

**OFFICIAL STATEMENT DATED AUGUST 27, 2025**

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 have been designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."*

**NEW ISSUE – Book-Entry-Only**

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

**CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1 OF HUNT COUNTY**  
(A political subdivision of the State of Texas, located within Hunt County)

**\$1,390,000**  
**UNLIMITED TAX ROAD BONDS**  
**SERIES 2025**

**Dated: September 1, 2025**

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

**Interest Accrues from Date of Delivery**

The \$1,390,000 Unlimited Tax Road Bonds, Series 2025 (the "Bonds") are obligations solely of Caddo Mills Municipal Management District No. 1 of Hunt County (the "District") and are not obligations of the State of Texas; Hunt County, Texas (the "County"); the City of Caddo Mills, Texas (the "City"); 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; the County; the City; or any entity other than the District is pledged to the payment of the principal of or the interest on the Bonds.

The Bonds will be initially registered and delivered only to Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by BOKF, NA, Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent/Registrar") directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System." Principal of the Bonds is payable to the registered owner(s) of the Bonds (the "Registered Owner(s)") at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. The Bonds are dated September 1, 2025, and interest on the Bonds accrues from the initial date of delivery (on or about September 25, 2025) (the "Date of Delivery"), and is payable on March 1, 2026, and each September 1 and March 1 thereafter until maturity or prior redemption to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each interest payment date. The Bonds are issuable in principal denominations of \$5,000 or any integral multiple thereof in fully registered form only.

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

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

**ASSURED  
GUARANTY**

The Bonds constitute the third series of unlimited tax bonds to be issued by the District for the purpose of acquiring or constructing a road system to serve the District (the "Road System"). The District has previously issued two series of unlimited tax bonds for the purpose of acquiring or constructing a water, sewer, and drainage system to serve the District (the "Utility System"). Voters in the District have authorized \$58,098,501 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System; \$87,147,752 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; \$25,361,501 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; and \$38,042,252 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System. Following the issuance of the Bonds, \$47,448,501 principal amount for the purpose of acquiring or constructing the Utility System; \$87,147,752 principal amount for the purpose of refunding bonds issued by the District for the Utility System; \$14,731,501 principal amount for the purpose of acquiring or constructing the Road System; and \$38,042,252 principal amount for the purpose of refunding bonds issued by the District for the Road System will remain authorized but unissued.

The Bonds, when issued, will constitute valid and binding obligations of the District and will be 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, as further described herein. Investment in the Bonds is subject to special investment considerations as described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered, when, as and if issued by the District to the winning bidder of the Bonds (the "Initial Purchaser") subject, among other things, to the approval of the Attorney General of Texas and of Coats Rose, P.C., Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about September 25, 2025.

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

## \$1,390,000 UNLIMITED TAX ROAD BONDS, SERIES 2025

### \$320,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 127258 (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 127258 (b)
2027	\$40,000	6.500%	2.690%	EA5	2031	\$50,000	6.500%	3.100%	EE7
2028	40,000	6.500%	2.700%	EB3	2032 (c)	50,000	4.000%	3.350%	EF4
2029	45,000	6.500%	2.760%	EC1	2033 (c)	50,000	4.000%	3.500%	EG2
2030	45,000	6.500%	2.900%	ED9					

### \$1,070,000 Term Bonds

\$105,000 Term Bonds Due September 1, 2035 (c)(d), Interest Rate: 4.000%, (Price: \$100.000) (a), CUSIP No. 127258 EJ6 (b)

\$105,000 Term Bonds Due September 1, 2037 (c)(d), Interest Rate: 4.000%, (Price: \$97.676) (a), CUSIP No. 127258 EL1 (b)

\$110,000 Term Bonds Due September 1, 2039 (c)(d), Interest Rate: 4.375%, (Price: \$98.917) (a), CUSIP No. 127258 EN7 (b)

\$105,000 Term Bonds Due September 1, 2041(c)(d), Interest Rate: 4.500%, (Price: \$97.991) (a), CUSIP No. 127258 EQ0(b)

\$170,000 Term Bonds Due September 1, 2044 (c)(d), Interest Rate: 4.750%, (Price: \$98.523) (a), CUSIP No. 127258 ET4 (b)

\$205,000 Term Bonds Due September 1, 2047 (c)(d), Interest Rate: 4.875%, (Price: \$98.342) (a), CUSIP No. 127258 EW7 (b)

\$270,000 Term Bonds Due September 1, 2050 (c)(d), Interest Rate: 4.875%, (Price: \$97.530) (a), CUSIP No. 127258 EZ0 (b)

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

## USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Coats Rose, P.C. ("Bond Counsel"), for further information.

Assured Guaranty Inc. ("AG") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX B – Specimen Municipal Bond Insurance Policy."

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

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

## TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT.....1	Registration, Transfer and Exchange.....12
SALE AND DISTRIBUTION OF THE BONDS .....3	Mutilated, Lost, Stolen or Destroyed Bonds ...12
Award of the Bonds .....3	Redemption Provisions.....13
Prices and Marketability.....3	Source of Payment.....14
Securities Laws .....3	Authority for Issuance.....14
MUNICIPAL BOND INSURANCE.....3	Outstanding Bonds.....14
Bond Insurance Policy.....3	Issuance of Additional Debt .....14
Assured Guaranty Inc.....3	No Arbitrage.....15
RATINGS.....5	Dissolution.....15
OFFICIAL STATEMENT SUMMARY .....6	Consolidation.....16
SELECTED FINANCIAL INFORMATION.....9	Funds.....16
INTRODUCTION .....10	Defeasance.....16
THE BONDS.....10	Amendments to the Bond Order .....17
General .....10	Legal Investment and Eligibility to Secure
Description .....10	Public Funds in Texas.....17
Book-Entry-Only System.....10	Registered Owners' Remedies.....18
Successor Paying Agent/Registrar.....12	Estimated Use and Distribution of Bond
Record Date.....12	Proceeds.....18

THE DISTRICT.....	19	INVESTMENT CONSIDERATIONS.....	37
General .....	19	General .....	37
Authority .....	19	Factors Affecting Taxable Values and Tax	
Description and Location .....	19	Payments .....	38
Management of the District.....	19	Vacant Developed Lots.....	39
Consultants.....	19	Increase in Costs of Building Materials.....	39
Historical Operations of the District .....	20	Tax Collection Limitations .....	39
DEVELOPMENT OF THE DISTRICT .....	21	Bondholders' Remedies .....	39
Status of Development within the District .....	21	Bankruptcy Limitation to Bondholders'	
Homebuilder within the District.....	21	Rights.....	40
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT ....	22	Future Debt .....	40
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT ....	23	Continuing Compliance with Certain	
THE DEVELOPER.....	24	Covenants .....	41
Role of the Developer.....	24	Approval of the Bonds .....	41
Developer .....	24	Environmental Regulations .....	41
Developer Financing .....	25	Potential Impact of Natural Disaster.....	43
THE SYSTEM.....	25	Future and Proposed Legislation .....	43
General .....	25	Changes in Tax Legislation .....	43
Description of the Utility System.....	25	2025 Legislative Session .....	43
Description of the Road System .....	25	Marketability of the Bonds .....	44
Floodplain .....	25	Bond Insurance Risk Factors.....	44
Atlas 14.....	25	LEGAL MATTERS.....	44
DISTRICT DEBT.....	27	Legal Opinions.....	44
Direct and Estimated Overlapping Debt		Legal Review .....	45
Statement.....	28	No-Litigation Certificate .....	45
Debt Ratios .....	28	No Material Adverse Change .....	45
Debt Service Requirement Schedule.....	29	TAX MATTERS .....	46
TAXING PROCEDURES .....	30	Opinion.....	46
Authority to Levy Taxes.....	30	Tax Accounting Treatment of Original Issue	
Property Tax Code and County-Wide		Discount Bonds .....	46
Appraisal District .....	30	Collateral Federal Income Tax	
Property Subject to Taxation by the District..	31	Consequences .....	47
Valuation of Property for Taxation.....	32	Qualified Tax-Exempt Obligations .....	47
Reappraisal of Property after Disaster .....	32	CONTINUING DISCLOSURE OF INFORMATION.....	48
Agricultural, Open Space, Timberland, and		Annual Reports .....	48
Inventory Deferment.....	33	Event Notices.....	48
Tay Payment Installments After Disaster .....	33	Availability of Information from EMMA .....	49
Tax Abatement.....	33	Limitations and Amendments.....	49
District and Taxpayer Remedies.....	33	Compliance with Prior Undertaking .....	49
Rollback of Operation and Maintenance Tax		OFFICIAL STATEMENT.....	50
Rate.....	33	General .....	50
Levy and Collection of Taxes .....	34	Experts.....	50
District's Rights in the Event of Tax		Certification as to Official Statement .....	50
Delinquencies .....	35	Updating of Official Statement.....	50
TAX DATA .....	35	CONCLUDING STATEMENT .....	50
General .....	35		
Tax Rate Limitation .....	35	APPENDIX A     Financial Statements of the District	
Historical Values and Tax Collection History..	36		
Tax Rate Distribution.....	36	APPENDIX B     Specimen Municipal Bond Insurance	
Analysis of Tax Base .....	36	Policy	
Principal Taxpayers.....	36		
Tax Rate Calculations.....	36		
Estimated Overlapping Taxes .....	37		

