; the City of Josephine, Texas; or any entity other than the District.

#### **Outstanding Bonds**

The Utility Bonds are the fourth series of bonds to be issued by the District for the purpose of purchasing, constructing, acquiring, owning, leasing or operating a waterworks system, a surface water system, a sanitary sewer system and a drainage and storm sewer system serving the district (the "Utility System"). The District has previously issued its (i) \$10,610,000 principal amount Unlimited Tax Utility Bonds, Series 2022, of which \$10,340,000 is currently outstanding, (ii) \$17,100,000 principal amount Unlimited Tax Utility Bonds, Series 2023, of which \$16,765,000 is currently outstanding; and (iii) \$20,000,000 principal amount Unlimited Tax Utility Bonds, Series 2024, of which \$20,000,000 is currently outstanding (collectively, the "Outstanding Utility Bonds").

The Road Bonds are the fifth series of bonds to be issued by the District for the purpose of purchasing, constructing, acquiring, owning, operating or maintain macadamized, graveled, and paved roads and turnpikes

or improvements, including storm drainage, in aid of such roads (the “Road System”). The District previously issued its (i) \$4,340,000 principal amount Unlimited Tax Road Bonds, Series 2019, of which \$3,840,000 is currently outstanding, (ii) \$5,585,000 principal amount Unlimited Tax Road Bonds, Series 2020, of which \$5,090,000 is currently outstanding, (iii) \$16,700,000 principal amount Unlimited Tax Road Bonds, Series 2021, of which \$15,775,000 is currently outstanding; and (iv) \$5,250,000 principal amount Unlimited Tax Road Bonds, Series 2024, of which \$5,250,000 is currently outstanding (collectively, the “Outstanding Road Bonds”).

The Outstanding Utility Bonds and the Outstanding Road Bonds are collectively referred to herein as the “Outstanding Bonds.”

### **Payment Record**

The Bonds represent the eighth and ninth series of bonds issued by the District. The District has never defaulted on the timely payment of principal or interest on its bonded indebtedness.

### **Issuance of Additional Debt**

The District’s voters have authorized the District’s issuance of \$131,440,000 principal amount of unlimited tax utility bonds for the purpose of acquiring or constructing the Utility System; \$197,160,000 principal amount of unlimited tax utility bonds for the purpose of refunding bonds issued by the District for the Utility System; \$114,730,000 bonds for the purpose of constructing or acquiring the Road System; and \$172,095,000 principal amount of unlimited tax utility bonds for the purpose of refunding bonds issued by the District for the Road System. The District may authorize additional amounts in the future.

The Utility Bonds are the fourth series of bonds issued by the District for the Utility System and the Road Bonds are the fifth series of bonds issued for the Road System. Following the issuance of the Bonds, the District has the right to issue remaining authorized but unissued unlimited tax utility bonds as follows: \$81,205,000 principal amount for acquiring or constructing the Utility System; and \$197,160,000 principal amount for the refunding of bonds issued by the District for the Utility System; \$79,580,000 principal amount for acquiring or constructing the Road System; \$172,095,000 principal amount for the refunding of bonds issued for the Road System.

The Bond Orders impose no limitation on the amount of additional parity bonds that may be issued by the District, if authorized by the District’s voters and, in the case of bonds for the Utility System, approved by the TCEQ. The District’s issuance of the remaining \$81,205,000 principal amount of unlimited tax bonds for the Utility System shall be subject to prior approval by the TCEQ. The \$79,580,000 principal amount of unlimited tax bonds for acquiring or constructing the Road System is not subject to approval by the TCEQ.

Following the reimbursement with the proceeds of the Bonds, the District will owe the Developer approximately \$28 million for expenditures to construct the Utility System and the Road System. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-to-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed fire protection plan; (b) approval of the fire plan by the TCEQ; (c) approval of the fire plan by the voters of the District; and (d) approval of bonds, if any, by the Attorney General of Texas. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt-property ratios and might adversely affect the investment security of the Bonds.



## **No Arbitrage**

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

## **Defeasance**

The Bond Orders provide that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest, and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (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, and which 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.

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

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

## **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.

## **Amendments to the Bond Orders**

The District may, without the consent of or notice to any Bondholder, amend a Bond Order in any manner not detrimental to the interests of the Bondholder, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the Bondholders of a majority in aggregate principal amount of the applicable series of Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of a 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 applicable Bond Order cannot be modified or waived without the consent of the holder of each Bond affected thereby. In addition, a state, consistent with federal law, may, in the exercise of its police power, make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

## **Registered Owners' Remedies**

If the District defaults in the payment of principal, interest, or redemption price on a series of the Bonds when due, or if it fails to make payments into any fund or funds created in a Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in a Bond Order, the

Registered Owners of the applicable series of Bonds 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 applicable Bond Order. Except for mandamus, the Bond Orders do not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of 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 Orders may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may 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.

## Use and Distribution of Utility Bond Proceeds

Proceeds from the sale of the Utility Bonds will be used to reimburse the Developer for the construction costs set out below. Proceeds of the Utility Bonds will also be used to pay those non-construction costs shown below. Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and the Financial Advisor (each hereinafter defined). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Utility Bonds and completion of agreed-upon procedures by the District's auditor. In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses in accordance with the rules of the TCEQ. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

<i>Construction Costs</i>	<i>District's Share</i>
A. Developer Contribution Items	
1. Waverly Estates Phase 1	\$ 419,561
2. Waverly Estates Phase 4	2,363,124
3. Waverly Estates Phase 4 Grading	57,559
4. Waverly Estates Phase 4 – SWPPP and ESC	127,785
5. Waverly Estates Phase 3	582,700
6. Engineering (11% of Item Nos. 2 & 3)	<u>267,132</u>
Total Developer Contribution Items	\$ 3,817,861
B. District Items	--
<b>TOTAL CONSTRUCTION COSTS</b>	<b>\$ 3,817,861</b>
Less Surplus Funds	<u>\$ (2,018,311)</u>
<b>TOTAL NET CONSTRUCTION COSTS</b>	<b>\$ 1,799,550</b>
<i>Non-Construction Costs</i>	
A. Legal Fees	\$ 60,500
B. Financial Advisor Fee	25,250
C. Interest Costs	
1. Capitalized Interest	120,181
2. Developer Interest	357,429
D. Underwriter's Discount	50,500
E. Bond Issuance Expenses	60,752
F. Bond Engineering Report	42,000
G. Attorney General Fee	2,525
H. TCEQ Fee	<u>6,313</u>
<b>TOTAL NON-CONSTRUCTION COSTS</b>	<b>\$ 725,450</b>
 <b>TOTAL BOND ISSUE REQUIREMENT</b>	 <b>\$ 2,525,000</b>

## Use and Distribution of Road Bond Proceeds

Proceeds from the sale of the Road Bonds will be used to reimburse the Developer for the construction costs set out below. Proceeds of the Road Bonds will also be used to pay those non-construction costs shown below. Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and the Financial Advisor (each hereinafter defined). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Road Bonds and completion of agreed-upon procedures by the District's auditor. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

<i>Construction Costs</i>	<i>District Share</i>
A. Magnolia Phase 10 Paving Improvements	\$ 466,076
B. Waverly Estates 1 Grading Improvements	744,596
C. Waverly Estates Phase 1 Paving Improvements	<u>1,280,413</u>
<b>TOTAL CONSTRUCTION COSTS</b>	<b>\$ 2,491,085</b>
<i>Non-Construction Costs</i>	
A. Legal Fees	\$ 75,500
B. Financial Advisor Fees	32,750
C. Interest Costs	
1. Capitalized Interest	158,856
2. Developer Interest	386,440
D. Underwriter's Discount	65,500
E. Bond Issuance Expense	48,494
F. Bond Engineering Report	13,100
G. Attorney General Fee	<u>3,275</u>
<b>TOTAL NON-CONSTRUCTION COSTS</b>	<b>\$ 783,915</b>
<b>TOTAL BOND ISSUE REQUIREMENT</b>	<b>\$ 3,275,000</b>

## BOND INSURANCE

### Bond Insurance Policies

Concurrently with the issuance of the Utility Bonds, Build America Mutual Assurance Company (previously defined as "BAM" or the "Insurer") will issue its Municipal Bond Insurance Policy for the Utility Bonds (the "Utility Bonds Policy"). The Utility Bonds Policy guarantees the scheduled payment of principal of and interest on the Utility Bonds when due as set forth in the form of the Utility Bonds Policy included as an appendix to this Official Statement.

Concurrently with the issuance of the Road Bonds, BAM will issue its Municipal Bond Insurance Policy for the Road Bonds (the "Road Bonds Policy" and, together with the Utility Bonds Policy, the "Policies"). The Road Bonds Policy guarantees the scheduled payment of principal of and interest on the Road Bonds when due as set forth in the form of the Road Bonds Policy included as an appendix to this Official Statement.

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

### Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides

credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

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

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

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

#### *Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2025 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$482.1 million, \$246.4 million and \$235.7 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at [www.bambonds.com](http://www.bambonds.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

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

#### *Additional Information Available from BAM*

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

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

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

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

## **THE DISTRICT**

### **Authority**

The District was created on September 1, 2015, by act of the 84th Texas Legislature. The creation and operation of the District is pursuant to Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution and Chapter 7955, Texas Special District Local Laws Code. The District operates under Chapters 49 and 54 of the Texas Water Code, as amended.

Upon its creation, the District was named Double R Municipal Utility District No. 1 of Hunt County. By order of the TCEQ dated December 18, 2018, the District's name was changed to Magnolia Pointe Municipal Utility District No. 1.

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

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

## Description

The District is located approximately 35 miles northeast of the central business district of the City of Dallas, Texas, and approximately four miles south of the City of Josephine, Texas. The District lies entirely within the extraterritorial jurisdiction the City of Josephine, Texas. The District consists of two separate non-contiguous sections on either side of Farm to Market Road 1777 between County Roads 638 and 1213 on the south and Cook Street to the north.

At the time of creation, the District contained approximately 94.30 acres. After annexations of acreage into the District in 2016, 2019 and 2022, the District currently contains approximately 825 total acres. Approximately 150 acres within the District are located in Hunt County, Texas, and approximately 675 acres are located in Collin County, Texas.

## Management of the District

The District is governed by the Board consisting of five directors, who have control over and management supervision of all affairs of the District. All of the Directors own property in the District. The directors serve four-year staggered terms. Elections are held in May of even-numbered years. The current members and officers of the Board are listed below:

<i>Name</i>	<i>Title</i>	<i>Term Expires May</i>
Micah Phelps	President	2028
Jeff Tozier	Vice President	2026
Brandon Ledbetter	Secretary	2028
Gabrielle Sipayboun	Assistant Secretary	2026
Michael Clifton	Assistant Secretary	2026

## Investment Policy

The District has adopted an Investment Policy (the “Investment 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 Investment Policy. The Investment Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation and secured by collateral authorized by the Act, and in TexPool and TexStar, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long term securities or derivative products in the portfolio.

## Consultants

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

*Tax Assessors/Collectors:* For the portion of the District located within Collin County, Texas, the District’s Tax Assessor/Collector is Scott Grigg, Collin County Tax Assessor/Collector. For the portion of the District located within Hunt County, Texas, the District’s Tax Assessor/Collector is Randy Wineinger, Hunt County Tax Assessor/Collector.

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

*Utility System Operator:* The City operates the utility system that provides service to the District.



*Auditor:* The District’s financial statements for the fiscal year ended June 30, 2024 were audited by Mark C. Eyring, CPA, PLLC. See “APPENDIX A” for a copy of such audited financial statements.

*Engineer:* The consulting engineer retained by the District in connection with the design and construction of the District’s facilities is JBI Partners, Inc. (the “Engineer”).

*Bond 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:* Stradling Yocca Carlson & Rauth LLP, serves as Disclosure Counsel to the District for issuance of the Bonds. 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:* Tierra Financial Advisors, LLC is engaged as financial advisor to the District in connection with the issuance of the Bonds. 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. Tierra Financial Advisors, LLC is a wholly owned subsidiary of D.R. Horton, Inc. See “RELATIONSHIP AMONG THE PARTIES” herein.

## **THE DEVELOPER AND PRINCIPAL LANDOWNER**

### **Role of the Developer**

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be constructed in the subdivision, designing 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 (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots to builders, developers, or other third parties, or to build, construct and sell homes directly to homeowners. In most instances, the developer will be required to pay up to thirty percent of the cost of constructing certain water, wastewater, and drainage facilities in a municipal utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of the property within a municipal utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer’s right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

Prospective purchasers of the Bonds 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.

Neither the Developer nor any affiliate entity is obligated to pay principal of or interest on the Bonds. Furthermore, neither the Developer nor any affiliate entity 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 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.

## **The Developer**

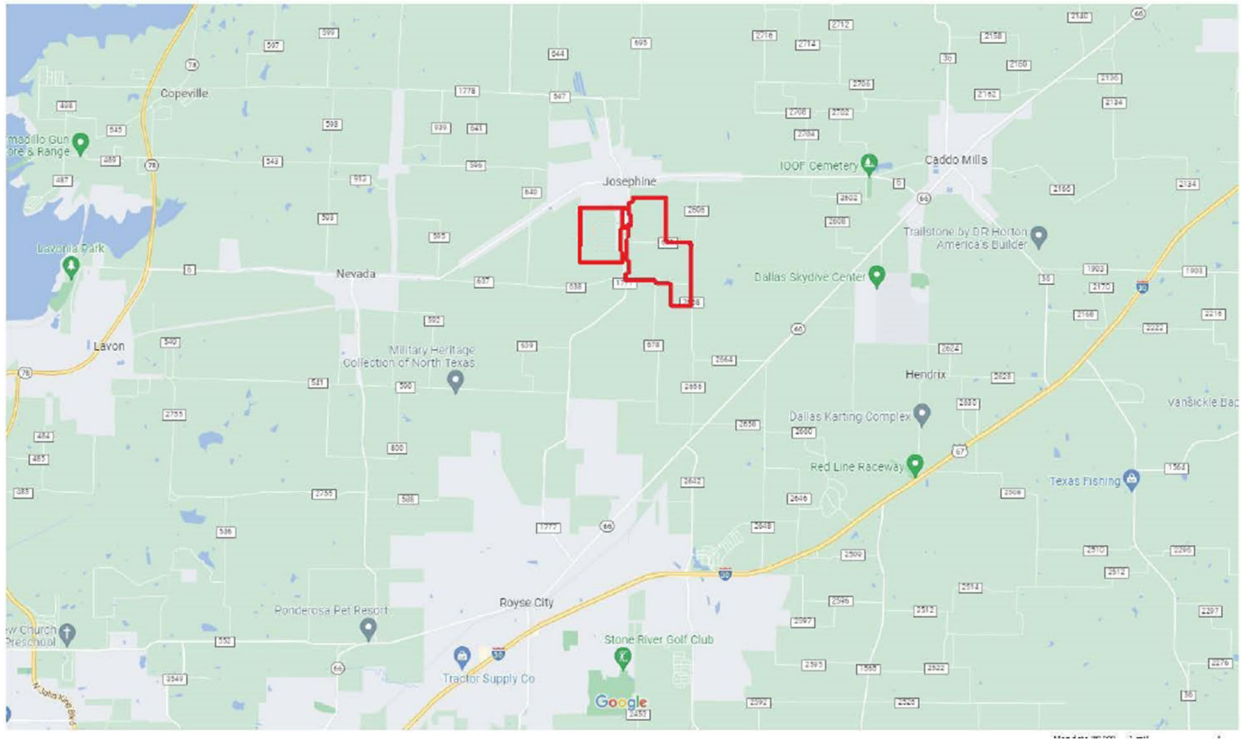
D.R. Horton – Texas, LTD., a Texas limited partnership (previously defined as the “Developer”), is the principal land-owner and the primary developer of land within the District currently. The Developer is a wholly-owned subsidiary of D.R. Horton, Inc., a Delaware corporation (previously defined as “D.R. Horton, Inc.”). D.R. Horton, Inc. is a public company whose common stock is traded on the New York Stock Exchange under the symbol “DHI.” D.R. Horton, Inc. has been the largest homebuilder by volume in the United States since 2002. Founded in 1978 in Fort Worth, Texas, D.R. Horton, Inc. has operations in 126 markets in thirty-six (36) states across the United States and closed 93,311 homes in the twelve-month period ended December 31, 2024. Consolidated revenues for the same twelve-month period exceeded \$36.7 billion. D.R. Horton, Inc. is engaged in the construction and sale of high-quality homes through its diverse brand portfolio that includes D.R. Horton, Express Homes, Freedom Homes and Emerald Homes.