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

### **Award of the Bonds**

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost, which was tendered by Fidelity Capital Markets (the “Initial Purchaser”). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates shown under “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS” on the inside cover page of this Official Statement, at a price of 98.339331% of the principal amount thereof, which resulted in a net effective interest rate of 4.848915%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

### **Prices and Marketability**

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

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

### **Securities Laws**

No registration statement relating to the Bonds has been filed with the 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 laws of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

## **MUNICIPAL BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Assured Guaranty Inc. (“AG”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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

### **Assured Guaranty Inc.**

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

AG’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A1”

(stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

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

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

#### *Current Financial Strength Ratings*

On August 4, 2025, KBRA announced that it had affirmed AG's insurance financial strength rating of "AA+" (stable outlook).

On June 30, 2025, S&P announced that it had affirmed AG's financial strength rating of "AA" (stable outlook).

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

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

#### *Capitalization of AG*

At June 30, 2025:

- The policyholders' surplus of AG was approximately \$3,514 million.
- The contingency reserve of AG was approximately \$1,453 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately \$2,437 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG and (ii) the net unearned premium reserves and net deferred ceding commissions of AG's wholly owned subsidiary Assured Guaranty UK Lim

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

#### *Incorporation of Certain Documents by Reference*

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

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

- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2025 (filed by AGL with the SEC on August 8, 2025).

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

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

#### *Miscellaneous Matters*

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

### **RATINGS**

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

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

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

## OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

### THE BONDS

The District.....	Caddo Mills Municipal Management District No. 1 of Hunt County (the "District"), a political subdivision of the State of Texas, is located within Hunt County, Texas. See "THE DISTRICT."
The Bonds.....	The District's \$1,390,000 Unlimited Tax Road Bonds, Series 2025 (the "Bonds") are dated September 1, 2025, and mature on September 1 in the years and amounts set forth on the inside cover page. Interest on the Bonds accrues from the initial date of delivery (on or about September 25, 2025) (the "Date of Delivery"), at the rates per annum set forth on the inside cover page 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 Provisions .....	<p><u>Optional Redemption:</u> The Bonds maturing on and after September 1, 2032, are subject to redemption, in whole or from time to time in part, at the option of the District on September 1, 2031, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Redemption Provisions – <i>Optional Redemption</i>."</p> <p><u>Mandatory Redemption:</u> The Bonds maturing on September 1 in the years 2035, 2037, 2039, 2041, 2044, 2047, and 2050, are term bonds (the "Term Bonds"). The Term Bonds are subject to certain mandatory sinking fund redemption provisions as set forth herein under "THE BONDS – Redemption Provisions – <i>Mandatory Redemption</i>."</p>
Source of Payment .....	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, levied upon all taxable property within the District without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Hunt County, Texas (the "County"); the City of Caddo Mills, Texas (the "City"); or any other political subdivision or entity other than the District. See "THE BONDS – Source of Payment."
Outstanding Bonds .....	The District has previously issued four (4) series of bonds, as follows: \$4,085,000 Unlimited Tax Road Bonds, Series 2021, \$4,805,000 Unlimited Tax Utility Bonds, Series 2022, \$5,155,000 Unlimited Tax Road Bonds, Series 2023, and \$5,845,000 Unlimited Tax Utility Bonds, Series 2024. Of the above-referenced bonds issued by the District, \$19,165,000 principal amount will remain outstanding as of the Date of Delivery (the "Outstanding Bonds").
Payment Record.....	The District has never defaulted on the timely payment of principal of and interest on its bonded indebtedness. See "THE BONDS – Source of Payment."
Authority for Issuance.....	The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution, and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 375, Texas Local Government Code, as amended, (ii) an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District on



the date of the sale of the Bonds, and (iii) an election held within the District on May 2, 2020.

Voted Authorization..... Voters in the District have authorized \$58,098,501 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a water, sewer, and drainage system to serve the District (the "Utility System"); \$87,147,752 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; \$25,361,501 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a road system to serve the District (the "Road System"); and \$38,042,252 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

Following the issuance of the Bonds, \$47,448,501 principal amount for the purpose of acquiring or constructing the Utility System; \$87,147,752 principal amount for the purpose of refunding bonds issued by the District for the Utility System; \$14,731,501 principal amount for the purpose of acquiring or constructing the Road System; and \$38,042,252 principal amount for the purpose of refunding bonds issued by the District for the Road System will remain authorized but unissued. See "THE BONDS – Issuance of Additional Debt."

Use and Distribution of Bond Proceeds ..... A portion of the proceeds of the Bonds will be used to reimburse the Developer (herein defined) for the Road System improvements and related engineering and land costs as shown herein under "THE BONDS – Estimated Use and Distribution of Bond Proceeds." Additionally, proceeds from the Bonds will be used to pay developer interest, six (6) months of capitalized interest, and other certain costs associated with the issuance of the Bonds. See "THE BONDS – Estimated Use and Distribution of Bond Proceeds."

Qualified Tax-Exempt Obligations ..... The Bonds have been designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."

Municipal Bond Insurance ..... The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Inc. See "MUNICIPAL BOND INSURANCE" and "RATINGS."

Ratings..... Moody's Investors Service, Inc. ("Moody's") "Baa2" (underlying); S&P Global Ratings (AG Insured): "AA." Moody's (AG Insured): "A1." See "RATINGS."

Bond Counsel ..... Coats Rose, P.C., Dallas, Texas.

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

Financial Advisor ..... Robert W. Baird & Co. Incorporated, Dallas, Texas.

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

#### **THE DISTRICT**

Description..... The District was created by the Texas Commission on Environmental Quality (the "TCEQ") on March 29, 2019, as a municipal management district. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal management districts, municipal utility districts, and other types of special purpose districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 375, Texas Local Government Code, as amended, Article XVI, Section 59, and Article III, Section 52

of the Texas Constitution. The District is subject to the continuing supervision of the TCEQ. See "THE DISTRICT."