D.R. Horton, Inc. is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and in accordance therewith files reports, proxy statements and other information, including financial statements, with the Securities and Exchange Commission (the “SEC”). Such filings, particularly, D.R. Horton, Inc.’s most recent Annual Report on Form 10-K and D.R. Horton, Inc.’s most recent Quarterly Report on Form 10-Q set forth certain data relative to the consolidated results of operations and financial position of D.R. Horton, Inc. and its subsidiaries, including the Developer, as of their respective dates. However, D.R. Horton, Inc. is not legally obligated to provide funds for the development of the District, to provide funds to pay taxes on property in the District owned by the Developer, or to pay any other obligations of the Developer. Further, neither the Developer nor D.R. Horton, Inc. is responsible for, is liable for or has made any commitment for payment of the Bonds or other obligations of the District, and the inclusion of such financial statements and description of financial arrangements by reference herein should not be construed as an implication to that effect. Neither the Developer nor D.R. Horton, Inc. has any legal commitment to the District or owners of the Bonds to continue development of the land within the District and the Developer may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of the Developer and D.R. Horton, Inc. is subject to change at any time.

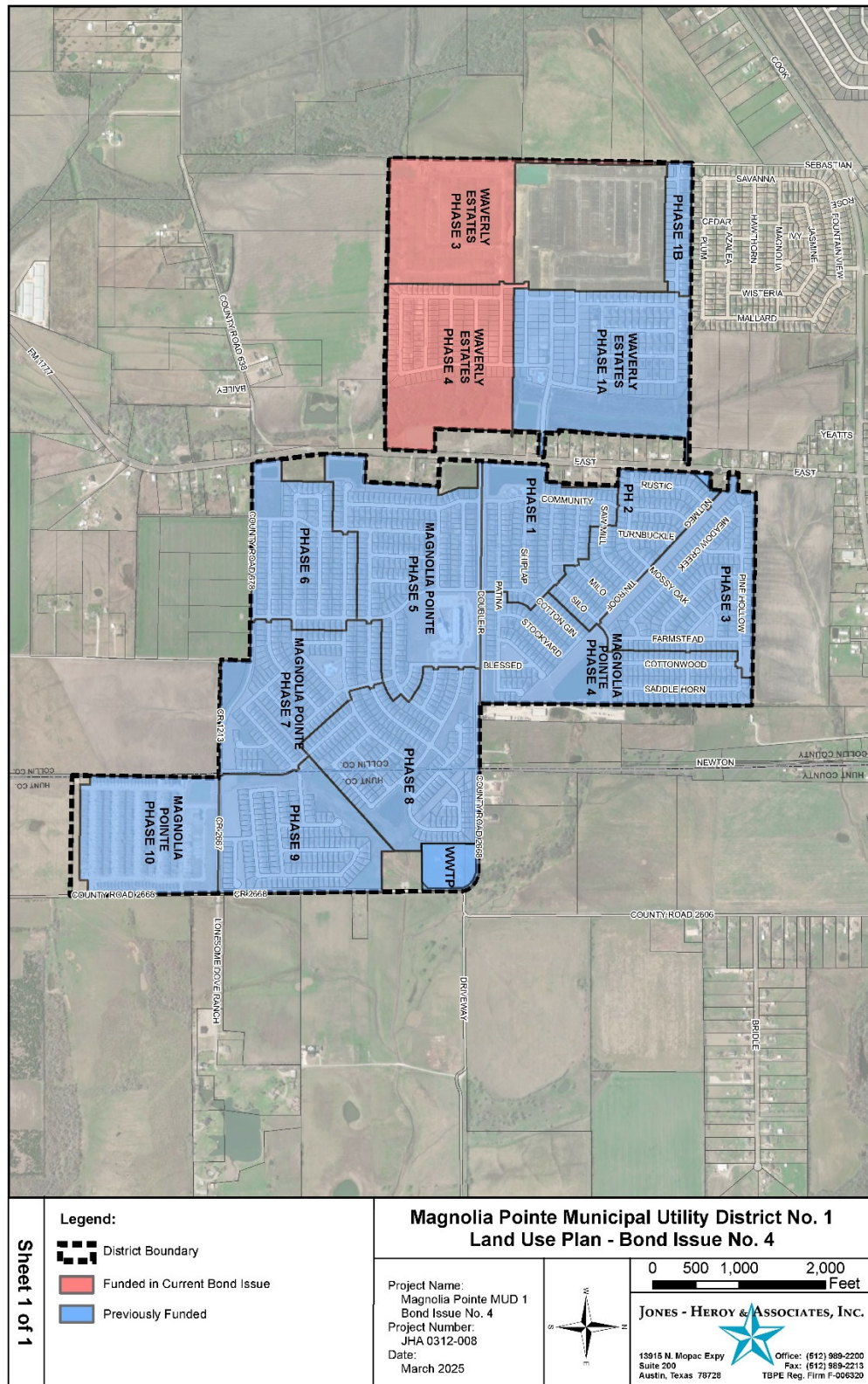
The SEC maintains an Internet website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including D.R. Horton, Inc. The address of such Internet web site is [www.sec.gov](http://www.sec.gov). All documents subsequently filed by D.R. Horton, Inc. pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes. Copies of D.R. Horton, Inc.’s Annual Report and each of its other quarterly and current reports, including any amendments, are available from D.R. Horton, Inc.’s website at [www.drhorton.com](http://www.drhorton.com).

*The foregoing Internet addresses and references to filings with the SEC are included for reference only, and the information on these Internet sites and on file with the SEC are not a part of this Official Statement and are not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on these Internet sites. None of the Developer or D.R. Horton, Inc. is obligated to advance funds to pay for development or construction costs or to pay taxes on property in the District, and investors should not rely on the information and financial statements contained on such internet sites in evaluating whether to buy, hold or sell the Bonds.*

## REGIONAL LOCATION OF DISTRICT



# LAND USE PLAN FOR DISTRICT





## MAGNOLIA POINTE DEVELOPMENT PROGRESS





**WAVERLY ESTATES DEVELOPMENT PROGRESS**



## **DEVELOPMENT OF THE DISTRICT**

### **Development Plan**

The property within the District is being developed as residential communities known as Magnolia Pointe and Waverly Estates. Magnolia Pointe consists of 1,918 single-family homes and construction was completed in March 2025. Construction of homes within Waverly estates is ongoing, and at full buildout Waverly Estates is expected to consist of 784 single-family homes. As of May 1, 2025, within Waverly Estates, home construction had been completed within Phases 1B and 4, other than one vacant lot within Phase 4, and home construction was ongoing within Phases 1A and Phase 3.

Homes in the District constructed by the Developer range in price from approximately \$223,990 to over \$381,990 and in size from approximately 1,250 to over 2,500 square feet. As of May 1, 2025, the District included 2,254 completed homes, of which 2,216 homes were owned by individual homeowners and 35 homes were owned by the Developer (15 of which were in escrow with individual homeowners as of May 1, 2025). As of such date, the Developer also owned 63 homes under construction and 385 vacant finished lots. The Developer currently expects to complete residential home construction within Waverly Estates by May 2027. See the caption “—Status of Development Within the District.”

The Developer has also conveyed 41 finished lots to Bloomfield Homes and 31 finished lots to Davidson Homes, each of which are constructing single family homes on such lots within the Waverly Estates project. As of May 28, 2025, Bloomfield had closed 10 homes, owned 3 completed homes, owned 11 homes under construction and had 17 vacant lots.

In addition to the foregoing residential development, the District also includes road rights-of-way, drainage easements and open spaces, as well as the site of a wastewater treatment plant, a school site and amenity centers for the residential development.

Prospective purchasers of the Bonds 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, 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. See “THE DEVELOPER AND PRINCIPAL LANDOWNER.”

## Status of Development Within the District

The following shows the status of construction of single-family housing within the District as of May 1, 2025:

<i>Developed</i>					
<i>Magnolia Pointe</i>	<i>Section Acreage<sup>(a)</sup></i>	<i>Section Lots</i>	<i>Homes Completed</i>	<i>Homes Construction</i>	<i>Vacant Lots</i>
Phase 1	42.55	140	140	0	0
Phase 2	36.72	150	150	0	0
Phase 3	52.69	178	178	0	0
Phase 4	60.38	188	188	0	0
Phase 5	76.37	218	218	0	0
Phase 6	44.62	168	168	0	0
Phase 7	54.69	171	171	0	0
Phase 8	79.10	224	224	0	0
Phase 9	55.33	151	151	0	0
Phase 10	<u>49.44</u>	<u>330</u>	<u>330</u>	<u>0</u>	<u>0</u>
Subtotal Developed	551.89	1,918	1,918	0	0
<i>Homes Under Construction</i>					
<i>Waverly Estates</i>	<i>Section Acreage<sup>(a)</sup></i>	<i>Section Lots</i>	<i>Homes Completed</i>	<i>Homes Construction</i>	<i>Vacant Lots</i>
Phase 1A/1B	88.37	217	151	18	48
Phase 3	50.40	201	19	45	137
Phase 4	<u>59.88</u>	<u>167</u>	<u>166</u>	<u>0</u>	<u>1</u>
Subtotal Homes Under Construction	198.65	585	336	63	186
<i>Land Under Development</i>					
<i>Waverly Estates</i>	<i>Section Acreage<sup>(a)</sup></i>	<i>Section Lots</i>	<i>Homes Completed</i>	<i>Homes Construction</i>	<i>Vacant Lots</i>
Phase 2	58.76	199	0	0	199
Total	809.30	2,702	2,254	63	385

<sup>(a)</sup> Section acreage is inclusive of lands for residential lots, road rights-of-way, drainage easements and open spaces within such sections.

## Financing Plan

Through May 1, 2025, the Developer had spent approximately \$394 million in site acquisition and development costs, permits and impact fees, home construction costs, and other development, marketing and sales costs (exclusive of internal financing repayment, corporate overhead and other carry costs) related to its development within the District. The Developer expects to spend approximately \$67 million in additional site development costs, permit and impact fees, home construction costs, and other development, marketing and sales costs (exclusive of corporate overhead and other carry costs) between May 1, 2025 and full build-out of its homes proposed to be constructed in the District.

To date, the Developer has financed its land acquisition, site development and home construction costs related to its property within the District through internally generated funds. The Developer expects to use internal funding (which may include home sales revenues from its project within the District) to complete its



development activities within the District. However, home sales revenues from the Developer's activities in the District are not segregated and set aside for completing the homes in the District. Notwithstanding the foregoing, the Developer believes that it will have sufficient funds to complete its construction and sale of homes in the District.

Notwithstanding the current belief of the Developer that it will have sufficient funds to complete its planned development in the District, no assurance can be given that sources of financing available to the Developer will be sufficient to complete the property development and home construction as currently anticipated. Neither the Developer nor any of its related entities are under any legal obligation of any kind to expend funds for the development and construction of homes on its property in the District, or the payment of property taxes for property within the District. Any contributions by the Developer to fund the costs of such development are entirely voluntary.

If and to the extent that internal funding, including but not limited to home sales revenues are inadequate to pay the costs to complete the planned development by the Developer within the District and other financing by the Developer is not put into place, there could be a shortfall in the funds required to complete the planned development by the Developer or to pay property taxes related to the Developer's property in the District, and the remaining portions of the Developer's project in the District may not be completed. Many factors beyond the Developer's control, or a decision by the Developer to alter its current plans, may cause the actual sources and uses to differ from the projections. See "RISK FACTORS" herein for a discussion of risk factors.

## **THE ROAD SYSTEM**

Construction of the District's Road System is subject to regulations by the City and Texas Department of Transportation. The roads in the District are constructed with either reinforced concrete pavement with curbs on lime stabilized subgrade or asphalt on lime stabilized subgrade. Remaining streets provide local interior service within the District. The Road System also includes, or will include, streetlights and franchise utilities (power, phone and cable). Public utilities such as water, wastewater and storm drainage are typically located within street rights-of-way. The Road System is maintained by the City. As described under the caption "THE BONDS—Use and Distribution of Road Bond Proceeds," a portion of the proceeds of the Road Bonds will be used to finance the acquisition and construction of a portion of the Road System.

## **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, Collin County, Texas and Hunt County, Texas, and the City. 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 District lies within the service area of certificate of convenience and necessity number 12307 held by the City and the City is the provider of retail water service to the users within the District.

On June 15, 2015, Double R Land Company, L.L.C. (as the then-owner of land within the District) entered into an agreement with the City. The District subsequently agreed to be a party to the agreement and the Developer became the assignee of Double R Land Company, L.L.C. Pursuant to this agreement, the City agreed to provide capacity to serve the District with water. It is expected that the agreement will be revised to accommodate future development as needed. Under the terms of the agreement, the Developer, acting on behalf of the District, is required to construct or extend the water facilities as necessary to serve the property within the

District. Such facilities include water transmission lines, water supply, storage, and pressurization facilities. The Developer has previously built an off-site water line in order to connect the City's water system to the District and an elevated water storage tank. As the District facilities to serve each phase of development are acquired or constructed, the Developer is required to transfer the same to the City. Thereafter, the City is required to maintain and operate such District facilities. The District's water supply is currently capable of serving 2,546 equivalent single-family connections. The Developer expects to build or expand additional facilities as needed to provide water capacity for full buildout of the District.

***Wastewater Treatment.*** The District lies within the service area of certificate of convenience and necessity number 20721 held by the City and the City is the provider of retail wastewater service to the users within the District.

The Developer has constructed a permanent 0.5 million gallons per day sewer treatment plant based on the needs of the development of the District. As the District facilities to serve each phase are acquired or constructed, the Developer is required to transfer the same to the City. Thereafter, the City is required to maintain and operate such District facilities. The City is currently constructing an expansion of the sewer treatment plant, after which the sewer treatment plant is expected to have a capacity of 1.5 million gallons per day. Following the completion of construction on the sewer treatment plan expansion, the District's wastewater capacity is expected to be capable of serving 5,000 equivalent single-family connections.

***Drainage.*** The District naturally drains into two main basins. Basin one is to the southwest draining to the Sabine Creek. Basin two is to the southeast draining to Brushy Creek. Stormwater runoff drains into a system of underground storm sewers then into detention ponds, outfalls at various points, which ultimately drains into the two creek basins.

***100-Year Flood Plain.*** According to U.S.G.S. topographic maps and Flood Insurance Rate Maps (FIRM) maps, the District is relatively rolling terrain with elevations ranging from 540 to 590 feet above mean sea level. The land within the District slopes generally from 1% to 3%.

Approximately nine acres of the District lie within the FEMA 100-year flood plain. This acreage has been planned as green space.

## Historical Operations of the System

The following is a summary of the District's general operating fund. The figures below were obtained from the District's audited financial statements for the fiscal years June 30, 2020 through June 30, 2024 and the most recent Bookkeeper's report which is unaudited. See Appendix A for additional information. The District is required by statute to have a certified public accountant audit its financial statements, which statements are then required to be filed with the TCEQ.

	<i>Fiscal Year Ended June 30</i>					
	<i>2025<sup>(a)</sup></i>	<i>2024</i>	<i>2023</i>	<i>2022</i>	<i>2021</i>	<i>2020</i>
<b>Revenues:</b>						
Property taxes	\$ 709,496	\$ 901,314	\$ 829,393	\$ 455,354	\$ 176,364	\$ 159,482
Penalty and Interest	68,320	52,917	4,725	3,165	4,211	--
Interests on Deposits	--	--	--	270	--	--
Total Revenues	\$ 777,816	\$ 954,231	\$ 834,118	\$ 458,789	\$ 180,575	\$ 159,482
<b>Expenditures:</b>						
Current Service Operations						
Professional Fees	\$ 131,838	\$ 109,906	\$ 179,843	\$ 127,130	\$ 75,725	\$ 105,520
Contracted Services	144,716	133,669	9,787	20,642	15,299	9,986
Utilities	58,870	58,058	40,151	35,925	23,401	10,171
Lease of sewage plant		--	--	91,000	547,500	--
Administrative expenditures	19,677	15,569	13,012	12,911	13,914	10,196
Capital Outlay / Non-Capital Outlay	--	--	--	--	--	55,317
Total Expenditures	\$ 355,101	\$ 317,202	\$ 242,793	\$ 287,608	\$ 675,839	\$ 191,190
Revenues Over (Under) Expenditures	\$ 422,715	\$ 637,029	\$ 591,325	\$ 171,181	\$(495,264)	\$ (31,708)
Other Financing Sources (Uses)						
Developer Advances	--	--	--	\$ 120,750	\$ 593,125	\$ 40,565
Net Change in fund balances / net position	\$ 422,715	\$ 637,029	\$ 591,325	\$ 291,931	\$ 97,861	\$ 8,857
Fund Balance, Beginning of Year	\$1,624,486	\$ 987,457	\$ 396,132	\$ 104,201	\$ 6,340	\$ (2,517)
Fund Balance, End of Year	\$2,047,201	\$1,624,486	\$ 987,457	\$ 396,132	\$ 104,201	\$ 6,340

<sup>(a)</sup> Unaudited. From the District's most recent Bookkeeper's report .