Location .....	The District is located in the County and includes three tracts of land that total approximately 561.98 acres. The tract of land west of Farm-to-Market 36 ("FM 36") is approximately 100.673 acres and is located south of the intersection of Highway 66 and FM 36 ("Tract 1"). The tract of land to the east of FM 36 is approximately 353.607 acres and is located north of the intersection of Farm-to-Market 679 and Interstate Highway 30 ("Tract 2"). The tract of land west of FM 36 and north of Tract 1 is approximately 107.697 acres ("Tract 3"). The District is located wholly within the city limits of the City and within the boundaries of Caddo Mills Independent School District ("CMISD").
Developer.....	D.R. Horton-Texas, LTD, a Texas limited partnership ("D.R. Horton" or the "Developer"), is the sole developer of land within the District. See "THE DEVELOPER."
Development within the District.....	The District is being developed as the single-family residential communities of Caddo Downs, Trailstone, and Stonehaven Estates. As of July 1, 2025, approximately 1,996 single-family residential lots (on approximately 547.98 acres) have been developed as the following: Caddo Downs, Phases 1 and 2 (389 lots on approximately 100.65 acres), Trailstone, Phase 1, Phase 2, Phase 3, Phase 4, Phase 5, Phase 6, Phase 7 and Phase 8 (1,292 lots on approximately 339.63 acres), and Stonehaven Estates, Phases 1 and Phase 2 (315 lots on approximately 107.70 acres). The remaining land within the District is comprised of approximately 14.00 acres developed as an elementary school. As of July 1, 2025, the District consisted of approximately 1,467 completed homes (1,433 occupied, 30 unoccupied, and 4 model homes), approximately 32 homes under construction and 497 vacant developed lots. See "DEVELOPMENT OF THE DISTRICT – Status of Development within the District."
Homebuilder.....	D.R. Horton is the sole homebuilder within the District. Homes within the District range in price from approximately \$186,990 to approximately \$390,490 and in size from approximately 1,583 square feet to approximately 3,018 square feet. See "DEVELOPMENT OF THE DISTRICT – Homebuilder within the District."

#### **INVESTMENT CONSIDERATIONS**

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

**SELECTED FINANCIAL INFORMATION**  
(UNAUDITED)

2025 Taxable Assessed Valuation.....	\$405,687,957	(a)
Estimate of Valuation as of July 1, 2025.....	\$439,470,031	(b)
Direct Debt		
The Outstanding Bonds.....	\$ 19,165,000	
The Bonds .....	<u>\$ 1,390,000</u>	
Total.....	\$ 20,555,000	
Estimated Overlapping Debt .....	<u>\$ 64,236,048</u>	(c)
Total Direct and Estimated Overlapping Debt .....	<u>\$ 84,791,048</u>	(c)
Direct Debt Ratios:		
As a Percentage of 2025 Taxable Assessed Valuation.....	5.07	%
As a Percentage of Estimate of Valuation as of July 1, 2025 .....	4.68	%
Direct and Estimated Overlapping Debt Ratios:		
As a Percentage of 2025 Taxable Assessed Valuation.....	20.90	%
As a Percentage of Estimate of Valuation as of July 1, 2025 .....	19.29	%
Road System Debt Service Fund Balance (as of July 23, 2025).....	\$ 625,703	(d)
Utility System Debt Service Fund Balance (as of July 23, 2025) .....	\$ 642,033	(e)
General Operating Fund Balance (as of July 23, 2025).....	\$ 201,195	
2025 Tax Rate		
Road System Debt Service .....	\$0.1475	
Utility System Debt Service .....	\$0.1675	
Maintenance and Operations .....	<u>\$0.0250</u>	
Total.....	\$0.3400	(f)
Average Annual Debt Service Requirement (2026-2050) .....	\$ 1,266,178	(g)
Maximum Annual Debt Service Requirement (2027) .....	\$ 1,416,838	(g)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2026-2050):		
Based on 2025 Taxable Assessed Valuation at 95% Tax Collections .....	\$0.33	
Based on Estimate of Valuation as of July 1, 2025 at 95% Tax Collections .....	\$0.31	
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2027):		
Based on 2025 Taxable Assessed Valuation at 95% Tax Collections .....	\$0.37	
Based on Estimate of Valuation as of July 1, 2025 at 95% Tax Collections .....	\$0.34	

- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2025, provided by the Hunt County Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."
- (b) Such value has been provided by the Appraisal District for informational purposes only. This amount is an estimate of the most recent value of all taxable property located within the District resulting from new construction of taxable improvements from January 1, 2025 to July 1, 2025. No taxes will be levied on this estimate. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."
- (d) Six (6) months of capitalized interest will be deposited into the Road System Debt Service Fund (hereinafter defined) upon closing of the Bonds. Neither Texas law nor the Bond Order (hereinafter defined) require that the District maintain any particular sum in the Road System Debt Service Fund (hereinafter defined). Funds in the Road System Debt Service Fund are pledged only to pay the debt service on the Bonds, bonds previously issued for the Road System and any other bonds issued for the purpose of acquiring or constructing the Road System (hereinafter defined). Funds in the Road System Debt Service Fund are not pledged to pay debt service on bonds issued for the purpose of acquiring or constructing the Utility System (hereinafter defined).
- (e) Texas law does not require that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are pledged only to pay the debt service on bonds issued for the purpose of acquiring or constructing the Utility System. Funds in the Utility System Debt Service Fund are not pledged to pay debt service on bonds issued for the purpose of acquiring or constructing the Road System, including the Bonds.
- (f) The District is authorized to levy separate taxes for payment of debt service on bonds issued by the District for the Road System and for payment of debt service on bonds issued for the Utility System; both such taxes are unlimited as to rate or amount. See "TAX DATA – Tax Rate Calculations."
- (g) See "DISTRICT DEBT –Debt Service Requirement Schedule."

**OFFICIAL STATEMENT**  
**relating to**  
**CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1 OF HUNT COUNTY**  
(A political subdivision of the State of Texas, located within Hunt County)  
**\$1,390,000**  
**UNLIMITED TAX ROAD BONDS**  
**SERIES 2025**

**INTRODUCTION**

This Official Statement provides certain information in connection with the issuance by Caddo Mills Municipal Management District No. 1 of Hunt County (the "District") of its \$1,390,000 Unlimited Tax Road Bonds, Series 2025 (the "Bonds").

The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution, as amended, and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 375, Texas Local Government Code, as amended, (ii) an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board") on the date of the sale of the Bonds, and (iii) an election held within the District on May 2, 2020.

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

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

**THE BONDS**

**General**

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

**Description**

The Bonds are dated September 1, 2025. Interest on the Bonds accrues from the initial date of delivery (on or about September 25, 2025) (the "Date of Delivery"), at the rates shown on the inside cover page hereof and is payable on March 1, 2026, and on each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds will be issued as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof. Principal of the Bonds will be payable to the Bondholder thereof at maturity or earlier redemption upon presentation of Bonds at the principal payment office of BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). If not then subject to the Book-Entry-Only System described below, interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to Bondholders as shown on the records of the Paying Agent/Registrar at the close of business on the 15th day of the calendar month next preceding each Interest Payment Date (the "Record Date"), or by other such customary banking arrangements as may be acceptable to the Paying Agent/Registrar and the Bondholder at the expense and risk of the Bondholder.