## DISTRICT DEBT

### Utility System Debt Service Requirement Schedule

The following schedule sets forth the debt service on the Utility Bonds and the Outstanding Utility Bonds.

<i>Year Ending June 30</i>	<i>Outstanding Utility Bonds Debt Service<sup>(a)</sup></i>	<i>The Utility Bonds</i>			<i>Total Debt Service</i>
		<i>Principal</i>	<i>Interest</i>	<i>Total</i>	
2026	\$ 2,659,913	--	\$ 68,437	\$ 68,437	\$ 2,728,349
2027	3,075,713	\$ 55,000	118,394	173,394	3,249,106
2028	3,069,763	55,000	114,819	169,819	3,239,581
2029	3,055,388	60,000	111,081	171,081	3,226,469
2030	3,037,750	65,000	107,019	172,019	3,209,769
2031	3,031,363	65,000	102,794	167,794	3,199,156
2032	3,017,150	70,000	99,106	169,106	3,186,256
2033	3,025,100	75,000	96,031	171,031	3,196,131
2034	3,032,125	75,000	93,031	168,031	3,200,156
2035	3,048,725	80,000	89,931	169,931	3,218,656
2036	3,071,925	85,000	86,525	171,525	3,243,450
2037	3,081,725	90,000	82,806	172,806	3,254,531
2038	3,098,125	90,000	78,981	168,981	3,267,106
2039	3,120,725	95,000	74,931	169,931	3,290,656
2040	3,134,425	100,000	70,544	170,544	3,304,969
2041	3,154,125	105,000	65,931	170,931	3,325,056
2042	3,174,525	110,000	61,094	171,094	3,345,619
2043	3,194,878	115,000	56,031	171,031	3,365,909
2044	3,219,853	120,000	50,669	170,669	3,390,522
2045	3,244,056	125,000	45,003	170,003	3,414,059
2046	3,267,250	130,000	39,106	169,106	3,436,356
2047	3,289,806	140,000	32,775	172,775	3,462,581
2048	3,316,419	145,000	26,006	171,006	3,487,425
2049	2,660,675	150,000	19,000	169,000	2,829,675
2050	1,439,081	160,000	11,638	171,638	1,610,719
2051`	--	165,000	3,919	168,919	168,919
Total	\$ 75,520,581	\$ 2,525,000	\$ 1,805,602	\$ 4,330,602	\$ 79,851,183

<sup>(a)</sup> Debt service on the Outstanding Utility Bonds as of June 1, 2025.

Average Annual Debt Service Requirements on the Utility Bonds and the Outstanding Utility Bonds (2026-2051).....	\$ 3,071,199
Maximum Annual Debt Service Requirements on the Utility Bonds and the Outstanding Utility Bonds (2048).....	\$ 3,487,425

## Road System Debt Service Requirement Schedule

The following schedule sets forth the debt service on the Road Bonds and the Outstanding Road Bonds.

<i>Year Ending June 30</i>	<i>Outstanding Road Bonds Debt Service<sup>(a)</sup></i>	<i>The Road Bonds</i>			<i>Total Debt Service</i>
		<i>Principal</i>	<i>Interest</i>	<i>Total</i>	
2026	\$ 1,680,446	--	\$ 90,460	\$ 90,460	\$ 1,770,906
2027	1,787,714	\$ 70,000	156,494	226,494	2,014,208
2028	1,779,686	75,000	151,600	226,600	2,006,286
2029	1,766,391	80,000	146,369	226,369	1,992,760
2030	1,765,545	80,000	140,969	220,969	1,986,514
2031	1,763,429	85,000	135,400	220,400	1,983,829
2032	1,767,359	90,000	129,494	219,494	1,986,853
2033	1,779,740	95,000	124,200	219,200	1,998,940
2034	1,795,781	100,000	119,819	219,819	2,015,600
2035	1,800,728	105,000	115,463	220,463	2,021,190
2036	1,819,476	105,000	111,000	216,000	2,035,476
2037	1,831,445	115,000	106,325	221,325	2,052,770
2038	1,846,711	120,000	101,331	221,331	2,068,042
2039	1,864,850	125,000	96,125	221,125	2,085,975
2040	1,875,839	130,000	90,706	220,706	2,096,545
2041	1,890,183	135,000	84,991	219,991	2,110,173
2042	1,902,291	140,000	78,888	218,888	2,121,178
2043	1,922,139	150,000	72,363	222,363	2,144,502
2044	1,929,628	155,000	65,403	220,403	2,150,031
2045	1,944,833	165,000	58,003	223,003	2,167,836
2046	1,692,750	170,000	50,256	220,256	1,913,006
2047	1,387,063	180,000	42,163	222,163	1,609,225
2048	371,400	190,000	33,606	223,606	595,006
2049	372,481	195,000	24,581	219,581	592,063
2050	377,631	205,000	15,081	220,081	597,713
2051	--	215,000	5,106	220,106	220,106
Total	\$40,715,537	\$ 3,275,000	\$ 2,346,194	\$ 5,621,194	\$ 46,336,731

<sup>(a)</sup> Debt service on the Outstanding Road Bonds as of June 1, 2025.

Average Annual Debt Service Requirements on the Road Bonds and the Outstanding Road Bonds  
(2026-2051)..... \$ 1,782,182

Maximum Annual Debt Service Requirements on the Road Bonds and the Outstanding Road Bonds  
(2045)..... \$ 2,167,836

## Combined Debt Service Requirement Schedule

The following schedule sets forth the debt service on the Bonds and the Outstanding Bonds.

<i>Year Ending June 30</i>	<i>Outstanding Bonds Debt Service<sup>(a)</sup></i>	<i>The Bonds</i>		<i>Total Debt Service</i>	
		<i>Principal</i>	<i>Interest</i>	<i>Total</i>	
2026	\$ 4,340,359	--	\$ 158,896	\$ 158,896	\$ 4,499,255
2027	4,863,426	\$ 125,000	274,888	399,888	5,263,314
2028	4,849,449	130,000	266,419	396,419	5,245,868
2029	4,821,779	140,000	257,450	397,450	5,219,229
2030	4,803,295	145,000	247,988	392,988	5,196,283
2031	4,794,791	150,000	238,194	388,194	5,182,985
2032	4,784,509	160,000	228,600	388,600	5,173,109
2033	4,804,840	170,000	220,231	390,231	5,195,071
2034	4,827,906	175,000	212,850	387,850	5,215,756
2035	4,849,453	185,000	205,394	390,394	5,239,846
2036	4,891,401	190,000	197,525	387,525	5,278,926
2037	4,913,170	205,000	189,131	394,131	5,307,301
2038	4,944,836	210,000	180,313	390,313	5,335,148
2039	4,985,575	220,000	171,056	391,056	5,376,631
2040	5,010,264	230,000	161,250	391,250	5,401,514
2041	5,044,308	240,000	150,922	390,922	5,435,229
2042	5,076,816	250,000	139,981	389,981	5,466,797
2043	5,117,018	265,000	128,394	393,394	5,510,411
2044	5,149,481	275,000	116,072	391,072	5,540,553
2045	5,188,889	290,000	103,006	393,006	5,581,895
2046	4,960,000	300,000	89,363	389,363	5,349,363
2047	4,676,869	320,000	74,938	394,938	5,071,806
2048	3,687,819	335,000	59,613	394,613	4,082,431
2049	3,033,156	345,000	43,581	388,581	3,421,738
2050	1,816,713	365,000	26,719	391,719	2,208,431
2051	--	380,000	9,025	389,025	389,025
Total	\$116,236,118	\$ 5,800,000	\$ 4,151,796	\$ 9,951,796	\$126,187,915

<sup>(a)</sup> Debt service on the Outstanding Bonds as of June 1, 2025.

Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2026-2051)..... \$ 4,853,381

Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2045)..... \$ 5,581,895

## Bonded Indebtedness

2024 Certified Taxable Assessed Valuation	\$ 542,636,367 <sup>(a)</sup>
Estimated Assessed Valuation as of June 1, 2025	\$ 662,917,962 <sup>(b)</sup>
Direct Debt:	
The Outstanding Utility Bonds (as of June 1, 2025)	47,105,000
The Outstanding Road Bonds (as of June 1, 2025)	29,955,000
The Utility Bonds	2,525,000
The Road Bonds	<u>3,275,000</u>
Total	\$ 82,860,000
Estimated Overlapping Debt	\$ <u>67,856,788</u> <sup>(c)</sup>
Total Direct and Estimated Overlapping Debt	\$ 150,716,788 <sup>(c)</sup>
Direct Debt Ratio:	
As a percentage of 2024 Certified Taxable Assessed Valuation	15.27%
As a percentage of Estimated Assessed Valuation as of June 1, 2025	12.50%
Direct and Estimated Overlapping Debt Ratio:	
As a percentage of 2024 Certified Taxable Assessed Valuation	27.77%
As a percentage of Estimated Assessed Valuation as of June 1, 2025	22.74%
District Funds	
Utility Bond Debt Service Fund (as of June 2, 2025)	\$ 3,315,086 <sup>(d)</sup>
Road Bond Debt Service Fund (as of June 2, 2025)	\$ 3,286,889 <sup>(e)</sup>
Utility System Capital Projects Fund Balance (as of June 2, 2025)	\$ 2,044,329
Road System Capital Projects Fund Balance (as of June 2, 2025)	\$ 85,963
Operating Fund (as of June 2, 2025)	\$ 2,021,885
2024 Tax Rate per \$100 of Taxable Assessed Valuation:	
Utility Debt Service	\$ 0.530
Road Debt Service	0.290
Maintenance & Operation	<u>0.130</u>
Total	\$ 0.950

- <sup>(a)</sup> Represents the assessed valuation of all taxable property in the District as of January 1, 2024, provided by the Collin Central Appraisal District and Hunt County Central Appraisal District (collectively, the "Appraisal Districts"). See "TAX DATA" and "TAXING PROCEDURES."
- <sup>(b)</sup> Provided by the Appraisal Districts 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 value resulting from the construction of taxable improvements from January 1, 2024 to June 1, 2025. No taxes will be levied on this estimated assessed value. See "TAX DATA" and "TAXING PROCEDURES."
- <sup>(c)</sup> See "DISTRICT DEBT — Direct and Estimated Overlapping Debt Statement."
- <sup>(d)</sup> Neither Texas law nor the Utility Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. The funds in the Utility System Debt Service Fund are pledged only to pay the debt service on the Utility Bonds, and any other bonds issued for the purpose of acquiring or constructing the Utility System. The Utility Bonds include 12 months of capitalized interest which will be deposited into the Utility System Debt Service Fund.
- <sup>(e)</sup> Neither Texas law nor the Road Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. The funds in the Road System Debt Service Fund are pledged only to pay the debt service on the Road Bonds, and any other bonds issued for the purpose of acquiring or constructing the Road System. The Road Bonds include 12 months of capitalized interest which will be deposited into the Road System Debt Service Fund.

## Direct and Estimated Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in *Texas Municipal Reports*, published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

### Hunt County

<i>Taxing Jurisdiction</i>	<i>Outstanding Debt 6/1/2025 <sup>(b)</sup></i>	<i>Overlapping</i>	
		<i>Percent</i>	<i>Amount</i>
Hunt County	\$ 9,125,000	0.774%	\$ 70,636
Hunt Memorial Hospital District	28,510,000	0.796%	226,989
Royse City Independent School District	605,300,920	9.370%	14,413,137
Total Estimated Overlapping Debt			\$ 14,710,763

### Collin County

<i>Taxing Jurisdiction</i>	<i>Outstanding Debt 6/1/2025 <sup>(b)</sup></i>	<i>Overlapping</i>	
		<i>Percent</i>	<i>Amount</i>
Collin County	\$ 776,095,000	0.171%	\$ 1,327,570
Collin County Community College District	459,865,000	0.191%	877,640
Community Independent School District	356,880,000	14.274%	50,940,816
Total Estimated Overlapping Debt			\$ 53,146,025
The District <sup>(a)</sup>			\$ 82,860,000
Total Direct and Estimated Overlapping Debt			\$150,716,788

<sup>(a)</sup> Includes the Outstanding Bonds and the Bonds.

<sup>(b)</sup> Source: Texas MAC

## Debt Ratios

### Direct Debt Ratios:

As a percentage of 2024 Certified Taxable Assessed Valuation.....	15.27%
As a percentage of Estimated Assessed Valuation as of June 1, 2025 .....	12.50%

### Direct and Estimated Overlapping Debt Ratios:

As a percentage of 2024 Certified Taxable Assessed Valuation.....	27.77%
As a percentage of Estimated Assessed Valuation as of June 1, 2025 .....	22.74%

## TAXING PROCEDURES

### Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Utility Bonds and any additional bonds payable from taxes that the District may hereafter issue for the purpose of acquiring or constructing the Utility System and to pay the expenses of assessing and collecting such taxes. In



the Utility 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.” The Board is also authorized to levy a separate 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 Road Bonds and any additional bonds payable from taxes that the District may hereafter issue for the purpose of acquiring or constructing the Road System and to pay the expenses of assessing and collecting such taxes. In the Road 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 may also levy and collect annual ad valorem taxes for the operation and maintenance of the District for the payment of certain contractual obligations. See “TAX DATA — Maintenance Tax.”

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

Title I of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized herein. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district of county. The Collin Central Appraisal District has the responsibility for appraising property in the District located within Collin County and the Hunt County Appraisal District has the responsibility for appraising property in the District located within Hunt County. Such appraisal values are subject to review and change by the Collin County Appraisal Review Board or the Hunt County Appraisal Review Board, as applicable. Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of said appraisal review boards by filing a petition for review in state district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Absent any such appeal, the appraisal roll, as prepared by either the Collin Central Appraisal District or the Hunt County Appraisal District, as applicable, and approved by the applicable appraisal review board, must be used by each taxing jurisdiction in establishing its tax roll and rate.

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

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

and reclamation districts that participate in the applicable Appraisal District. The Property Tax Code requires the Appraisal Districts 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 Districts at least once every three years. It is not known what frequency of future reappraisals will be utilized by the Appraisal Districts 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; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years of age 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 the 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 adopted an exemption for the residential homesteads of persons 65 years of age or older and certain disabled persons in the amount of \$10,000 for the 2024 and 2025 tax years. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, 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. This exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. 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 but not less than \$5,000, if any exemption is granted, 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 homestead exemption. See "TAX DATA."

***Freeport Goods and Goods-in-Transit Exemption:*** 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 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.

## **Tax Abatement**

Collin County and Hunt County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Collin County, Hunt County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (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 jurisdictions. At this time, none of the area within the District has been designated as a reinvestment zone.

## **Valuation of Property for Taxation**

Generally, property in the District must be appraised by the Appraisal Districts 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 permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its

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

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

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

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

### **Tax Payment Installments after Disaster**

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the taxpayer pays at least one-

fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

### **District and Taxpayer Remedies**

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

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases. 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.

### **Levy and Collection of Taxes**

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twenty percent (20%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties, and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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

**General.** Chapter 49 of the Texas Water Code, as amended, classifies municipal utility districts differently based on the current operation and maintenance tax rate or on the percentage of projected build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified 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 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 tax year on a residence homestead appraised at the average appraised value of a resident 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 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 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 tax year on a residence homestead appraised at the average appraised value of a resident homestead in the District in that year, subject to certain homestead exemptions.

***The District.*** The District determined that for the 2024 tax year, the District was classified as a Developing District. A determination as to the District's status as a Special Taxing unit, a Developed District or a Developing District will be made by the Board of Directors on an annual basis. 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.

### **District's Rights in the Event of Tax Delinquencies**

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims of most

creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

## **TAX DATA**

### **General**

All taxable property within the District is subject to the assessment, levy, and collection by the District of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Utility Bonds and the Outstanding Utility Bonds. All taxable property within the District is also subject to the assessment, levy, and collection by the District of a separate continuing direct annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Road Bonds and the Outstanding Road Bonds. See "TAXING PROCEDURES." The Board has in its Bond Orders covenanted 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. See "THE BONDS" and "RISK FACTORS."

For the 2024 tax year, the District levied a total tax rate of \$0.950 per \$100 taxable assessed valuation, consisting of \$0.530 per \$100 taxable assessed valuation for debt service on the Outstanding Utility Bonds, \$0.290 per \$100 taxable assessed valuation for debt service on the Outstanding Road Bonds and \$0.130 per \$100 taxable assessed valuation for maintenance and operations. Upon closing and delivery of the Bonds, 12 months of capitalized interest on the Utility Bonds will be deposited into the District's Utility Bond Debt Service Fund and 12 months of capitalized interest on the Road Bonds will be deposited into the District's Road Bond Debt Service Fund. See "THE BONDS — Source of Payment." The District is authorized to levy separate debt service taxes, both of which are unlimited as to rate or amount, for payment of debt service on bonds issued for the Road System and bonds issued for the Utility System.

### **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:	\$1.00 per \$100 taxable assessed valuation

### **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 \$1.00 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 have been issued or may be issued in the future. See "—Tax Rate Distribution" below.

## Additional Penalties

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

## Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the debt service tax rates per \$100 of taxable assessed valuation that would be required to meet certain debt service requirements on the Bonds if no growth in the District's tax base occurs beyond the 2024 Certified taxable assessed valuation as of January 1, 2024 (\$542,636,367) or the estimate of value as of June 1, 2025 (\$662,917,962). 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.

Combined Average Annual Debt Service Requirements (2026-2051) .....	\$4,853,381
Tax Rate of \$0.94 on the 2024 Certified Taxable Assessed Valuation.....	\$4,853,381
Tax Rate of \$0.77 on the Estimated Assessed Valuation as of June 1, 2025.....	\$4,853,381
Combined Maximum Annual Debt Service Requirements (2045) .....	\$5,581,895
Tax Rate of \$1.08 on the 2024 Certified Taxable Assessed Valuation .....	\$5,581,895
Tax Rate of \$0.89 on the Estimated Assessed Valuation as of June 1, 2025 .....	\$5,581,895

## Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions.

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

Set forth below is an estimation of all 2024 taxes per \$100 of assessed valuation levied by such jurisdictions upon taxable property located within the District in Collin County, Texas. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

<i>Collin County Taxing Jurisdictions</i>	<i>2024 Tax Rate</i>
Collin County	\$ 0.149343
Collin County Community College District	0.081220
Community Independent School District	1.255200
The District	<u>0.950000</u>
Total Tax Rate	\$ 2.435763



Set forth below is an estimation of all 2024 taxes per \$100 of assessed valuation levied by such jurisdictions upon taxable property located within the District in Hunt County, Texas. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

<i>Hunt County Taxing Jurisdictions</i>	<i>2024 Tax Rate</i>
Hunt County	\$ 0.323328
Hunt Memorial Hospital District	0.200362
Royse City Independent School District	1.255200
The District	<u>0.950000</u>
Total Tax Rate	\$ 2.728890

#### Historical Tax Collections

<i>Tax Year</i>	<i>Assessed Valuation</i>	<i>Tax Rate / \$100</i>	<i>Adjusted Levy</i>	<i>% Collected Current Year</i>	<i>Current Year Ending 9/30</i>	<i>% Collected as of 6/1/25</i>
2019	\$ 22,238,976	1.000	\$ 222,390	100.00	2020	100.00
2020	68,980,799	1.000	689,808	100.00	2021	100.00
2021	153,149,774	1.000	1,531,498	100.00	2022	100.00
2022	307,432,636	1.000	3,074,326	100.00	2023	100.00
2023	450,270,668	0.950	4,277,571	100.00	2024	100.00
2024	542,636,367	0.950	5,155,045	100.00	2025	100.00

#### Tax Rate Distribution

	<i>2024</i>	<i>2023</i>	<i>2022</i>	<i>2021</i>	<i>2020</i>	<i>2019</i>
Debt Service	\$ 0.8200	\$ 0.7500	\$ 0.7300	\$ 0.7100	\$ 0.7500	\$ 0.2500
Maintenance & Operation	<u>0.1300</u>	<u>0.2000</u>	<u>0.2700</u>	<u>0.2900</u>	<u>0.2500</u>	<u>0.7500</u>
Total	\$ 0.9500	\$ 0.9500	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000

## Taxable Assessed Valuation Summary

The following represents the type of property comprising the 2020 through 2024 tax rolls as certified by the Appraisal Districts.

### COLLIN COUNTY

<i>Type of Property</i>	<i>2024 Assessed Valuation</i>	<i>2023 Assessed Valuation</i>	<i>2022 Assessed Valuation</i>	<i>2021 Assessed Valuation</i>	<i>2020 Assessed Valuation</i>
Land	\$ 148,386,009	\$ 120,510,911	\$ 105,271,739	\$ 72,907,742	\$ 31,820,621
Improvements	322,601,647	316,651,170	229,789,793	84,051,949	37,873,122
Personal Property	600,108	364,704	231,616	136,419	611,152
Productivity Loss	(218,299)	(167,768)	(134,108)	(748,444)	(662,924)
Exemptions	<u>(44,632,418)</u>	<u>(61,506,517)</u>	<u>(38,797,462)</u>	<u>(4,239,522)</u>	<u>(1,480,772)</u>
Total	\$ 426,737,047	\$ 375,852,500	\$ 296,361,578	\$ 152,108,144	\$ 68,161,199

### HUNT COUNTY

<i>Type of Property</i>	<i>2024 Assessed Valuation</i>	<i>2023 Assessed Valuation</i>	<i>2022 Assessed Valuation</i>	<i>2021 Assessed Valuation</i>	<i>2020 Assessed Valuation</i>
Land	\$ 23,020,520	\$ 22,984,590	\$ 10,451,030	\$ 1,041,630	\$ 819,600
Improvements	94,779,108	52,535,790	1,191,788	--	--
Personal Property	350	--	--	--	--
Productivity Loss	--	--	--	--	--
Exemptions	<u>(1,900,658)</u>	<u>(1,102,212)</u>	<u>(571,760)</u>	<u>--</u>	<u>--</u>
Total	\$ 115,899,320	\$ 74,418,168	\$ 11,071,058	\$ 1,041,630	\$ 819,600

### COMBINED COUNTIES

<i>Type of Property</i>	<i>2024 Assessed Valuation</i>	<i>2023 Assessed Valuation</i>	<i>2022 Assessed Valuation</i>	<i>2021 Assessed Valuation</i>	<i>2020 Assessed Valuation</i>
Land	\$ 171,406,529	\$ 143,495,501	\$ 115,722,769	\$ 73,949,372	\$ 32,640,221
Improvements	417,380,755	369,186,960	230,981,581	84,051,949	37,873,122
Personal Property	600,458	364,704	231,616	136,419	611,152
Exemptions	<u>(46,751,375)</u>	<u>(62,776,497)</u>	<u>(39,503,330)</u>	<u>(4,987,966)</u>	<u>(2,143,696)</u>
Total	\$ 542,636,367	\$ 450,270,668	\$ 307,432,636	\$ 153,149,774	\$ 68,980,799

## Principal Taxpayers

The following table shows the top taxpayers within the District based on the 2024 tax roll as certified by the Appraisal Districts.

### COLLIN COUNTY

<i><b>Taxpayer</b></i>	<i><b>Type of Property</b></i>	<i><b>Assessed Valuation 2024 Tax Roll</b></i>	<i><b>Percent of District Value</b></i>
D.R. Horton -Texas LTD <sup>(a)</sup>	Land & Improvements	\$19,954,916	6.73%
Bloomfield Homes LP	Land & Improvements	3,724,200	1.26
BC Waverly Estates LLC	Land & Improvements	2,826,000	0.95
FKH SFR LP	Land & Improvements	2,583,411	0.87
Homeowner	Land & Improvements	628,118	0.21
Homeowner	Land & Improvements	625,713	0.21
Commercial Acquisitions LLC	Land & Improvements	583,254	0.20
Homeowner	Land & Improvements	543,221	0.18
Homeowner	Land & Improvements	375,229	0.13
Homeowner	Land & Improvements	<u>367,905</u>	<u>0.12</u>
Total		\$32,211,967	10.87%

<sup>(a)</sup> See "THE DEVELOPER AND PRINCIPAL LANDOWNER."

### HUNT COUNTY

<i><b>Taxpayer</b></i>	<i><b>Type of Property</b></i>	<i><b>Assessed Valuation 2024 Tax Roll</b></i>	<i><b>Percent of District Value</b></i>
D.R. Horton -Texas LTD <sup>(a)</sup>	Land & Improvements	\$ 2,825,130	25.52%
HNG Consulting LLC	Land & Improvements	350,920	3.17
Homeowner	Land & Improvements	345,100	3.12
Homeowner	Land & Improvements	343,410	3.10
Homeowner	Land & Improvements	340,390	3.07
Homeowner	Land & Improvements	339,000	3.06
Homeowner	Land & Improvements	336,940	3.04
Homeowner	Land & Improvements	336,680	3.04
Homeowner	Land & Improvements	336,060	3.04
Homeowner	Land & Improvements	<u>329,930</u>	<u>2.98</u>
Total		\$ 5,883,560	53.14%

<sup>(a)</sup> See "THE DEVELOPER AND PRINCIPAL LANDOWNER."

## COMBINED COUNTIES

<i>Taxpayer</i>	<i>Type of Property</i>	<i>Assessed Valuation 2023 Tax Roll</i>	<i>Percent of District Value</i>
D.R. Horton -Texas LTD <sup>(a)</sup>	Land & Improvements	\$22,780,046	7.41%
Bloomfield Homes LP	Land & Improvements	3,724,200	1.21
BC Waverly Estates LLC	Land & Improvements	2,826,000	0.92
FKH SFR LP	Land & Improvements	2,583,411	0.84
Homeowner	Land & Improvements	628,118	0.20
Homeowner	Land & Improvements	625,713	0.20
Commercial Acquisitions LLC	Land & Improvements	583,254	0.19
Homeowner	Land & Improvements	543,221	0.18
Homeowner	Land & Improvements	375,229	0.12
Homeowner	Land & Improvements	<u>367,905</u>	<u>0.12</u>
Total		\$35,037,097	10.79%

<sup>(a)</sup> See "THE DEVELOPER AND PRINCIPAL LANDOWNER."

## RISK FACTORS

### General

The Utility Bonds and the Road Bonds, which are obligations of the District and not of the State of Texas, Collin County, Texas, Hunt County, Texas, the City of Josephine, Texas, or any political subdivision other than the District, will each be secured by a separate continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. Therefore, the ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. See "DEVELOPMENT OF THE DISTRICT," "TAX DATA," and "TAXING PROCEDURES."

### Factors Affecting Taxable Values and Tax Payments

***Risks of Real Estate Secured Investments Generally.*** The owners of the Bonds will be subject to the risks generally incident to an investment secured by real estate, including, without limitation: (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of residential property or buildings and/or sites in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; (iii) natural disasters (including, without limitation, earthquakes, wildfires and floods), which may result in uninsured losses; (iv) adverse changes in local market conditions; and (v) increased delinquencies due to rising mortgage costs and other factors. No assurance can be given that the property owners within the District will make full and timely payments of taxes levied against their property by the District and similar taxing authorities in the future.

***Economic Factors:*** The rate of development of the District is directly related to the vitality of the residential housing industry in the Dallas/Fort Worth metropolitan area. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand.

Decreased levels of home construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development or home construction in the District.

***Developer and Principal Landowners:*** There is no commitment by, or legal requirement of, the Developer, the principal landowners within the District, or any other landowner in the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any homebuilder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "DEVELOPMENT OF THE DISTRICT," "THE DEVELOPER AND PRINCIPAL LANDOWNER," and "TAX DATA — Principal Taxpayers."

***Dependence on Principal Taxpayers:*** The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. As illustrated in this Official Statement under the caption "TAX DATA — Principal Taxpayers," for the 2024 tax year, the Developer was the District's top taxpayer for the 2023 tax year and owned taxable property representing approximately 7.41% of the District's total taxable assessed valuation. As of May 1, 2025, the Developer has sold and closed 2,216 homes to individual homeowners within the District. See "THE DEVELOPER AND PRINCIPAL LANDOWNER." In the event that the Developer, any other taxpayer, or any combination of taxpayers should default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Orders to maintain any specified amount of surplus in its interest and sinking fund. See "TAX DATA — Principal Taxpayers" and "TAXING PROCEDURES — Levy and Collection of Taxes."

***Maximum Impact on District Tax Rates:*** Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2024 Certified Taxable Assessed Valuation of all taxable property located within the District is \$542,636,367 and the District's Estimated Assessed Valuation as of June 1, 2025, is \$662,917,962. See "TAX DATA."

After issuance of the Bonds, the maximum annual debt service requirement on the Bonds and the Outstanding Bonds is \$5,581,895 (2045), and the average annual debt service requirement the Bonds and the Outstanding Bonds is \$4,815,881 (2026-2051). Assuming no decrease to the District's 2024 Certified Taxable Assessed Valuation, tax rates of \$1.08 and \$0.94 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 of the Bonds and the Outstanding Bonds. Assuming no decrease from the District's Estimated Assessed Valuation, tax rates of \$0.89 and \$0.77 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively, of the Bonds and the Outstanding Bonds.

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

For the 2024 tax year, the District levied a total tax rate of \$0.950 per \$100 taxable assessed valuation, consisting of \$0.530 per \$100 taxable assessed valuation for debt service on the Outstanding Utility Bonds, \$0.290 per \$100 taxable assessed valuation for debt service on the Outstanding Road Bonds and \$0.130 per \$100 taxable assessed valuation for maintenance and operations. Upon closing and delivery of the Bonds, 12 months of capitalized interest on the Utility Bonds will be deposited into the District's Utility Bond Debt Service Fund

and 12 months of capitalized interest on the Road Bonds will be deposited into the District's Road Bond Debt Service Fund. See the caption "THE BONDS—Bond Debt Service Funds." The District is authorized to levy separate debt service taxes, both of which unlimited as to rate or amount, for road debt and utility debt. 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.

### **Disasters, Climate Change, Cybersecurity Threats and Other Potential Events**

**Disasters.** In the event of a fire, flood, hurricane, tropical storm, tornado, earthquake, natural disaster, act of terrorism or other cause severely damaging property or infrastructure within the District, there can be no assurance that such property or infrastructure will be rebuilt. In such case, completion of the development within the District or property values for existing property which has been developed could be adversely affected. There can be no assurance that insurance will be properly maintained with adequate coverage or that insurance proceeds will be sufficient or even available to repair or rebuild properties. The restoration of properties may be delayed by other factors, or the terms of then-applicable mortgage financing could require the application of insurance proceeds to the reduction of mortgage balances rather than the reconstruction or restoration of damaged facilities. Any of the foregoing circumstances could result in a delay in completion of the development of property within the District or have an adverse impact on property values within the District. Moreover, due to increases of the occurrence of natural disasters in the United States, certain insurance companies providing homeowners insurance have either increased policy premiums or discontinued offering homeowners insurance all together in some locations. Increases in homeowners insurance premiums or difficulty in obtaining homeowners insurance all together within the District could impact the Developer's ability to complete and sell homes within the District or affect property owners' ability and willingness to pay property taxes when due.

**Climate Change.** Numerous studies have described changing weather patterns and the potential for increasing extreme weather events. Property within the District may be vulnerable to flooding, including stormwater flooding, extreme fluctuations in weather temperature, tornadoes and other damaging winds and other severe weather conditions. The timing, extent or severity of climate change and its impact on the property within the District cannot be predicted.

**Cybersecurity Threats.** Increasingly, governmental entities (such as the District, Collin County, Hunt County and the State) and private businesses (such as the Developer, as well as contractors, consultants, and other parties critical to the successful development of a project) are targeted by cyberattacks seeking to obtain confidential data, disrupt critical services or seek funds or compensation (ransom) for release of data and systems. A rapidly changing cyber risk landscape may introduce new vulnerabilities that attackers and/or hackers can exploit in attempts to effect breaches or service disruptions. Employee error and/or malfeasance may also contribute to data loss or other system disruptions. Any such breach could compromise networks and the confidentiality, integrity and availability of systems and the information stored there. The potential disruption, access, modification, disclosure or destruction of data (whether to the District, Collin County, Hunt County, the State, the Developer, or any other parties) could result in delays in development or the application of taxes to the redemption or payment of the Bonds.