**Book-Entry-Only System**

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

*The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner*

*described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **Record Date**

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

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

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar at its corporate trust office and such transfer or exchange shall be without expenses or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. See "Book-Entry-Only System" above for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

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

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

## Redemption Provisions

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

**Mandatory Redemption:** The Bonds maturing on September 1 in the years 2035, 2037, 2039, 2041, 2044, 2047, and 2050 are term bonds (the "Term Bonds"), and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption ("Mandatory Redemption Date"), and in the principal amount set forth in the following schedule:

### \$105,000 Term Bonds Maturing on September 1, 2035

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2034	\$ 50,000
September 1, 2035 (Maturity)	\$ 55,000

### \$105,000 Term Bonds Maturing on September 1, 2037

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2036	\$ 55,000
September 1, 2037 (Maturity)	\$ 50,000

### \$110,000 Term Bonds Maturing on September 1, 2039

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2038	\$ 55,000
September 1, 2039 (Maturity)	\$ 55,000

### \$105,000 Term Bonds Maturing on September 1, 2041

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2040	\$ 50,000
September 1, 2041 (Maturity)	\$ 55,000

### \$170,000 Term Bonds Maturing on September 1, 2044

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2042	\$ 55,000
September 1, 2043	\$ 55,000
September 1, 2044 (Maturity)	\$ 60,000

### \$205,000 Term Bonds Maturing on September 1, 2047

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2045	\$ 60,000
September 1, 2046	\$ 65,000
September 1, 2047 (Maturity)	\$ 80,000

\$270,000 Term Bonds Maturing on September 1, 2050

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2048	\$ 85,000
September 1, 2049	\$ 90,000
September 1, 2050 (Maturity)	\$ 95,000

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

**Source of Payment**

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

The Bonds are obligations solely of the District and are not the obligations of the State of Texas; Hunt County, Texas (the "County"); the City of Caddo Mills, Texas (the "City"); or any entity other than the District.

**Authority for Issuance**

The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution, as amended, and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 375, Texas Local Government Code, as amended, (ii) the Bond Order adopted by the Board on the date of the sale of the Bonds, and (iii) an election held within the District on May 2, 2020.

**Outstanding Bonds**

The District has previously issued four (4) series of bonds, as follows: \$4,085,000 Unlimited Tax Road Bonds, Series 2021, \$4,805,000 Unlimited Tax Utility Bonds, Series 2022, \$5,155,000 Unlimited Tax Road Bonds, Series 2023, and \$5,845,000 Unlimited Tax Utility Bonds, Series 2024. Of the above-referenced bonds issued by the District, \$19,165,000 principal amount will remain outstanding as of the Date of Delivery (the "Outstanding Bonds").

**Issuance of Additional Debt**

At an election held within the District on May 2, 2020, voters of the District authorized the issuance of \$58,098,501 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a water, sewer, and drainage system to serve the District (the "Utility System"); \$87,147,752 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; \$25,361,501 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a road system to serve the District (the "Road System"); and \$38,042,252 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

The Bonds represent the third series of bonds issued by the District for the purpose of acquiring or constructing the Road System. The District has previously issued two series of bonds for the purpose of acquiring or constructing the Utility System. Following the issuance of the Bonds, \$47,448,501 principal amount for the purpose of acquiring or constructing the Utility System; \$87,147,752 principal amount for the purpose of refunding bonds issued by the District for the Utility System; \$14,731,501 principal amount for the purpose of acquiring or constructing the Road System; and \$38,042,252 principal amount for the purpose of refunding bonds issued by the District for the Road System will remain authorized but unissued.



Following reimbursement to the Developer from the proceeds of the Bonds, the District will owe the Developer approximately \$28,326,144 of eligible expenses associated with construction of Utility System facilities on behalf of the District and \$12,302,954 of eligible expenses for construction of Road System facilities on behalf of the District based on the most recent information provided and estimations available to date. Note that this does not include all expenditures associated with the public infrastructure associated with the commercial development nor does it account for the bonding capacity limitations remaining within the District.

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

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

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

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

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

Election Date	Purpose	Amount Authorized	Issued to Date	Remaining Unissued
May 2, 2020	Utility System	\$ 58,098,501	\$ 10,650,000 <sup>(a)</sup>	\$ 47,448,501
May 2, 2020	Road System	25,361,501	–	14,731,501
May 2, 2020	Utility System Refunding	87,147,752	10,630,000	87,147,752
May 2, 2020	Road System Refunding	38,042,252	–	38,042,252

(a) Includes 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.

### **Dissolution**

The District lies wholly within the city limits of the City. Under existing law, the District may be dissolved by the City. The City may not dissolve the District until (1) the development of 90% of all lots within the District or (2) the District has issued all of its ad valorem bonds and reimbursed the Developer, to the maximum extent permitted by law, for the Developer's cost in installing and constructing improvements within the District. If the District is dissolved, the City must assume the District's assets and obligations (including the Bonds) on the effective date of the dissolution of the District.

## **Consolidation**

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

## **Funds**

The Bond Order confirms the District's fund for debt service on the Outstanding Bonds issued for the Road System, the Bonds, and any additional unlimited tax bonds issued for the Road System (the "Road System Debt Service Fund"). Upon closing of the Bonds, six (6) months of capitalized interest will be deposited into the Road System Debt Service Fund. The Road System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds issued for the Road System, the Bonds, and any additional unlimited tax bonds issued by the District for the Road System, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Outstanding Bonds issued for the Road System, the Bonds, and any additional unlimited tax bonds issued by the District for the Road System payable in whole or in part from taxes. Amounts on deposit in the Road System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Outstanding Bonds issued for the Road System, the Bonds, and any unlimited tax bonds issued by the District for the Road System payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. Amounts on deposit in the Road System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Utility System.

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

## **Defeasance**

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

If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

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

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

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

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

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

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

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

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

## Registered Owners' Remedies

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

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

## Estimated Use and Distribution of Bond Proceeds

Proceeds from the sale of the Bonds will be used to reimburse the Developer for the road improvements and related engineering costs as shown below. Additionally, the proceeds of the Bonds will be used to pay six (6) months of capitalized interest, developer interest and certain costs associated with the issuance of the Bonds.

	Amount
<b><u>CONSTRUCTION COSTS</u></b>	
1. Stonehaven Phase 1 & 2	\$ 1,043,532
<b>TOTAL CONSTRUCTION COSTS</b>	<b>\$ 1,043,532</b>
<b><u>NON-CONSTRUCTION COSTS</u></b>	
A. Legal Fees	\$ 37,800
B. Fiscal Agent Fees	27,800
C. Interest Costs	
1. Capitalized Interest (6 Months)	33,734
2. Developer Interest	151,502
D. Bond Discount	23,083
E. Attorney General Fee (0.10%)	44,894
F. Bond Engineering Report	7,500
G. Bond Issuance Costs	1,390
H. Contingency (a)	18,765
<b>TOTAL NON-CONSTRUCTION COSTS</b>	<b>\$ 346,468</b>
<b>TOTAL BOND ISSUE REQUIREMENT</b>	<b><u>\$ 1,390,000</u></b>

(a) Represents the difference between the estimated and actual amounts of capitalized interest and bond discount.

The construction costs described above were compiled by the Engineer (hereinafter defined), based, in some cases, on the estimated costs of facilities. Non-construction costs are based upon either contract amounts or estimates. In the instance that estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for roads or improvements in aid thereof.

## THE DISTRICT

### General

The District is a municipal management district created by an order of the TCEQ, dated August March 29, 2019. The District was created and operates pursuant to Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution and Chapter 375, Local Texas Government Code, as amended. The District operates under Chapters 49 and 54 of the Texas Water Code, as amended.

### Authority

The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to special districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 375, Local Texas Government Code, as amended, Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, as amended. The District is subject to the continuing supervision of the TCEQ.

The District is empowered, among other things, to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District is further empowered to construct roads as well as improvements in aid thereof. The District also is authorized to construct, develop, and maintain park and recreational facilities using operating revenues. In addition, the District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, subject to the approval of the TCEQ and the voters of the District. Additionally, the District may, subject to certain limitations, utilize non-tax revenues to develop and finance parks and recreational facilities.

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

### Description and Location

The District is located in the County and includes three tracts of land that total approximately 561.98 acres. The tract of land west of Farm-to-Market 36 ("FM 36") is approximately 100.673 acres and is located south of the intersection of Highway 66 and FM 36 ("Tract 1"). The tract of land to the east of FM 36 is approximately 353.607 acres and is located north of the intersection of Farm-to-Market 679 and Interstate Highway 30 ("Tract 2"). The tract of land west of FM 36 and north of Tract 1 is approximately 107.697 acres ("Tract 3"). The District is located wholly within the city limits of the City and within the boundaries of Caddo Mills Independent School District ("CMISD").

### Management of the District

The District is governed by the Board consisting of five directors, who have control over and management supervision of all affairs of the District. All of the Directors own property within the District. The directors serve four-year staggered terms. Directors are appointed by the governing body of the City. The current members and officers of the Board are listed below:

Name	Position	Term Expires March
Keith Roach (a)	President	2027
Kevin Parsley (a)	Vice President	2029
Jesus Rodriguez	Secretary	2027
Matt McMahan (b)	Assistant Secretary	2027
Tammy Fudge	Assistant Secretary	2029

(a) Such member of the Board is employed by the Developer.

(b) Such member of the Board is currently the Development Director for the City.

### Consultants

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

**Bond Counsel and General Counsel:** The District has engaged Coats Rose, P.C., Dallas, Texas, as general counsel to the District and as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees to

be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds. See “LEGAL MATTERS.”

**Disclosure Counsel:** The District has engaged McCall, Parkhurst & Horton L.L.P., Houston, Texas, to serve as “Disclosure Counsel” to the District in connection with the 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:** Robert W. Baird & Co. Incorporated is engaged as financial advisor to the District in connection with the issuance of the Bonds (the “Financial Advisor”). The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

**Tax Assessor/Collector:** The tax assessor/collector for the District is Randy L. Wineinger, the Hunt County Tax Assessor/Collector (the “Tax Assessor/Collector”).

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

**Auditor:** As required by Texas Water Code, the District retains an independent auditor to audit the District’s financial statements annually, which annual audit is filed with the TCEQ. A copy of the District’s audit prepared by Mark C. Eyring, CPA, PLLC for the fiscal year ended April 30, 2024, is included as “APPENDIX A” to this Official Statement. The District has engaged Mark C. Eyring, CPA, PLLC to audit its financial statements for its fiscal year ending April 30, 2025.

**Engineer:** The District’s engineer is JBI Partners, Inc. (the “Engineer”).

### Historical Operations of the District

The following is a summary of the District’s operating fund. The District does not receive revenues from water and wastewater services since the City provides such services. The figures for the fiscal years ending April 30 in the years 2021 through 2024 were obtained from the District’s annual financial reports, reference to which is hereby made. The figures for the fiscal year ending April 30, 2025 were obtained from the District’s Bookkeeper. See “APPENDIX A.” The District is required by statute to have a certified public accountant prepare and file an annual audit of its financial records with the TCEQ.

	Fiscal Year Ending April 30,				
	2025 (a)	2024	2023	2022	2021
REVENUES:					
Property Taxes	\$ 113,197	\$ 149,098	\$ 164,156	\$ 173,935	\$ 54,820
Penalty & Other	–	–	–	502	44
Interest on Deposits	13,166	8,011	192	13	–
TOTAL REVENUES	\$ 126,363	\$ 157,109	\$ 164,348	\$ 174,450	\$ 54,864
EXPENDITURES:					
Professional Fees	\$ 82,618	\$ 56,558	\$ 76,253	\$ 49,018	\$ 25,702
Contract Services	9,000	9,749	14,238	9,953	2,394
Administrative Expenses	5,113	5,646	5,688	4,589	1,795
TOTAL EXPENDITURES	\$ 96,732	\$ 71,953	\$ 96,179	\$ 63,560	\$ 29,891
Excess (Deficiency) of Revenues Over Expenditures	\$ 29,631	\$ 85,156	\$ 68,169	\$ 110,890	\$ 24,973
OTHER FINANCING SOURCES:					
Developer Advances	\$ –	\$ –	\$ –	\$ 16,596	\$ 40,162
Beginning Fund Balance	\$ 332,747	\$ 247,591	\$ 179,422	\$ 51,936	\$ (13,199)
Ending Fund Balance	\$ 362,378	\$ 332,747	\$ 247,591	\$ 179,422	\$ 51,936

(a) Unaudited

## DEVELOPMENT OF THE DISTRICT

### Status of Development within the District

The District is being developed as the single-family residential communities of Caddo Downs, Trailstone, and Stonehaven Estates. As of July 1, 2025, approximately 1,996 single-family residential lots ( on approximately 547.98 acres) have been developed as the following: Caddo Downs, Phases 1 and 2 (389 lots on approximately 100.65 acres), Trailstone, Phase 1, Phase 2, Phase 3, Phase 4, Phase 5, Phase 6, Phase7 and Phase 8 (1,292 lots on approximately 339.63 acres), and Stonehaven Estates, Phases 1 and Phase 2 (315 lots on approximately 107.70 acres). The remaining land within the District is comprised of approximately 14.00 acres developed as an elementary school. As of July 1, 2025, the District consisted of approximately 1,467 completed homes (1,433 occupied, 30 unoccupied, and 4 model homes), approximately 32 homes under construction and 497 vacant developed lots.

The table below summarizes the status of development and land use within the District as of July 1, 2025:

Woodcreek Development	Acreage	Section Lots	Homes Completed	Homes Under Construction	Vacant Lots
Caddo Downs, Phase 1	48.27	187	187	-	-
Caddo Downs, Phase 2	52.38	202	202	-	-
Trailstone, Phase 1	52.36	155	146	-	9
Trailstone, Phase 2	35.88	157	157	-	-
Trailstone, Phase 3	28.08	116	116	-	-
Trailstone, Phase 4	53.64	163	160	-	3
Trailstone, Phase 5	40.78	164	164	-	-
Trailstone, Phase 6	24.45	121	27	26	68
Trailstone, Phase 7	54.48	211	-	-	211
Trailstone, Phase 8	49.96	205	-	-	205
Stonehaven Estates, Phase 1	42.66	133	128	5	-
Stonehaven Estates, Phase 2	65.04	182	180	1	1
Total	547.98	1,996	1,467	32	497
Residential Developed	547.98				
School Site	14.00				
District Total	561.98				

### Homebuilder within the District

D.R. Horton is the sole homebuilder within the District. Homes within the District range in price from approximately \$186,990 to approximately \$390,490 and in size from approximately 1,583 square feet to approximately 3,018 square feet.

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

**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT**  
**(July 2025)**





**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT**  
**(July 2025)**



## THE DEVELOPER

### Role of the Developer

In general, the activities of a developer in a municipal utility district or other type of special purpose 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 and commercial reserves to builders, developers, or other third parties. In most instances, the developer will be required to pay up to thirty percent (30%) of the cost of constructing certain of the water, wastewater, and drainage facilities in a municipal utility district municipal utility district or other type of special purpose 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 municipal utility district or other type of special purpose 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 municipal utility district or other type of special purpose 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 entities, are obligated to pay principal of or interest on the Bonds. Furthermore, neither the Developer, nor any affiliate entities, have 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.

### Developer

D.R. Horton-Texas, LTD, a Texas limited partnership ("D.R. Horton" or the "Developer"), is the sole developer of land within the District.