### **Competitive Nature of Residential Housing Market**

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

## **Operating Funds**

The District's only source of operating revenue is funds from the Developer, property taxes and increased maintenance tax revenue. The District does not collect water or wastewater revenues from its residents. Maintenance of positive general fund balance will depend upon (1) cash subsidies from the Developer and (2) continued development and increased amounts of wastewater revenue and maintenance tax revenue. If funds from these sources are not forthcoming, the District would have to increase its sewer rate and/or maintenance tax rate.

## **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, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within two years of foreclosure for residential homestead and agricultural use property and within six months of foreclosure for other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayer's right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

## **Registered Owners' Remedies and Bankruptcy**

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners (hereinafter defined) have a right to seek a writ of mandamus requiring the District to levy sufficient taxes each year to make such payments. Except for mandamus, the Bond 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. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners may be limited further by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

## **Marketability**

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

the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold, or traded in the secondary market. See “SALE AND DISTRIBUTION OF THE BONDS.”

### **Future Debt**

The District’s voters have authorized the District’s issuance of \$131,440,000 principal amount of unlimited tax utility bonds for the purpose of acquiring or constructing the Utility System; \$197,160,000 principal amount of unlimited tax utility bonds for the purpose of refunding bonds issued by the District for the Utility System; \$114,730,000 bonds for the purpose of constructing or acquiring the Road System; and \$172,095,000 principal amount of unlimited tax utility bonds for the purpose of refunding bonds issued by the District for the Road System; and could authorize additional amounts.

The Utility Bonds are the fourth series of bonds issued by the District for the Utility System and the Road Bonds are the fifth series of bonds issued for the Road System. Following the issuance of the Bonds, the District has the right to issue remaining authorized but unissued unlimited tax utility bonds as follows: \$81,205,000 principal amount for acquiring or constructing the Utility System; and \$197,160,000 principal amount for the refunding of bonds issued by the District for the Utility System; \$79,580,000 principal amount for acquiring or constructing the Road System; \$172,095,000 principal amount for the refunding of bonds issued for the Road System.

The Bond Orders impose no limitation on the amount of additional parity bonds that may be issued by the District, if authorized by the District’s voters and, in the case of bonds for the Utility System, approved by the TCEQ. The District’s issuance of the remaining \$81,205,000 principal amount of unlimited tax bonds for the Utility System shall be subject to prior approval by the TCEQ. The \$79,580,000 principal amount of unlimited tax bonds for acquiring or constructing the Road System is not subject to approval by the TCEQ.

Following the reimbursement with the proceeds of the Bonds, the District will owe the Developer approximately \$28 million for expenditures to construct the Utility System and the Road System. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-to-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

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

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

### **Environmental Regulations**

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

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



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

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

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

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

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

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the DFW Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the DFW Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the DFW Area to reach attainment with the ozone standards by the EPA’s attainment deadlines. These additional controls could have a negative impact on the DFW Area’s economic growth and development. As a result of the DFW Area’s reclassification, the TCEQ must submit revisions of the SIP to the EPA no later than January 1, 2023, addressing the “moderate” nonattainment classification and by May 2024 addressing the “severe” nonattainment classification.

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

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

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

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

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

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

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

## **Approval of the Bonds**

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

## **Changes in Tax Legislation**

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

## **Risks Associated with Bond Insurance**

In the event that the District defaults in the payment of principal of or interest on the Bonds when due, the owners of the Bonds will have a claim under the Policies for such payments. See the caption “BOND INSURANCE.” In the event that the Insurer becomes obligated to make payments with respect to the Bonds, no assurance can be given that such event will not adversely affect the market for the Bonds. In the event that the Insurer is unable to make payment of principal of and interest on the Bonds when due under the Policies, the Bonds will be payable solely from the moneys received pursuant to the Bond Orders, as described under the caption “THE BONDS.”

The obligations of the Insurer are contractual obligations and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

The long-term rating on the Bonds is dependent in part on the financial strength of the Insurer and its claims-paying ability. The Insurer’s financial strength and claims-paying ability are predicated upon a number of factors which could change over time. If the long-term ratings of the Insurer are lowered, such event could adversely affect the market for the Bonds. See the caption “RATINGS.”

Neither the District nor the Initial Purchasers have made an independent investigation of the claims-paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is being made by the District or the Initial Purchasers in this Official Statement. Therefore, when making an investment decision with respect to the Bonds, potential investors should carefully consider the ability of the District to pay principal of and interest on the Bonds when due, assuming that the Policies are not available for that purpose, and the claims-paying ability of the Insurer through final maturity of the Bonds.

So long as the Insurance Policies remains in effect and the Insurer is not in default of its obligations thereunder, the Insurer has certain notice, consent and other rights under the Indenture and will have the right to control all remedies for default under the Bond Orders. The Insurer is not required to obtain the consent of the Registered Owners of the Bonds with respect to the exercise of remedies.

## **LEGAL MATTERS**

### **Legal Opinions**

The District will furnish to the Initial Purchasers a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinions of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined transcripts of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The District will also furnish the approving legal opinions of Coats Rose, P.C., Dallas, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to

the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See “TAX MATTERS” below. The legal opinions of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. Bond Counsel’s opinion will also address the matters described below. Set forth in Appendix B are the forms of opinion of Bond Counsel expected to be delivered in connection with the issuance of the Bonds.

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

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

### **Legal Review**

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

### **No-Litigation Certificate**

The District will furnish the Initial Purchasers a certificate, executed by the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

### **No Material Adverse Change**

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

## **TAX MATTERS**

### **Tax Exemption**

On the date of delivery of the Bonds, Coats Rose, P.C., Dallas, Texas, Bond Counsel, will render its opinions that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof, except that such interest is taken into account in determining the annual adjusted financial statement of income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”)) for the purpose of determining the alternative minimum tax imposed on corporations, and (2) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Code. 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. Set forth in Appendix B are the forms of opinion of Bond Counsel expected to be delivered in connection with the issuance of the Bonds.

In rendering its opinions, 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 opinions of Bond Counsel are 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 opinions represent its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel’s opinions are 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.

Rulings were 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 opinions 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 Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

### **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.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, 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 individuals allowed an earned income credit. THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC 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.

### **Tax Accounting Treatment of Original Issue Discount and Premium Bonds**

The initial public offering price to be paid for one or more maturities of the Bonds is less than the principal amount thereof, or one or more periods for the payment of interest on the Bonds may not be equal to the accrued period or is in excess of one year (the “Original Issue Discount Bonds”). 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 constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. 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, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. See “— Tax Exemption” herein for a discussion of certain collateral federal tax consequences.

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 amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. ALL OWNERS OF ORIGINAL ISSUE DISCOUNT BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION FOR FEDERAL, STATE AND LOCAL INCOME TAX PURPOSES OF INTEREST ACCRUED UPON REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH 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.

The initial public offering price to be paid for certain maturities of the Bonds may be greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. PURCHASERS OF THE PREMIUM BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION OF AMORTIZABLE BOND PREMIUM WITH RESPECT TO THE PREMIUM BONDS FOR FEDERAL INCOME TAX PURPOSES AND WITH RESPECT TO THE STATE AND LOCAL TAX CONSEQUENCES OF OWNING PREMIUM BONDS.

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

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

The District, pursuant to the Bond Orders, has designated the Bonds “qualified tax-exempt obligations.”

## **CONTINUING DISCLOSURE OF INFORMATION**

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

Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when and if the audit report becomes available. The District’s current fiscal year end is June 30. Accordingly, it must provide updated information by the last day in December 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 specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR §240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a debt obligation or derivative instrument entered into in connection with, or pledged as security or source of payment for, an existing or planned debt obligation of the District, or a guarantee of any such debt obligation or derivative instrument, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the District, any of which affect security holders, if material; and



(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the District, any of which reflect financial difficulties. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

### **Availability of Information from EMMA**

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

### **Limitations and Amendments**

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement, or from any statement made pursuant to its agreement, although holders and beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement. The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

### **Compliance With Prior Continuing Disclosure Undertakings**

The District entered into its first continuing disclosure agreement pursuant to SEC Rule 15c2-12 in connection with its first bond issue in 2019. Thereafter, the District has complied in all material respects with its continuing disclosure agreement made in accordance with SEC Rule 15c2-12.

## **OFFICIAL STATEMENT**

### **General**

The information contained in this Official Statement has been obtained primarily from the Developer, the District’s records, the Engineer, the Tax Assessor/Collector, the Appraisal Districts, 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 June 30, 2024 were audited by Mark C. Eyring, CPA, PLLC (the "Auditor"). A copy of such audited financial statements, together with the Auditor's management letter, is attached hereto as Appendix A. The Auditor has consented to the publication of such financial statements in this Official Statement.

### **Experts**

The information contained in this Official Statement relating to development and the status of development within the District generally and, in particular, the information in the section captioned "THE DEVELOPER AND PRINCIPAL LANDOWNER" 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, in particular, that engineering information included in the sections entitled "THE BONDS — Use and Distribution of Bond Proceeds," "THE DISTRICT—Description," "DEVELOPMENT OF THE DISTRICT—Status of Development within the District," "THE ROAD SYSTEM," and "THE UTILITY SYSTEM" has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

### **Certification as to Official Statement**

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

### **Updating of Official Statement**

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser

notifies the District in writing on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

### **CONCLUDING STATEMENT**

The information set forth herein has been obtained from the District's records, audited financial statements and other sources 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 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 Magnolia Pointe Municipal Utility District No. 1 as of the date shown on the cover page hereof.

/s/ Micah Phelps  
President, Board of Directors  
Magnolia Pointe Municipal Utility District No. 1

ATTEST:

/s/ Brandon Ledbetter  
Secretary, Board of Directors  
Magnolia Pointe Municipal Utility District No. 1

**APPENDIX A**  
**FINANCIAL STATEMENTS OF THE DISTRICT**

MAGNOLIA POINTE MUNICIPAL UTILITY DISTRICT NO. 1  
COLLIN AND HUNT COUNTIES, TEXAS  
ANNUAL AUDIT REPORT  
JUNE 30, 2024

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# Mark C. Eyring, CPA, PLLC

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

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October 7, 2024

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Magnolia Pointe Municipal  
Utility District No. 1  
Collin and Hunt Counties, 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 Magnolia Pointe Municipal Utility District No. 1 as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Magnolia Pointe Municipal Utility District No. 1's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Magnolia Pointe Municipal Utility District No. 1, as of June 30, 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 Magnolia Pointe Municipal Utility District No. 1, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

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

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

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

## INDEPENDENT AUDITOR'S REPORT (Continued)

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

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

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

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

### **Required Supplementary Information**

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



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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Magnolia Pointe Municipal Utility District No. 1's basic financial statements. The supplementary information on Pages 21 to 39 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. J.", is positioned in the lower right area of the page.

## Management's Discussion and Analysis

### Using this Annual Report

Within this section of the Magnolia Pointe Municipal Utility District No. 1 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended June 30, 2024.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by 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 sewer, drainage and road 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 for water, sewer, drainage and road systems from this fund are subject to the Rules of the Texas Commission on Environmental Quality and/or the Bond Orders. 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 service revenues 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, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities, and management does not believe that depreciation expense is relevant to the management of the District. 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	\$ 7,429,759	\$ 4,265,418	\$ 3,164,341
Capital assets	45,193,156	43,638,803	1,554,353
Total assets	<u>52,622,915</u>	<u>47,904,221</u>	<u>4,718,694</u>
Long-term liabilities	96,938,077	79,920,514	17,017,563
Other liabilities	1,684,005	936,467	747,538
Total liabilities	<u>98,622,082</u>	<u>80,856,981</u>	<u>17,765,101</u>
Net position:			
Invested in capital assets, net of related debt	(52,299,903)	(36,227,910)	(16,071,993)
Restricted	5,423,279	3,028,959	2,394,320
Unrestricted	877,457	246,191	631,266
Total net position	<u>\$ (45,999,167)</u>	<u>\$ (32,952,760)</u>	<u>\$ (13,046,407)</u>

Summary of Changes in Net Position

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 4,271,927	\$ 3,082,645	\$ 1,189,282
Other	229,771	50,357	179,414
Total revenues	<u>4,501,698</u>	<u>3,133,002</u>	<u>1,368,696</u>
Expenses:			
Service operations and capital outlay	15,199,367	9,651,062	5,548,305
Debt service	2,348,738	1,446,477	902,261
Total expenses	<u>17,548,105</u>	<u>11,097,539</u>	<u>6,450,566</u>
Change in net position	(13,046,407)	(7,964,537)	(5,081,870)
Net position, beginning of year	<u>(32,952,760)</u>	<u>(24,988,223)</u>	<u>(7,964,537)</u>
Net position, end of year	<u>\$ (45,999,167)</u>	<u>\$ (32,952,760)</u>	<u>\$ (13,046,407)</u>

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

The District's combined fund balances as of the end of the fiscal year ended June 30, 2024, were \$7,368,984, an increase of \$3,169,523 from the prior year.

The General Fund balance increased by \$637,029, in accordance with the District's financial plan.

The Debt Service Fund balance increased by \$1,917,194, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by \$615,300, as the proceeds from the District's Series 2023 utility bonds and interest earnings on deposits exceeded authorized expenditures.

### *General Fund Budgetary Highlights*

The Board of Directors did not amend the budget during the fiscal year. 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 20 of this report. The budgetary fund balance as of June 30, 2024, was expected to be \$1,557,247 and the actual end of year fund balance was \$1,624,486.

### **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>
Construction in progress	<u>\$ 45,193,156</u>	<u>\$ 43,638,803</u>	<u>\$ 1,554,353</u>

Changes to capital assets during the fiscal year ended June 30, 2024, are summarized as follows:

Additions:	
Utilities and roads constructed by developer	\$ 14,260,193
Decreases:	
Utilities transferred to other entities	<u>(12,705,840)</u>
Net change to capital assets	<u>\$ 1,554,353</u>

#### *Debt*

Subsequent to June 30, 2024, the district sold its \$20,000,000 Series 2024 unlimited tax utility bonds and \$5,250,000 Series 2024 unlimited tax road bonds on September 17, 2024.

Changes in the bonded debt position of the District during the fiscal year ended June 30, 2024, are summarized as follows:

Bonded debt payable, beginning of year	\$ 36,830,000
Bonds sold	17,100,000
Bonds paid	<u>(745,000)</u>
Bonded debt payable, end of year	<u>\$ 53,185,000</u>

At June 30, 2024, the District had \$103,730,000 unlimited tax bonds authorized but unissued for water, sanitary sewer and drainage purposes and \$88,105,000 for road purposes authorized but unissued.

The District's Series 2020 and 2022 bonds are insured by Build America Mutual Assurance Company and the Series 2021 and 2023 bonds are insured by Assured Guaranty Municipal Corp. The insured rating of the Series 2020, 2021, 2022 and 2023 bonds is AA by Standard & Poor's. The Series 2019 bonds are not rated or insured. There were no changes in the bond ratings during the fiscal year ended June 30, 2024.

As further described in Note 5 of the notes to the financial statements, the developer within the District has advanced funds to the District to cover initial operating deficits. As of June 30, 2024, the cumulative amount of developer advances for this purpose was \$751,538.

As further described in Note 5 of the notes to the financial statements, the developer within the District is constructing roads and water, sewer and drainage facilities 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. At June 30, 2024, the estimated amount due to the developer was \$45,193,156.

## **ADDITIONAL RELEVANT FACTORS**

### *Property Tax Base*

The District's tax base increased approximately \$81,330,000 for the 2023 tax year primarily due to the addition of new homes and property to the tax base.

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

### *Relationship to the City of Josephine*

The District lies wholly within the extraterritorial jurisdiction of the City of Josephine (the "City") and obtains water, sewer and drainage service from the City. On June 15, 2015, the developer (and subsequently the District) entered into an agreement (the "Agreement") with the City, to provide a water distribution system, sanitary sewer collection and treatment system and a drainage system (the "System") to serve the area within the District. In consideration of the District's acquiring and constructing the System on behalf of the City, the City agreed, pursuant to the terms and conditions of the Agreement, to own, operate and maintain the System.