As of July 1, 2025, D.R. Horton owned approximately 497 vacant developed lots within the District.

D.R. Horton is a subsidiary of and controlled by D.R. Horton, Inc. D.R. Horton, Inc. is a publicly traded corporation whose stock is listed on the New York Stock Exchange. Audited financial statements for D.R. Horton, Inc. can be found online at <https://investor.drhorton.com>. D.R. Horton, Inc. is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements and other information filed by D.R. Horton, Inc. can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

Certain financial information concerning D.R. Horton is included as part of the consolidated financial statements of D.R. Horton, Inc. 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 D.R. Horton, or to pay any other obligations of D.R. Horton. Further, neither D.R. Horton 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 D.R. Horton 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 D.R. Horton may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of D.R. Horton and D.R. Horton, Inc. is subject to change at any time.

### **Developer Financing**

To date, the Developer has cash financed the development activity within the District.

## **THE SYSTEM**

### **General**

The District is constructing the Utility System and roadway improvements to serve the District. According to the Engineer, the Utility System is being designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, the City, the County, and Texas Department of Transportation ("TxDOT"). According to the Engineer, the design of such facilities has been approved by all required governmental agencies, the City, and the TCEQ.

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

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

The District's water service is provided by the City. The City purchases its water from the City of Greenville; therefore, the City of Greenville delivers the necessary water supply to the District's water distribution system.

The District is constructing the water distribution system, as well as necessary perimeter and offsite facilities to serve the water distribution system within the District. Once completed, the District's water distribution system will be dedicated to and owned, maintained, and operated by the City.

According to the Engineer, the water supply and distribution system and improvements are being designed in accordance with applicable design criteria as established by the TCEQ and the City.

#### **- Sanitary Sewer Collection -**

The wastewater generated by development within the District naturally flows by gravity through internal sanitary sewer lines constructed by the District to the City's existing sanitary sewer lines. Once completed, the District's wastewater collection facilities are dedicated to and owned, maintained, and operated by the City. According to the Engineer, all wastewater collection facilities are being designed in accordance with TCEQ regulations.

#### **- Storm Drainage -**

Stormwater runoff within the District drains into a system of collector lines via curbs and gutters. Such collector lines convey flow within a pipe system to existing major creeks. Once completed, the District's storm drainage improvements will be dedicated to and owned, maintained, and operated by the City. According to the Engineer, all storm drainage improvements are being designed in accordance with design criteria established by the County, the City, TxDOT, and the TCEQ. The District maintains and operates the District's storm drainage system.

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

Construction of the District's Road System is subject to certain regulation by the County and TxDOT. The roads in the District are constructed with concrete pavement and curbs and gutter roadways. Remaining streets provide local interior service within the District. The Road System is being constructed by the District and once complete, will be dedicated to and owned and maintained by the City.

### **Floodplain**

The Flood Insurance Rate Maps ("FIRMs") provided by the Federal Emergency Management Agency ("FEMA") indicates that approximately 5 acres within the District are located within the floodplain Zone "A". An onsite drainage pipe system is being designed within the District to reclaim the Zone "A" floodplain to convey onsite drainage to existing major creeks.

### **Atlas 14**

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may

be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

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

## DISTRICT DEBT

2025 Taxable Assessed Valuation.....	\$405,687,957	(a)
Estimate of Valuation as of July 1, 2025.....	\$439,470,031	(b)
Direct Debt		
The Outstanding Bonds.....	\$ 19,165,000	
The Bonds .....	\$ <u>1,390,000</u>	
Total.....	\$ 20,555,000	
Estimated Overlapping Debt .....	\$ <u>64,236,048</u>	(c)
Total Direct and Estimated Overlapping Debt .....	\$ <u>84,791,048</u>	(c)
Direct Debt Ratios:		
As a Percentage of 2025 Taxable Assessed Valuation.....	5.07	%
As a Percentage of Estimate of Valuation as of July 1, 2025 .....	4.68	%
Direct and Estimated Overlapping Debt Ratios:		
As a Percentage of 2025 Taxable Assessed Valuation.....	20.90	%
As a Percentage of Estimate of Valuation as of July 1, 2025 .....	19.29	%
Road System Debt Service Fund Balance (as of July 23, 2025).....	\$ 625,703	(d)
Utility System Debt Service Fund Balance (as of July 23, 2025) .....	\$ 642,033	(e)
General Operating Fund Balance (as of July 23, 2025).....	\$ 201,195	
2025 Tax Rate		
Road System Debt Service .....	\$0.1475	
Utility System Debt Service .....	\$0.1675	
Maintenance and Operations .....	<u>\$0.0250</u>	
Total.....	\$0.3400	(f)
Average Annual Debt Service Requirement (2026-2050) .....	\$ 1,266,178	(g)
Maximum Annual Debt Service Requirement (2027).....	\$ 1,416,838	(g)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2026-2050):		
Based on 2025 Taxable Assessed Valuation at 95% Tax Collections .....	\$0.33	
Based on Estimate of Valuation as of July 1, 2025 at 95% Tax Collections .....	\$0.31	
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2027):		
Based on 2025 Taxable Assessed Valuation at 95% Tax Collections .....	\$0.37	
Based on Estimate of Valuation as of July 1, 2025 at 95% Tax Collections .....	\$0.34	

- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2025, provided by the Hunt County Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."
- (b) Such value has been provided by the Appraisal District for informational purposes only. This amount is an estimate of the most recent value of all taxable property located within the District resulting from new construction of taxable improvements from January 1, 2025 to July 1, 2025. No taxes will be levied on this estimate. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."
- (d) Six (6) months of capitalized interest will be deposited into the Road System Debt Service Fund (hereinafter defined) upon closing of the Bonds. Neither Texas law nor the Bond Order (hereinafter defined) require that the District maintain any particular sum in the Road System Debt Service Fund (hereinafter defined). Funds in the Road System Debt Service Fund are pledged only to pay the debt service on the Bonds, bonds previously issued for the Road System and any other bonds issued for the purpose of acquiring or constructing the Road System (hereinafter defined). Funds in the Road System Debt Service Fund are not pledged to pay debt service on bonds issued for the purpose of acquiring or constructing the Utility System (hereinafter defined).
- (e) Texas law does not require that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are pledged only to pay the debt service on bonds issued for the purpose of acquiring or constructing the Utility System. Funds in the Utility System Debt Service Fund are not pledged to pay debt service on bonds issued for the purpose of acquiring or constructing the Road System, including the Bonds.
- (f) The District is authorized to levy separate taxes for payment of debt service on bonds issued by the District for the Road System and for payment of debt service on bonds issued for the Utility System; both such taxes are unlimited as to rate or amount. See "TAX DATA – Tax Rate Calculations."
- (g) See "DISTRICT DEBT – Debt Service Requirement Schedule."

## Direct and Estimated Overlapping Debt Statement

The following statement indicates the direct and estimated overlapping debt of the District. The table includes the estimated amount of indebtedness of governmental entities overlapping the District, defined as outstanding bonds payable from ad valorem taxes, and the estimated percentages and amounts of such indebtedness attributable to property located within the District. This information is based upon data secured from the individual jurisdictions and/or the *Texas Municipal Reports* published by the Municipal Advisory Council of Texas. The calculations by which the statement was derived were made in part by comparing the reported assessed valuation of the property in the overlapping taxing jurisdictions with the 2024 Taxable Assessed Valuation of property within the District. No effect has been given to the tax burden levied by any applicable taxing jurisdiction for maintenance and operational or other purposes.

Taxing Jurisdiction	Outstanding Debt	Overlapping	
	6/30/2025	Percent	Amount
City of Caddo Mills	\$ 17,355,000	51.21%	\$ 8,887,440
Caddo Mills Independent School District	223,074,463	24.40	54,428,511
Hunt County	9,125,000	2.42	220,671
Hunt Memorial Hospital District	28,510,000	2.45	699,426
Total Estimated Overlapping Debt .....			\$64,236,048
Direct Debt (a) .....			\$20,555,000
Total Direct and Estimated Overlapping Debt .....			<u>\$84,791,048</u>

(a) Included the Bonds and the Outstanding Bonds.

## Debt Ratios

Direct Debt Ratios (a):

As a Percentage of 2025 Taxable Assessed Valuation.....	5.07 %
As a Percentage of Estimate of Valuation as of July 1, 2025 .....	4.68 %

Direct and Estimated Overlapping Debt Ratios (a):

As a Percentage of 2025 Taxable Assessed Valuation.....	20.90 %
As a Percentage of Estimate of Valuation as of July 1, 2025 .....	19.29 %

(a) Includes the Outstanding Bonds and the Bonds.

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

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

## Debt Service Requirement Schedule

The following schedule sets forth the principal and interest requirements for the Outstanding Bonds, as well as the principal and interest requirements for the Bonds. Totals may not sum due to rounding.

Calendar Year	Outstanding Debt Service	The Bonds			Total Debt Service
		Principal	Interest	Debt Service	
2026	\$ 1,315,169	\$ –	\$ 62,971	\$ 62,971	\$ 1,378,140
2027	1,309,369	40,000	67,469	107,469	1,416,838
2028	1,307,619	40,000	64,869	104,869	1,412,488
2029	1,299,719	45,000	62,269	107,269	1,406,988
2030	1,300,694	45,000	59,344	104,344	1,405,038
2031	1,294,881	50,000	56,419	106,419	1,401,300
2032	1,291,506	50,000	53,169	103,169	1,394,675
2033	1,296,619	50,000	51,169	101,169	1,397,788
2034	1,300,619	50,000	49,169	99,169	1,399,788
2035	1,298,094	55,000	47,169	102,169	1,400,263
2036	1,299,644	55,000	44,969	99,969	1,399,613
2037	1,305,069	50,000	42,769	92,769	1,397,838
2038	1,309,169	55,000	40,769	95,769	1,404,938
2039	1,311,944	55,000	38,363	93,363	1,405,306
2040	1,312,919	50,000	35,956	85,956	1,398,875
2041	1,317,044	55,000	33,706	88,706	1,405,750
2042	1,313,981	55,000	31,231	86,231	1,400,213
2043	1,314,006	55,000	28,619	83,619	1,397,625
2044	1,322,075	60,000	26,006	86,006	1,408,081
2045	1,318,169	60,000	23,156	83,156	1,401,325
2046	1,317,275	65,000	20,231	85,231	1,402,506
2047	1,074,219	80,000	17,063	97,063	1,171,281
2048	750,975	85,000	13,163	98,163	849,138
2049	–	90,000	9,019	99,019	99,019
2050	–	95,000	4,631	99,631	99,631
Total	\$ 27,965,606	\$1,390,000	\$ 983,665	\$ 2,373,665	\$ 31,654,440

Average Annual Debt Service Requirements on the Bonds  
and the Outstanding Bonds (2026–2050).....\$ 1,266,178

Maximum Annual Debt Service Requirements on the Bonds  
and the Outstanding Bonds (2027).....\$ 1,416,838

*[Remainder of Page Intentionally Left Blank]*

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

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

The 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. The Hunt County Appraisal District (the "Appraisal District") has the responsibility of appraising property for all taxing units within the County, including the District. Such appraisal values will be subject to review and change by the Hunt County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

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

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



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

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

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

***Residential Homestead Exemptions:*** The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year but must be adopted by July 15. The District has not adopted a general homestead exemption.

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

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

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

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

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

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

### **Reappraisal of Property after Disaster**

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

temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

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

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

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

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

### **Tax Abatement**

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

### **District and Taxpayer Remedies**

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

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

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

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

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

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

**The District:** A determination as to a district's status as a Special Taxing District, Developed District or Developing District will be made on an annual basis. The Board determined the District was a "Developing District" for the 2025 tax year. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new rollback election calculation.

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

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at

least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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

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

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

## **TAX DATA**

### **General**

Taxable property within the District is subject to the assessment, levy, and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds, the Outstanding Bonds, and any future tax-supported bonds which may be issued from time to time as authorized. Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements, and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an unlimited amount, for operation and maintenance purposes. For the 2025 tax year, the District levied a total tax rate of \$0.34 per \$100 of assessed valuation composed of \$0.0250 per \$100 of assessed valuation for maintenance and operations purposes, \$0.1675 per \$100 of assessed valuation for Utility System debt service purposes, and \$0.1475 per \$100 of assessed valuation for Road System debt service purposes.

### **Tax Rate Limitation**

Utility System Debt Service:.....	Unlimited (no legal limit as to rate or amount).
Road System Debt Service:.....	Unlimited (no legal limit as to rate or amount).
Maintenance and Operation: .....	\$1.00 per \$100 Assessed Valuation

## Historical Values and Tax Collection History

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

Tax Year	Assessed Valuation	Tax Rate	Adjusted Levy	Collections Current Year	Current Year Ended 9/30	Collections 6/30/25
2020	\$ 16,608,111	\$0.3400	\$ 56,468	100.00%	2021	100.00%
2021	72,843,537	0.3400	247,668	99.94	2022	100.00
2022	183,476,034	0.3400	623,819	99.98	2023	100.00
2023	252,970,338	0.3400	860,099	99.09	2024	100.00
2024	356,598,666	0.3400	1,212,435	99.52	2025	99.52

## Tax Rate Distribution

	2025	2024	2023	2022	2021
Road System Debt Service	\$0.1475	\$0.1400	\$0.1700	\$0.1200	\$0.1000
Utility System Debt Service	0.1675	0.1675	0.1100	0.0500	0.0000
Maintenance	0.0250	0.0325	0.0600	0.1700	0.2400
Total	\$0.3400	\$0.3400	\$0.3400	\$0.3400	\$0.3400

## Analysis of Tax Base

The following table illustrates the District's total taxable assessed value in the 2021–2025 tax years by type of property.

Type of Property	2025 Assessed Taxable Valuation	2024 Assessed Taxable Valuation	2023 Assessed Taxable Valuation	2022 Assessed Taxable Valuation	2021 Assessed Taxable Valuation
Land	\$ 76,801,190	\$72,952,965	\$57,512,190	\$37,219,721	\$29,655,060
Improvements	344,209,832	294,891,657	206,943,431	153,268,214	44,188,110
Personal Property	3,209,070	2,702,760	1,799,890	444,080	154,000
Exemptions	(18,532,135)	(13,948,716)	(13,285,173)	(7,455,981)	(1,153,633)
Total	\$405,687,957	\$356,598,666	\$252,970,338	\$183,476,034	\$72,843,537

## Principal Taxpayers

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the assessed valuation of such property as of January 1, 2025.

Taxpayer	Type of Property	Assessed Valuation 2025 Tax Roll	Percent of 2025 Value
DR Horton - Texas Ltd. (a)	Land & Improvements	\$ 12,815,823	3.16%
Homeowner	Land & Improvements	829,270	0.20%
Homeowner	Land & Improvements	827,743	0.20%
Homeowner	Land & Improvements	584,580	0.14%
Homeowner	Land & Improvements	569,790	0.14%
Homeowner	Land & Improvements	560,830	0.14%
Homeowner	Land & Improvements	553,740	0.14%
Homeowner	Land & Improvements	535,628	0.13%
Homeowner	Land & Improvements	476,090	0.12%
Homeowner	Land & Improvements	378,920	0.09%
Total		\$ 18,132,414	4.47%

(a) See "THE DEVELOPER."

## Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed taxable valuation that would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District's tax base occurs beyond the 2025 Taxable Assessed Valuation

(\$405,687,957) or the Estimate of Valuation as of July 1, 2025 (\$439,470,031). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirement (2026-2050) .....	\$ 1,266,178
Debt Service Tax Rate of \$0.33 on the 2025 Taxable Assessed Valuation produces .....	\$ 1,271,832
Debt Service Tax Rate of \$0.31 on the Estimate of Value as of July 1, 2025, produces.....	\$ 1,294,239
Maximum Annual Debt Service Requirement (2047).....	\$ 1,416,838
Debt Service Tax Rate of \$0.37 on the 2025 Taxable Assessed Valuation produces .....	\$ 1,425,993
Debt Service Tax Rate of \$0.34 on the Estimate of Value as of July 1, 2025, produces.....	\$ 1,419,488

### Estimated Overlapping Taxes

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

Set forth on the following page is an estimation of all 2024 taxes per \$100 of assessed valuation levied by such jurisdictions. 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.

Taxing Jurisdiction	2024 Tax Rate Per \$100 of A.V.
The District (a)	\$0.340000
City of Caddo Mills	0.485000
Caddo Mills Independent School District	1.257500
Hunt County	0.336000
Hunt Memorial Hospital District	0.197792
Estimated Total Tax Rate	\$2.616292

(a) The District has levied a total tax rate of \$0.34 per \$100 of assessed valuation for the 2025 tax year.

### INVESTMENT CONSIDERATIONS

#### General

The Bonds, which are obligations of the District and not of the State of Texas; the County; the City; or any political subdivision other than the District, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied 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**

**Competition:** The demand for and construction of single-family homes in the District could be affected by competition from other residential developments, including other residential developments located in the northern portion of the Dallas area market. In addition to competition for new home sales from other developments, there are numerous previously owned homes in the area of the District. Such homes could represent additional competition for new homes proposed to be sold within the District. The competitive position of a builder in the sale of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District and tax revenues to be received by the District.

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

**Developer:** There is no commitment by, or legal requirement of, the Developer, 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 "TAX DATA – Principal Taxpayers."

**Dependence on Principal Taxpayers and the Developer:** The top ten principal taxpayers in the District represent \$18,132,414 or approximately 4.47% of the 2025 Taxable Assessed Valuation, which represents ownership as of January 1, 2025. The Developer represents \$12,815,823 or approximately 3.16% of such value. If the Developer, its affiliates, or other principal taxpayers were to default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds would be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its debt service funds. See "TAX DATA – Principal Taxpayers" and "TAXING PROCEDURES – Levy and Collection of Taxes."

**Maximum Impact on District Tax 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 2025 Taxable Assessed Valuation of property located within the District is \$405,687,957 and the Estimate of Valuation as of July 1, 2025 is \$439,470,031. See "TAX DATA."

After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds and the Bonds will be \$1,416,838 (2027) and the average annual debt service requirement on the Outstanding Bonds and the Bonds will be \$1,266,178 (2026-2050). Assuming no decrease to the 2025 Taxable Assessed Valuation, tax rates of \$0.37 and \$0.33 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no decrease from the Estimate of Valuation as of July 1, 2025, tax rates of \$0.34 and \$0.31 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively.

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



## **Vacant Developed Lots**

As of July 1, 2025, approximately 497 developed lots within the District remained available for construction. Failure of D.R. Horton to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of the District issued in the future. Future increases in value will result primarily from the construction of homes by D.R. Horton. The District makes no representation that the lot sales and building program will be successful.

## **Increase in Costs of Building Materials**

As a result of supply issues, shipping constraints, and ongoing trade disputes (including tariffs), there have been recent substantial increases in the cost of lumber and other building materials, causing many homebuilders and general contractors to experience budget overruns. Further, the unpredictable nature of current trade policy (including the threatened imposition of tariffs) may impact the ability of the developers or homebuilders in the District to estimate costs. Additionally, immigration policies may affect the State's workforce, and any labor shortages that could occur may impact the rate of construction within the District. Uncertainty surrounding availability and cost of materials may result in decreased levels of construction activity, and may restrict the growth of property values in the District. The District makes no representations regarding the probability of development or homebuilding continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of the developers or homebuilders.

## **Tax Collection Limitations**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within two years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

## **Bondholders' Remedies**

In the event of default in the payment of principal of or interest on the Bonds, the registered holders of the Bonds ("Bondholders") have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not provide for remedies to protect and enforce the interests of the Bondholders. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Bondholders.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's governmental immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Bondholders 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 Bondholders may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

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

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

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

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

The District may not be placed into bankruptcy involuntarily.

### **Future Debt**

At an election held within the District on May 2, 2020, voters of the District authorized the issuance of \$58,098,501 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System; \$87,147,752 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; \$25,361,501 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; and \$38,042,252 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

The Bonds represent the third series of bonds issued by the District for the purpose of acquiring or constructing the Road System. The District has previously issued two series of bonds for the purpose of acquiring or constructing the Utility System. Following the issuance of the Bonds, \$47,448,501 principal amount for the purpose of acquiring or constructing the Utility System; \$87,147,752 principal amount for the purpose of refunding bonds issued by the District for the Utility System; \$14,731,501 principal amount for the purpose of acquiring or constructing the Road System; and \$38,042,252 principal amount for the purpose of refunding bonds issued by the District for the Road System will remain authorized but unissued.

Following reimbursement to the Developer from the proceeds of the Bonds, the District will owe the Developer approximately \$28,326,144 of eligible expenses associated with construction of Utility System facilities on behalf of the District and \$12,302,954 of eligible expenses for construction of Road System facilities on behalf of the District based on the most recent information provided and estimations available to date. Note that this does not include all expenditures associated with the public infrastructure associated with the commercial development nor does it account for the bonding capacity limitations remaining within the District.

Based on present engineering costs estimates and on development plans supplied by the Developer, in the opinion of the Engineer, following the issuance of the Bonds, the remaining principal amount of authorized but unissued bonds will be sufficient to fully reimburse the Developer for the existing facilities and to finance the water, sewer and drainage facilities and roads necessary to serve the remaining undeveloped but developable land within the District. If the amount of remaining voted authorization is insufficient, the District would need to hold an election to request additional bond authorization.

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

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

### **Approval of the Bonds**

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

### **Environmental Regulations**

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

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

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

*Air Quality Issues:* Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the TCEQ may impact new industrial, commercial and residential development in the Dallas-Fort Worth area. Under the Clean Air Act (“CAA”) Amendments of 1990, a ten-county Dallas-Fort Worth area (“2008 DFW Area”) – Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Rockwall, Tarrant, and Wise Counties – has been designated a “severe” nonattainment area under the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”) effective November 7, 2022, with an attainment year of 2026. The “severe” nonattainment classification provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

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

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the 2008 and 2015 DFW Areas setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the 2008 and 2015 DFW Areas to reach attainment with the ozone standards by the EPA’s attainment deadlines.

These additional controls could have a negative impact on the area's economic growth and development. As a result of the DFW Area's reclassification, the TCEQ must submit revisions of the SIP to the EPA no later than January 1, 2026, addressing the "serious" nonattainment classification.

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

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

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

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

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

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

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

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

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

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

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

### **Future and Proposed Legislation**

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

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

### **Changes in Tax Legislation**

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

### **2025 Legislative Session**

The 89th Regular Legislative Session convened on January 14, 2025, and concluded on June 2, 2025. The Texas Legislature meets in regular session in odd numbered years for