Under existing Texas law, because the District lies wholly within the extraterritorial jurisdiction of the City, the District may be annexed by the City. If the District is annexed, the City will assume the District's assets and obligations (including the bonded indebtedness) and dissolve the District within ninety (90) days.

MAGNOLIA POINTE MUNICIPAL UTILITY DISTRICT NO. 1

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2024

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
<b>ASSETS</b>						
Cash, including interest-bearing accounts, Note 7	\$ 4,477	\$ 62,102	\$ 72,466	\$ 139,045	\$	\$ 139,045
Certificates of deposit, at cost, Note 7		245,000		245,000		245,000
Temporary investments, at cost, Note 7	1,714,677	4,589,736	721,611	7,026,024		7,026,024
Receivables:						
Property taxes	4,509	10,533		15,042		15,042
Accrued interest		4,648		4,648		4,648
Maintenance taxes collected not yet transferred from other fund	46,250			46,250	(46,250)	0
Due from other fund		104,688		104,688	(104,688)	0
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	45,193,156	45,193,156
<b>Total assets</b>	<u>\$1,769,913</u>	<u>\$5,016,707</u>	<u>\$ 794,077</u>	<u>\$ 7,580,697</u>	<u>45,042,218</u>	<u>52,622,915</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 36,230	\$ 9,503		\$ 45,733		45,733
Accrued interest payable				0	331,752	331,752
Maintenance taxes collected not yet transferred to other fund		46,250		46,250	(46,250)	0
Due to other fund	104,688			104,688	(104,688)	0
Long-term liabilities, Note 5:						
Due within one year				0	1,306,520	1,306,520
Due in more than one year				0	96,938,077	96,938,077
<b>Total liabilities</b>	<u>140,918</u>	<u>55,753</u>	<u>0</u>	<u>196,671</u>	<u>98,425,411</u>	<u>98,622,082</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property tax revenues	<u>4,509</u>	<u>10,533</u>	<u>0</u>	<u>15,042</u>	<u>(15,042)</u>	<u>0</u>
<b>FUND BALANCES / NET POSITION</b>						
Fund balances:						
Restricted for bond interest, Note 5		385,166		385,166	(385,166)	0
Assigned to:						
Debt service		4,565,255		4,565,255	(4,565,255)	0
Capital projects			794,077	794,077	(794,077)	0
Unassigned	<u>1,624,486</u>			<u>1,624,486</u>	<u>(1,624,486)</u>	<u>0</u>
<b>Total fund balances</b>	<u>1,624,486</u>	<u>4,950,421</u>	<u>794,077</u>	<u>7,368,984</u>	<u>(6,983,818)</u>	<u>385,166</u>
<b>Total liabilities, deferred inflows, and fund balances</b>	<u>\$1,769,913</u>	<u>\$5,016,707</u>	<u>\$ 794,077</u>	<u>\$ 7,580,697</u>		
Net position:						
Invested in capital assets, net of related debt, Note 4					(52,299,903)	(52,299,903)
Restricted for debt service					4,629,202	4,629,202
Restricted for capital projects					794,077	794,077
Unrestricted, Note 5					877,457	877,457
<b>Total net position</b>					<u>\$ (45,999,167)</u>	<u>\$(45,999,167)</u>

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

MAGNOLIA POINTE MUNICIPAL UTILITY DISTRICT NO. 1

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

FOR THE YEAR ENDED JUNE 30, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
<b>REVENUES</b>						
Property taxes	\$ 901,314	\$ 3,374,434	\$	\$ 4,275,748	\$ (19,087)	\$ 4,256,661
Penalty and interest	52,917	15,266		68,183		68,183
Interest on deposits		152,715	24,139	176,854		176,854
Total revenues	954,231	3,542,415	24,139	4,520,785	(19,087)	4,501,698
<b>EXPENDITURES / EXPENSES</b>						
Administrative expenditures:						
Professional fees	109,906	5,585		115,491		115,491
Contracted services	10,255	31,532		41,787		41,787
Utilities	58,058			58,058		58,058
Emergency services	123,414			123,414		123,414
Administrative expenditures	15,569			15,569		15,569
Capital outlay / non-capital outlay			12,725,594	12,725,594		12,725,594
Debt service:						
Principal retirement		745,000		745,000	(745,000)	0
Bond issuance costs			542,804	542,804		542,804
Interest		1,622,091	2,119,454	3,741,545	183,843	3,925,388
Total expenditures / expenses	317,202	2,404,208	15,387,852	18,109,262	(561,157)	17,548,105
Excess (deficiency) of revenues over expenditures	637,029	1,138,207	(15,363,713)	(13,588,477)	542,070	(13,046,407)
<b>OTHER FINANCING SOURCES (USES)</b>						
Bonds issued, Note 5		1,120,987	15,979,013	17,100,000	(17,100,000)	0
Bond issuance discounts, Note 5		(342,000)		(342,000)	342,000	0
Total other financing sources (uses)	0	778,987	15,979,013	16,758,000	(16,758,000)	0
Net change in fund balances / net position	637,029	1,917,194	615,300	3,169,523	(16,215,930)	(13,046,407)
Beginning of year	987,457	3,033,227	178,777	4,199,461	(37,152,221)	(32,952,760)
End of year	\$ 1,624,486	\$ 4,950,421	\$ 794,077	\$ 7,368,984	\$ (53,368,151)	\$ (45,999,167)

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



MAGNOLIA POINTE MUNICIPAL UTILITY DISTRICT NO. 1NOTES TO THE FINANCIAL STATEMENTSJUNE 30, 2024

## NOTE 1: REPORTING ENTITY

Magnolia Pointe Municipal Utility District No. 1 (the "District") was created on September 1, 2015 as Double R Municipal Utility District No. 1 by Act of the 84<sup>th</sup> Texas Legislature, Regular Session, as a municipal utility district. The District operates in accordance with Texas Water Code Chapters 49 and 54, as amended, Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution and Chapter 7955 of the Texas Special District Local Laws Code. The District is located within the extra territorial jurisdiction of the City of Josephine and within Collin and Hunt Counties, Texas. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on April 7, 2016. The District is subject to the continuing supervision of the TCEQ with respect to water, wastewater and drainage. The District is empowered, among other things, to provide for water, wastewater, drainage and road facilities.

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 is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities. 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 and other 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 inflow of resources. 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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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
Roads	45 years

### 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, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures of the fund from which they are paid.

### 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		\$ 7,368,984
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		45,193,156
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	\$ (53,185,000)	
Issuance discount (to be amortized as interest expense)	885,097	
Due to developers for operating advances	(751,538)	
Due to developers for construction	<u>(45,193,156)</u>	(98,244,597)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Uncollected property taxes		15,042
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(331,752)</u>
Net position, end of year		<u>\$ (45,999,167)</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	\$ 3,169,523
The issuance of long-term debt 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	\$17,100,000)
Principal reduction	<u>745,000</u> (16,355,000)
The funds report the effect of bond 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	283,007
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	(19,087)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:	
Accrued interest	<u>(124,850)</u>
Change in net position	<u><u>\$13,046,407</u></u>

### NOTE 4: CAPITAL ASSETS

At June 30, 2024, "Invested in capital assets, net of related debt" was \$(52,299,903). This amount was negative primarily because, as further described in Note 9, under the terms of the agreement with the City of Josephine (the "City") the District transfers the ownership of certain capital assets constructed by the District to the City. Under the terms of the agreement, the District is to pay for construction of a water production and distribution system, a sanitary sewer collection and treatment system, a drainage system and roads to serve the District. The District shall be the owner of each phase of the construction of each system until such phase is completed and approved by the other entity, at which time ownership of such phase shall be transferred to the other entity. However, the District shall have a security interest therein until all bonds issued by the District pursuant to the respective agreement are retired.

Capital asset activity for the fiscal year ended June 30, 2024, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	\$ 43,638,803	\$ 14,279,947	\$ 12,725,594	\$ 45,193,156
Total capital assets not being depreciated	<u>43,638,803</u>	<u>14,279,947</u>	<u>12,725,594</u>	<u>45,193,156</u>
Total capital assets, net	<u>\$ 43,638,803</u>	<u>\$ 14,279,947</u>	<u>\$ 12,725,594</u>	<u>\$ 45,193,156</u>
Changes to capital assets:				
Increase in estimated value of developer construction		\$ 14,260,193	\$	
Capital outlay paid (decrease in liability) to developer		(12,705,840)		
Transfer of assets to other entities		<u>12,725,594</u>	<u>12,725,594</u>	
Net increases / decreases to capital assets		<u>\$ 14,279,947</u>	<u>\$ 12,725,594</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES**

Subsequent to June 30, 2024, the district sold its \$20,000,000 Series 2024 unlimited tax utility bonds and \$5,250,000 Series 2024 unlimited tax road bonds on September 17, 2024.

Long-term liability activity for the fiscal year ended June 30, 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	\$ 36,830,000	\$ 17,100,000	\$ 745,000	\$ 53,185,000	\$ 1,375,000
Add (less) deferred amounts:					
For issuance (discounts) premiums	<u>(602,090)</u>	<u>(342,000)</u>	<u>(58,993)</u>	<u>(885,097)</u>	<u>(68,480)</u>
Total bonds payable	<u>36,227,910</u>	<u>16,758,000</u>	<u>686,007</u>	<u>52,299,903</u>	<u>1,306,520</u>
Due to developers for operating advances (see below)	751,538			751,538	-----
Due to developers for construction (see below)	<u>43,638,803</u>	<u>14,260,193</u>	<u>12,705,840</u>	<u>45,193,156</u>	<u>-----</u>
Total due to developers	<u>44,390,341</u>	<u>14,260,193</u>	<u>12,705,840</u>	<u>45,944,694</u>	<u>0</u>
Total long-term liabilities	<u>\$ 80,618,251</u>	<u>\$ 31,018,193</u>	<u>\$ 13,391,847</u>	<u>\$ 98,244,597</u>	<u>\$ 1,306,520</u>

Water, sewer and drainage bonds voted	\$ 131,440,000
Water, sewer and drainage bonds approved for sale and sold	27,710,000
Water, sewer and drainage bonds voted and not issued	103,730,000

Road bonds voted	\$ 114,730,000
Road bonds approved for sale and sold	26,625,000
Road bonds voted and not issued	88,105,000

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

The bond issues payable at June 30, 2024, were as follows:

	<u>Series 2019</u>	<u>Series 2020</u>	<u>Series 2021</u>
Amounts outstanding, June 30, 2024	\$3,970,000	\$5,260,000	\$16,245,000
Interest rates	2.25% to 3.40%	2.00% to 4.50%	2.00% to 4.50%
Maturity dates, serially beginning/ending	September 1, 2024/2044	September 1, 2024/2045	September 1, 2024/2046
Interest payment dates	September 1/March 1	September 1/March 1	September 1/March 1
Callable dates	September 1, 2024*	September 1, 2025*	September 1, 2026*

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>Series 2022</u>	<u>Series 2023</u>
Amounts outstanding, June 30, 2024	\$10,610,000	\$17,100,000
Interest rates	4.25% to 6.75%	4.00% to 6.50%
Maturity dates, serially beginning/ending	September 1, 2024/2047	September 1, 2024/2048
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates	September 1, 2027*	September 1, 2028*

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

In accordance with the Series 2023 Bond Order, a portion of the bond proceeds was deposited into the debt service fund and reserved for the payment of bond interest. This bond interest reserve is reduced as the interest is paid. Transactions for the current year are summarized as follows:

12 months' interest from sale of Series 2023 bonds	\$ 778,987
Deduct appropriation for bond interest paid	<u>(393,821)</u>
Bond interest reserve, end of year	<u>\$ 385,166</u>

Developer Construction Commitments, Liabilities and Advances

The developer within the District has advanced funds to the District to cover initial operating deficits. At June 30, 2024, the cumulative amount of unreimbursed developer advances was \$751,538. These amounts have been recorded in the government-wide financial statements and in the schedules in Note 5. This amount has been recorded as a decrease in "Unrestricted net position" in the government-wide financial statements. Without this decrease, "Unrestricted net position" would have a balance of \$1,628,995.

The developer within the District has constructed certain underground facilities and roads 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 future bond issues to the extent approved by the Texas Commission on Environmental Quality. The District's engineer stated that unreimbursed cost of the construction in progress at June 30, 2024, was \$45,193,156. 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 Collin County Appraisal District and Hunt County Appraisal District have the responsibility for appraising property for all taxing units within the counties 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 \$1.00 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District. There is no tax limitation on the rate or amount of taxes that can be levied to pay debt service on water, wastewater, drainage and road bonds.

On September 15, 2023, the District levied the following ad valorem taxes for the 2023 tax year on the adjusted taxable valuation of \$375,087,401:

	<u>Rate</u>	<u>Amount</u>
Debt service, Utilities	\$ 0.4200	\$ 1,886,263
Debt service, Roads	0.3300	1,482,064
Maintenance	<u>0.2000</u>	<u>898,221</u>
	<u>\$ 0.9500</u>	<u>\$ 4,266,548</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	\$ 4,266,548
Appraisal district adjustments to prior year taxes	<u>(9,887)</u>
Statement of Activities property tax revenues	<u>\$ 4,256,661</u>

**NOTE 7: DEPOSITS**

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 TexCLASS, a private sector local government investment pool. TexCLASS 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 investments in TexCLASS was \$7,026,024.

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

Debt Service Fund

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

Cash	\$ 62,102
Certificates of deposit	245,000
Temporary investments	<u>4,589,736</u>
	<u>\$ 4,896,838</u>



NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital Projects Fund

For construction of capital assets:

Cash	\$ 72,466
Temporary investments	<u>721,611</u>
	<u>\$ 794,077</u>

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 two fiscal years. At June 30, 2024, the District had comprehensive general liability insurance coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general limit and consultant's crime coverage of \$10,000.

NOTE 9: AGREEMENT WITH THE CITY OF JOSEPHINE

The District lies wholly within the extraterritorial jurisdiction of the City of Josephine (the "City") and obtains water, sewer and drainage service from the City. On June 15, 2015, the developer (and subsequently the District) entered into an agreement (the "Agreement") with the City, to provide a water distribution system, sanitary sewer collection and treatment system and a drainage system (the "System") to serve the area within the District. In consideration of the District's acquiring and constructing the System on behalf of the City, the City agreed, pursuant to the terms and conditions of the Agreement, to own, operate and maintain the System.

MAGNOLIA POINTE MUNICIPAL UTILITY DISTRICT NO. 1

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

FOR THE YEAR ENDED JUNE 30, 2024

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Property taxes	\$ 810,750	\$ 810,750	\$ 901,314	\$ 90,564
Interest on deposits and investments	<u>4,000</u>	<u>4,000</u>	<u>52,917</u>	<u>48,917</u>
TOTAL REVENUES	<u>814,750</u>	<u>814,750</u>	<u>954,231</u>	<u>139,481</u>
EXPENDITURES				
Service operations:				
Professional fees	174,000	174,000	109,906	(64,094)
Contracted services	13,000	13,000	10,255	(2,745)
Utilities	40,000	40,000	58,058	18,058
Emergency services	0	0	123,414	123,414
Administrative expenditures	17,960	17,960	15,569	(2,391)
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL EXPENDITURES	<u>244,960</u>	<u>244,960</u>	<u>317,202</u>	<u>72,242</u>
EXCESS REVENUES (EXPENDITURES)	569,790	569,790	637,029	67,239
FUND BALANCE, BEGINNING OF YEAR	<u>987,457</u>	<u>987,457</u>	<u>987,457</u>	<u>0</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,557,247</u>	<u>\$ 1,557,247</u>	<u>\$ 1,624,486</u>	<u>\$ 67,239</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.

MAGNOLIA POINTE MUNICIPAL UTILITY DISTRICT NO. 1SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION  
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITYJUNE 30, 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

MAGNOLIA POINTE MUNICIPAL UTILITY DISTRICT NO. 1  
SCHEDULE OF SERVICES AND RATES  
JUNE 30, 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 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 checked="" 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 City of Josephine.</u>                                  |   |   |

2. Retail Service Providers

- a. Retail Rates for a 5/8" meter (or equivalent):  
Not Applicable. See Note 9 of the Notes to the Financial Statements.
- b. Water and Wastewater Retail Connections:  
Not Applicable. See Note 9 of the Notes to the Financial Statements.

3. Total Water Consumption during the Fiscal Year (rounded to thousands):  
Not Applicable. See Note 9 of the Notes to the Financial Statements.

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: \_\_\_\_\_

MAGNOLIA POINTE MUNICIPAL UTILITY DISTRICT NO. 1EXPENDITURESFOR THE YEAR ENDED JUNE 30, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>CURRENT</b>				
Professional fees:				
Auditing	\$ 8,500	\$	\$	8,500
Legal	60,677	5,585		66,262
Engineering	40,729			40,729
	<u>109,906</u>	<u>5,585</u>	<u>0</u>	<u>115,491</u>
Contracted services:				
Bookkeeping	10,255			10,255
Tax assessor-collector		5,480		5,480
Appraisal district		26,052		26,052
	<u>10,255</u>	<u>31,532</u>	<u>0</u>	<u>41,787</u>
Utilities	<u>58,058</u>	<u>0</u>	<u>0</u>	<u>58,058</u>
Emergency services	<u>123,414</u>	<u>0</u>	<u>0</u>	<u>123,414</u>
Administrative expenditures:				
Director's fees	8,619			8,619
Insurance	3,288			3,288
Other	3,662			3,662
	<u>15,569</u>	<u>0</u>	<u>0</u>	<u>15,569</u>
<b>CAPITAL OUTLAY</b>				
Authorized expenditures	<u>0</u>	<u>0</u>	<u>12,725,594</u>	<u>12,725,594</u>
<b>DEBT SERVICE</b>				
Principal retirement	<u>0</u>	<u>745,000</u>	<u>0</u>	<u>745,000</u>
Bond issuance expenditures	<u>0</u>	<u>0</u>	<u>542,804</u>	<u>542,804</u>
Interest and fees:				
Interest		1,620,291	2,119,454	3,739,745
Paying agent fees		1,800		1,800
	<u>0</u>	<u>1,622,091</u>	<u>2,119,454</u>	<u>3,741,545</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 317,202</u>	<u>\$ 2,404,208</u>	<u>\$ 15,387,852</u>	<u>\$ 18,109,262</u>

See accompanying independent auditor's report.

MAGNOLIA POINTE MUNICIPAL UTILITY DISTRICT NO. 1ANALYSIS OF CHANGES IN DEPOSITS  
ALL GOVERNMENTAL FUND TYPESFOR THE YEAR ENDED JUNE 30, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>SOURCES OF DEPOSITS</b>				
Cash receipts from revenues excluding maintenance taxes	\$ 52,917	\$ 3,541,668	\$ 24,139	\$ 3,618,724
Maintenance tax receipts		896,301		896,301
Transfer of maintenance taxes	976,216			976,216
Proceeds from sale of bonds		<u>778,987</u>	<u>15,979,013</u>	<u>16,758,000</u>
<b>TOTAL DEPOSITS PROVIDED</b>	<u>1,029,133</u>	<u>5,216,956</u>	<u>16,003,152</u>	<u>22,249,241</u>
<b>APPLICATIONS OF DEPOSITS</b>				
Cash disbursements for:				
Current expenditures	302,814	32,587		335,401
Capital outlay			12,725,594	12,725,594
Debt service		2,367,091	2,662,258	5,029,349
Transfer of maintenance taxes		<u>976,216</u>		<u>976,216</u>
<b>TOTAL DEPOSITS APPLIED</b>	<u>302,814</u>	<u>3,375,894</u>	<u>15,387,852</u>	<u>19,066,560</u>
<b>INCREASE (DECREASE) IN DEPOSITS</b>	726,319	1,841,062	615,300	3,182,681
<b>DEPOSITS BALANCES, BEGINNING OF YEAR</b>	<u>992,835</u>	<u>3,055,776</u>	<u>178,777</u>	<u>4,227,388</u>
<b>DEPOSITS BALANCES, END OF YEAR</b>	<u>\$ 1,719,154</u>	<u>\$ 4,896,838</u>	<u>\$ 794,077</u>	<u>\$ 7,410,069</u>

See accompanying independent auditor's report.

MAGNOLIA POINTE MUNICIPAL UTILITY DISTRICT NO. 1SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTSJUNE 30, 2024

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
Texas CLASS				
No. TX-01-1116-0001	Market	On demand	<u>\$ 1,714,677</u>	<u>\$ 0</u>
DEBT SERVICE FUND				
Certificates of Deposit				
No. 4963	5.41%	8/22/24	<u>\$ 245,000</u>	<u>\$ 4,648</u>
Texas CLASS				
No. TX-01-1116-0002	Market	On demand	<u>\$ 1,165,351</u>	<u>\$ 0</u>
No. TX-01-1116-0003	Market	On demand	<u>3,424,385</u>	<u>0</u>
			<u>\$ 4,589,736</u>	<u>\$ 0</u>
CAPITAL PROJECTS FUND				
Texas CLASS				
No. TX-01-1116-0004	Market	On demand	<u>\$ 602,954</u>	<u>\$ 0</u>
No. TX-01-1116-0005	Market	On demand	<u>118,657</u>	<u>0</u>
			<u>\$ 721,611</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 7,271,024</u>	<u>\$ 4,648</u>

See accompanying independent auditor's report.

MAGNOLIA POINTE MUNICIPAL UTILITY DISTRICT NO. 1

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED JUNE 30, 2024

	<u>Maintenance Taxes</u>	<u>Road Debt Service Taxes</u>	<u>Utility Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 10,272	\$ 16,879	\$ 6,978
Additions and corrections to prior year taxes	<u>(2,670)</u>	<u>(4,745)</u>	<u>(2,471)</u>
Adjusted receivable, beginning of year	7,602	12,134	4,507
2023 ADJUSTED TAX ROLL	<u>898,221</u>	<u>1,482,064</u>	<u>1,886,263</u>
Total to be accounted for	905,823	1,494,198	1,890,770
Tax collections: Current tax year	(896,301)	(1,478,897)	(1,882,232)
Prior tax years	<u>(5,013)</u>	<u>(9,565)</u>	<u>(3,741)</u>
RECEIVABLE, END OF YEAR	<u><u>\$ 4,509</u></u>	<u><u>\$ 5,736</u></u>	<u><u>\$ 4,797</u></u>
RECEIVABLE, BY TAX YEAR			
2019	\$ 1,520	\$ 507	\$ 0
2020	0	0	0
2021	241	591	0
2022	828	1,471	766
2023	<u>1,920</u>	<u>3,167</u>	<u>4,031</u>
RECEIVABLE, END OF YEAR	<u><u>\$ 4,509</u></u>	<u><u>\$ 5,736</u></u>	<u><u>\$ 4,797</u></u>

See accompanying independent auditor's report.



MAGNOLIA POINTE MUNICIPAL UTILITY DISTRICT NO. 1

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED JUNE 30, 2024

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Land	\$ 121,784,085	\$ 105,201,739	\$ 72,907,742	\$ 31,816,621
Improvements	316,555,588	229,634,615	84,051,953	37,579,412
Personal property	364,704	231,616	136,419	611,152
Less exemptions	<u>(63,616,976)</u>	<u>(41,312,567)</u>	<u>(5,379,236)</u>	<u>(2,443,512)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 375,087,401</u>	 <u>\$ 293,755,403</u>	 <u>\$ 151,716,878</u>	 <u>\$ 67,563,673</u>
  Debt service tax rates, utilities	  \$ 0.42000	  \$ 0.25000	  \$ 0.00000	  \$ 0.00000
Debt service tax rates, roads	0.33000	0.48000	0.71000	0.75000
Maintenance tax rates*	<u>0.20000</u>	<u>0.27000</u>	<u>0.29000</u>	<u>0.25000</u>
 TOTAL TAX RATES PER \$100 VALUATION	 <u>\$ 0.95000</u>	 <u>\$ 1.00000</u>	 <u>\$ 1.00000</u>	 <u>\$ 1.00000</u>
  TAX ROLLS	  <u>\$ 4,266,548</u>	  <u>\$ 3,057,819</u>	  <u>\$ 1,527,293</u>	  <u>\$ 683,833</u>
  PERCENT OF TAXES COLLECTED TO TAXES LEVIED	  <u>99.8 %</u>	  <u>99.9 %</u>	  <u>99.9 %</u>	  <u>100 %</u>

\*Maximum tax rate approved by voters on May 5, 2018: \$1.00

See accompanying independent auditor's report.

MAGNOLIA POINTE MUNICIPAL UTILITY DISTRICT NO. 1  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS  
FOR THE YEAR ENDED JUNE 30, 2024

<u>Series 2019 Road</u>			
<u>Due During Fiscal Years Ending June 30</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2025	\$ 130,000	\$ 122,567	\$ 252,567
2026	135,000	119,052	254,052
2027	140,000	115,545	255,545
2028	145,000	112,068	257,068
2029	150,000	108,010	258,010
2030	155,000	103,701	258,701
2031	160,000	99,172	259,172
2032	165,000	94,377	259,377
2033	175,000	89,234	264,234
2034	180,000	83,774	263,774
2035	185,000	78,072	263,072
2036	190,000	72,070	262,070
2037	200,000	65,732	265,732
2038	205,000	59,151	264,151
2039	215,000	52,219	267,219
2040	220,000	44,933	264,933
2041	230,000	37,395	267,395
2042	235,000	29,606	264,606
2043	245,000	21,505	266,505
2044	250,000	13,090	263,090
2045	<u>260,000</u>	<u>4,420</u>	<u>264,420</u>
TOTALS	<u>\$ 3,970,000</u>	<u>\$ 1,525,693</u>	<u>\$ 5,495,693</u>

See accompanying independent auditor's report.

MAGNOLIA POINTE MUNICIPAL UTILITY DISTRICT NO. 1LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)FOR THE YEAR ENDED JUNE 30, 2024

Series 2020 Road			
<u>Due During Fiscal Years Ending June 30</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2025	\$ 170,000	\$ 134,375	\$ 304,375
2026	175,000	126,612	301,612
2027	185,000	118,513	303,513
2028	190,000	110,075	300,075
2029	195,000	101,412	296,412
2030	200,000	92,525	292,525
2031	205,000	85,975	290,975
2032	210,000	81,825	291,825
2033	220,000	77,525	297,525
2034	225,000	73,075	298,075
2035	230,000	68,525	298,525
2036	240,000	63,825	303,825
2037	245,000	58,975	303,975
2038	255,000	53,975	308,975
2039	260,000	48,663	308,663
2040	270,000	43,031	313,031
2041	275,000	37,068	312,068
2042	285,000	30,769	315,769
2043	295,000	24,244	319,244
2044	300,000	17,550	317,550
2045	310,000	10,688	320,688
2046	320,000	3,600	323,600
TOTALS	<u>\$ 5,260,000</u>	<u>\$ 1,462,825</u>	<u>\$ 6,722,825</u>

See accompanying independent auditor's report.

MAGNOLIA POINTE MUNICIPAL UTILITY DISTRICT NO. 1  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2024

<u>Series 2021 Road</u>			
<u>Due During Fiscal Years Ending June 30</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2025	\$ 470,000	\$ 425,556	\$ 895,556
2026	490,000	403,956	893,956
2027	505,000	381,568	886,568
2028	525,000	358,394	883,394
2029	540,000	335,781	875,781
2030	560,000	316,581	876,581
2031	580,000	299,481	879,481
2032	600,000	281,781	881,781
2033	620,000	266,581	886,581
2034	645,000	253,932	898,932
2035	665,000	240,832	905,832
2036	690,000	227,282	917,282
2037	710,000	212,838	922,838
2038	735,000	197,484	932,484
2039	765,000	181,068	946,068
2040	790,000	163,575	953,575
2041	815,000	145,519	960,519
2042	845,000	126,316	971,316
2043	875,000	105,891	980,891
2044	905,000	84,187	989,187
2045	940,000	61,125	1,001,125
2046	970,000	37,250	1,007,250
2047	1,005,000	12,563	1,017,563
TOTALS	<u>\$ 16,245,000</u>	<u>\$ 5,119,541</u>	<u>\$ 21,364,541</u>

See accompanying independent auditor's report.

MAGNOLIA POINTE MUNICIPAL UTILITY DISTRICT NO. 1  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2024

Due During Fiscal Years Ending June 30	Series 2022 Utility		
	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 270,000	\$ 504,663	\$ 774,663
2026	280,000	487,125	767,125
2027	295,000	468,068	763,068
2028	305,000	447,819	752,819
2029	320,000	427,125	747,125
2030	330,000	406,000	736,000
2031	345,000	384,062	729,062
2032	355,000	363,975	718,975
2033	370,000	347,238	717,238
2034	385,000	331,194	716,194
2035	400,000	314,512	714,512
2036	420,000	297,087	717,087
2037	435,000	278,919	713,919
2038	450,000	260,112	710,112
2039	470,000	240,563	710,563
2040	490,000	220,162	710,162
2041	510,000	198,594	708,594
2042	530,000	175,844	705,844
2043	550,000	151,875	701,875
2044	570,000	126,675	696,675
2045	595,000	100,463	695,463
2046	620,000	73,125	693,125
2047	645,000	44,662	689,662
2048	670,000	15,075	685,075
TOTALS	<u>\$ 10,610,000</u>	<u>\$ 6,664,937</u>	<u>\$ 17,274,937</u>

See accompanying independent auditor's report.

MAGNOLIA POINTE MUNICIPAL UTILITY DISTRICT NO. 1

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

FOR THE YEAR ENDED JUNE 30, 2024

Due During Fiscal Years Ending June 30	Series 2023 Utility		
	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 335,000	\$ 768,100	\$ 1,103,100
2026	355,000	745,675	1,100,675
2027	370,000	722,113	1,092,113
2028	395,000	697,250	1,092,250
2029	415,000	670,925	1,085,925
2030	435,000	643,300	1,078,300
2031	460,000	614,213	1,074,213
2032	485,000	587,137	1,072,137
2033	515,000	562,138	1,077,138
2034	540,000	538,462	1,078,462
2035	570,000	516,263	1,086,263
2036	605,000	492,762	1,097,762
2037	635,000	467,963	1,102,963
2038	670,000	441,862	1,111,862
2039	710,000	414,263	1,124,263
2040	745,000	385,162	1,130,162
2041	785,000	354,563	1,139,563
2042	830,000	322,262	1,152,262
2043	875,000	287,616	1,162,616
2044	925,000	250,490	1,175,490
2045	975,000	210,693	1,185,693
2046	1,030,000	168,088	1,198,088
2047	1,085,000	123,144	1,208,144
2048	1,145,000	75,756	1,220,756
2049	1,210,000	25,713	1,235,713
TOTALS	<u>\$ 17,100,000</u>	<u>\$ 11,085,913</u>	<u>\$ 28,185,913</u>

See accompanying independent auditor's report.

MAGNOLIA POINTE MUNICIPAL UTILITY DISTRICT NO. 1

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

FOR THE YEAR ENDED JUNE 30, 2024

<u>Annual Requirements for All Series</u>			
<u>Due During Fiscal Years Ending June 30</u>	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total</u>
2025	\$ 1,375,000	\$ 1,955,261	\$ 3,330,261
2026	1,435,000	1,882,420	3,317,420
2027	1,495,000	1,805,807	3,300,807
2028	1,560,000	1,725,606	3,285,606
2029	1,620,000	1,643,253	3,263,253
2030	1,680,000	1,562,107	3,242,107
2031	1,750,000	1,482,903	3,232,903
2032	1,815,000	1,409,095	3,224,095
2033	1,900,000	1,342,716	3,242,716
2034	1,975,000	1,280,437	3,255,437
2035	2,050,000	1,218,204	3,268,204
2036	2,145,000	1,153,026	3,298,026
2037	2,225,000	1,084,427	3,309,427
2038	2,315,000	1,012,584	3,327,584
2039	2,420,000	936,776	3,356,776
2040	2,515,000	856,863	3,371,863
2041	2,615,000	773,139	3,388,139
2042	2,725,000	684,797	3,409,797
2043	2,840,000	591,131	3,431,131
2044	2,950,000	491,992	3,441,992
2045	3,080,000	387,389	3,467,389
2046	2,940,000	282,063	3,222,063
2047	2,735,000	180,369	2,915,369
2048	1,815,000	90,831	1,905,831
2049	1,210,000	25,713	1,235,713
TOTALS	<u>\$ 53,185,000</u>	<u>\$ 25,858,909</u>	<u>\$ 79,043,909</u>

See accompanying independent auditor's report.

MAGNOLIA POINTE MUNICIPAL UTILITY DISTRICT NO. 1  
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT  
FOR THE YEAR ENDED JUNE 30, 2024

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
Bond Series:	2019	2020	2021
Interest Rate:	2.25% to 3.40%	2.00% to 4.50%	2.00% to 4.50%
Dates Interest Payable:	September 1/ March 1	September 1/ March 1	September 1/ March 1
Maturity Dates:	September 1, 2024/2044	September 1, 2024/2045	September 1, 2024/2046
Bonds Outstanding at Beginning of Current Year	\$ 4,095,000	\$ 5,425,000	\$ 16,700,000
Less Retirements	<u>(125,000)</u>	<u>(165,000)</u>	<u>(455,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 3,970,000</u>	<u>\$ 5,260,000</u>	<u>\$ 16,245,000</u>
Current Year Interest Paid	<u>\$ 125,502</u>	<u>\$ 141,500</u>	<u>\$ 446,368</u>

Bond Descriptions and Original Amount of Issue

- (1) Magnolia Pointe Municipal Utility District No. 1 Unlimited Tax Road Bonds, Series 2019 (\$4,340,000)
- (2) Magnolia Pointe Municipal Utility District No. 1 Unlimited Tax Road Bonds, Series 2020 (\$5,585,000)
- (3) Magnolia Pointe Municipal Utility District No. 1 Unlimited Tax Road Bonds, Series 2021 (\$16,700,000)

Paying Agent/Registrar

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



MAGNOLIA POINTE MUNICIPAL UTILITY DISTRICT NO. 1

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

FOR THE YEAR ENDED JUNE 30, 2024

	<u>(4)</u>	<u>(5)</u>	<u>Totals</u>
Bond Series:	2022	2023	
Interest Rate:	2.00% to 4.50%	4.00% to 6.50%	
Dates Interest Payable:	September 1/ March 1	September 1/ March 1	
Maturity Dates:	September 1, 2024/2046	September 1, 2024/2048	
Bonds Outstanding at Beginning of Current Year	\$ 10,610,000	\$	\$ 36,830,000
Add Bonds Sold		17,100,000	17,100,000
Less Retirements			<u>(745,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 10,610,000</u>	<u>\$ 17,100,000</u>	<u>\$ 53,185,000</u>
Current Year Interest Paid	<u>\$ 513,100</u>	<u>\$ 393,821</u>	<u>\$ 1,620,291</u>

Bond Descriptions and Original Amount of Issue

(4) Magnolia Pointe Municipal Utility District No. 1 Unlimited Tax Utility Bonds, Series 2022 (\$10,610,000)

(5) Magnolia Pointe Municipal Utility District No. 1 Unlimited Tax Utility Bonds, Series 2023 (\$17,100,000)

Paying Agent/Registrar

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

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Road Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 131,440,000	\$ 114,730,000	\$ 369,255,000
Amount Issued:	27,710,000	26,625,000	0
Remaining to be Issued:	103,730,000	88,105,000	369,255,000

Net Debt Service Fund deposits and investments balances as of June 30, 2024:	\$ 4,950,421
Average annual debt service payment for remaining term of all debt:	3,161,756

See accompanying independent auditor's report.

MAGNOLIA POINTE MUNICIPAL UTILITY DISTRICT NO. 1  
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
GENERAL FUND  
FOR YEARS ENDED JUNE 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2024	2023	2022	2021	2020	2024	2023	2022	2021	2020
REVENUES										
Property taxes	\$ 901,314	\$ 829,393	\$ 455,354	\$ 176,364	\$ 156,908	94.5 %	99.4 %	99.2 %	97.7 %	98.4 %
Penalty and interest	<u>52,917</u>	<u>4,725</u>	<u>3,435</u>	<u>4,211</u>	<u>2,574</u>	<u>5.5</u>	<u>0.6</u>	<u>0.8</u>	<u>2.3</u>	<u>1.6</u>
TOTAL REVENUES	<u>954,231</u>	<u>834,118</u>	<u>458,789</u>	<u>180,575</u>	<u>159,482</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Service operations:										
Professional fees	109,906	179,843	127,130	75,725	105,520	11.5	21.5	27.8	41.9	66.1
Contracted services	10,255	9,787	20,642	15,299	9,986	1.1	1.2	4.5	8.5	6.3
Utilities	58,058	40,151	35,925	23,401	10,171	6.1	4.8	7.8	13.0	6.4
Lease of sewage plant	0	0	91,000	547,500	0	0.0	0.0	19.8	303.2	0.0
Emergency services	123,414	0	0	0	0	12.9	0.0	0.0	0.0	0.0
Administrative expenditures	15,569	13,012	12,911	13,914	10,196	1.6	1.6	2.8	7.7	6.4
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>55,317</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>34.7</u>
TOTAL EXPENDITURES	<u>317,202</u>	<u>242,793</u>	<u>287,608</u>	<u>675,839</u>	<u>191,190</u>	<u>33.2</u>	<u>29.1</u>	<u>62.7</u>	<u>374.3</u>	<u>119.9</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ 637,029</u>	<u>\$ 591,325</u>	<u>\$ 171,181</u>	<u>\$ (495,264)</u>	<u>\$ (31,708)</u>	<u>66.8 %</u>	<u>70.9 %</u>	<u>37.3 %</u>	<u>(274.3) %</u>	<u>(19.9) %</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>					

See accompanying independent auditor's report.

MAGNOLIA POINTE MUNICIPAL UTILITY DISTRICT NO. 1  
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
DEBT SERVICE FUND  
FOR YEARS ENDED JUNE 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2024	2023	2022	2021	2020*	2024	2023	2022	2021	2020
REVENUES										
Property taxes	\$ 3,374,434	\$ 2,225,090	\$ 1,081,710	\$ 508,682	\$ 51,833	95.3 %	97.6 %	96.6 %	97.8 %	83.3 %
Penalty and interest	15,266	11,976	1,737	1,536	785	0.4	0.5	0.2	0.3	1.3
Accrued interest on bonds received at date of sale	0	0	34,245	9,711	8,433	0.0	0.0	3.1	1.9	13.6
Interest on deposits	152,715	43,095	1,053	160	1,142	4.3	1.9	0.1	0.0	1.8
TOTAL REVENUES	3,542,415	2,280,161	1,118,745	520,089	62,193	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Professional fees	5,585	3,050	0	0	0	0.2	0.1	0.0	0.0	0.0
Contracted services	31,532	25,306	4,361	1,983	0	0.9	1.1	0.4	0.4	0.0
Other expenditures	0	0	245	5	0	0.0	0.0	0.0	0.0	0.0
Debt service:										
Principal retirement	745,000	285,000	120,000	0	0	21.0	12.5	10.7	0.0	0.0
Interest and fees	1,622,091	1,041,105	512,124	208,482	65,998	45.8	45.7	45.8	40.1	106.1
TOTAL EXPENDITURES	2,404,208	1,354,461	636,730	210,470	65,998	67.9	59.4	56.9	40.5	106.1
EXCESS REVENUES (EXPENDITURES)	\$ 1,138,207	\$ 925,700	\$ 482,015	\$ 309,619	\$ (3,805)	32.1 %	40.6 %	43.1 %	59.5 %	(6.1) %

\*First year of financial activity.

MAGNOLIA POINTE MUNICIPAL UTILITY DISTRICT NO. 1BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSJUNE 30, 2024

Complete District Mailing Address: Magnolia Pointe Municipal Utility District No. 1  
c/o Coats Rose, P.C.  
16000 N. Dallas Parkway, Suite 350  
Dallas, Texas 75248

District Business Telephone No.: 972-788-1600

Submission date of the most recent District Registration Form: March 7, 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>
Micah Phelps c/o Coats Rose, P.C. 16000 N. Dallas Parkway, Suite 350 Dallas, Texas 75248	Elected 5/04/24- 5/06/28	\$ 663	\$ 107	President
Kyle Austin c/o Coats Rose, P.C. 16000 N. Dallas Parkway, Suite 350 Dallas, Texas 75248	Appointed 12/16/22- 5/02/26	1,105	158	Vice President
Matthew Ocenasek c/o Coats Rose, P.C. 16000 N. Dallas Parkway, Suite 350 Dallas, Texas 75248	Elected 9/02/21- 5/02/26	1,989	143	Secretary
Lauren Hauer c/o Coats Rose, P.C. 16000 N. Dallas Parkway, Suite 350 Dallas, Texas 75248	Elected 9/13/21- 5/02/26	1,768	170	Assistant Secretary
Brandon Ledbetter c/o Coats Rose, P.C. 16000 N. Dallas Parkway, Suite 350 Dallas, Texas 75248	Elected 5/04/24- 5/06/28	884	161	Assistant Secretary

See accompanying independent auditor's report.

MAGNOLIA POINTE MUNICIPAL UTILITY DISTRICT NO. 1BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)JUNE 30, 2024CONSULTANTS

<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 N. Dallas Parkway, Suite 350 Dallas, Texas 75248	4/7/16	\$ 60,677 213,890 Bonds	Attorney
L & S District Services, LLC P.O. Box 170 Tomball, Texas 77377	4/7/16	10,255 900 Bonds	Bookkeeper
Debra Loggins P.O. Box 170 Tomball, Texas 77377	4/7/16	0	Investment Officer
JB I Partners 16301 Quorum Drive, Suite 200B Addison, Texas 75001	4/7/16	39,414	Engineer
Collin County Tax Assessor-Collector P.O. Box 8046 McKinney, Texas 75070	9/14/18	4,823	Tax Assessor- Collector
Hunt County Tax Assessor-Collector 2500 Stonewall Street, Suite 101 Greenville, Texas 75403	9/14/18	657	Tax Assessor- Collector
Collin Central Appraisal District 250 Eldorado Parkway McKinney, Texas 75069	Legislative Action	24,321	Central Appraisal District
Hunt County Appraisal District P.O. Box 1339 Greenville, Texas 75403	Legislative Action	1,731	Central Appraisal District
Tierra Financial Advisors 1341 Horton Circle Arlington, Texas 76011	7/06/21	172,227 Bonds	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	7/29/19	8,500 5,450 Bonds	Independent Auditor

See accompanying independent auditor's report.

**APPENDIX B**  
**FORM OF OPINION OF BOND COUNSEL**

# COATS | ROSE

A PROFESSIONAL CORPORATION

[CLOSING DATE]

WE HAVE ACTED as bond counsel in connection with the issuance by Magnolia Pointe Municipal Utility District No. 1 (the "District") of its bonds styled "Magnolia Pointe Municipal Utility District No. 1 Unlimited Tax [ROAD/UTILITY] Bonds, Series 202\_" (the "Bonds") dated \_\_\_\_\_, 202\_, issued in the aggregate principal amount of \$\_\_\_\_\_, maturing on [MARCH/SEPTEMBER] 1, in the years 20\_\_ through 20\_\_. The Bonds maturing on [MARCH/SEPTEMBER] 1, 20\_\_ 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 \_\_\_\_\_, 20\_\_, or on any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

THE BONDS BEAR INTEREST from [DATE] (the "Delivery Date") or from the most recent interest payment date to which interest has been paid or duly provided for with such interest being payable on [MARCH/SEPTEMBER] 1, 20\_\_ and semiannually thereafter on each [MARCH/SEPTEMBER] 1 and [MARCH/SEPTEMBER] 1 thereafter to maturity (each an "Interest Payment Date"), at the following interest rates for the respective maturity dates of the Bonds:

<u>Principal Amount</u>	<u>Year of Maturity</u>	<u>Interest Rate</u>
\$ _____	20__	_____%
\$ _____	20__	_____%
\$ _____	20__	_____%
\$ _____	20__	_____%
\$ _____	20__	_____%
\$ _____	20__	_____%
\$ _____	20__	_____%
\$ _____	20__	_____%
\$ _____	20__	_____%
\$ _____	20__	_____%
\$ _____	20__	_____%
\$ _____	20__	_____%
\$ _____	20__	_____%
\$ _____	20__	_____%
\$ _____	20__	_____%

The Term Bonds are subject to mandatory redemption on [MARCH/SEPTEMBER] 1 in the years and in the amounts set forth below (subject to reduction by optional redemption as herein provided) at a price equal to the principal amount of the Bonds or the portions thereof so called for redemption plus accrued interest to the date fixed for redemption:

16000 NORTH DALLAS PARKWAY, SUITE 350, DALLAS, TEXAS 75248

PHONE: (972) 788-1600 FAX: (972) 702-0662

[coatsrose.com](http://coatsrose.com)

HOUSTON | AUSTIN | DALLAS | CINCINNATI

\$ \_\_\_\_\_  
Term Bond

Due: [MARCH/SEPTEMBER] 1, 20\_\_  
Interest Rate: \_\_\_\_\_%

Principal <u>Amount</u>	Redemption <u>Date</u>
\$ _____	[MARCH/SEPTEMBER] 1, 20__
\$ _____	[MARCH/SEPTEMBER] 1, 20__

\$ \_\_\_\_\_  
Term Bond

Due: [MARCH/SEPTEMBER] 1, 20\_\_  
Interest Rate: \_\_\_\_\_%

Principal <u>Amount</u>	Redemption <u>Date</u>
\$ _____	[MARCH/SEPTEMBER] 1, 20__
\$ _____	[MARCH/SEPTEMBER] 1, 20__
\$ _____	[MARCH/SEPTEMBER] 1, 20__

Said interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months, and shall be payable on [MARCH/SEPTEMBER] 1, 20\_\_, and semi-annually thereafter on [MARCH/SEPTEMBER] 1 and [MARCH/SEPTEMBER] 1 of each year until maturity of the pertinent Bond.

IN OUR CAPACITY AS BOND COUNSEL, we have participated in the preparation of and have examined a transcript of materials pertaining to the Bonds on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Board of Directors of the District, including, among other things, an order authorizing the issuance of the Bonds (the "Bond Order"), together with certificates of officers, agents and representatives of the District and other documents relating to the authorization and issuance of the Bonds. We have also reviewed and examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations, court decisions, and rulings of the Internal Revenue Service and such other materials as we deemed necessary to render the opinions hereinafter expressed.

BASED ON SUCH EXAMINATION, WE ARE OF THE OPINION THAT:

1. The Bonds have been duly authorized and issued in conformity with the Constitution and laws of the State of Texas now in force and are valid and legally binding obligations of the District, enforceable in accordance with the terms and conditions set forth therein, except to the extent that the enforcement of the rights and remedies of the holders of the Bonds may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application affecting creditors' rights or by the exercise of judicial discretion in accordance with general principles of equity.



2. The Bonds are payable, as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, on all taxable property in the District non-exempt from taxation by or under applicable law. Furthermore, the District is required to levy and assess, for each year while any of the Bonds are outstanding, an ad valorem tax on all taxable property within the District sufficient to pay interest on and the maturing principal of the Bonds, and the expenses of assessing and collecting such tax, as provided in the Bond Order.

3. Interest on the Bonds is excludable from gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes pursuant to section 103 of the Code and existing regulations, court decisions, and rulings, assuming continuing compliance by the District with the provisions of the Bond Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. The Bonds are not "private activity bonds" within the meaning of the Code, as amended.

In providing the foregoing opinions, we have relied upon representations of the District with respect to matters solely within the knowledge of the District, which we have not independently verified, and we have assumed the accuracy and completeness of, and the District's continuing compliance with, the representations and covenants contained in the Bond Order pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. In the event that such representations are determined to be inaccurate or incomplete, or the District fails to comply with the foregoing provisions of the Bond Order, interest on the Bonds could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion with respect to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds. The law upon which this opinion is based is subject to change by the Congress and the Department of the Treasury and by subsequent judicial and administrative interpretation. There can be no assurance that such law or the interpretation thereof will not be changed in a manner that would adversely affect the tax treatment of ownership of the Bonds.

Owners of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to financial institutions, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, owners of interests in a FASIT, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Owners of the Bonds should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

The Bonds are obligations solely of the District and are not obligations of the State of Texas, Collin County, Texas, the City of Josephine, Texas, or any other entity.

[CR SIGNATURE]

## APPENDIX C

### BOOK-ENTRY ONLY SYSTEM

*The information in this Appendix concerning DTC and DTC's book-entry only system has been obtained from sources that the District and the Initial Purchaser believe to be reliable, but neither the District nor the Initial Purchaser takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such annual 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 Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity 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 the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend 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, distributions, and dividend 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.

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent/Registrar, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent/Registrar. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent/Registrar's DTC account.

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, physical 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, bonds will be printed and delivered to DTC.

THE PAYING AGENT/REGISTRAR, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

**APPENDIX D**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**



## MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

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

MEMBER: [NAME OF MEMBER]

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

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

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

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

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

Email:

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

Address:

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

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN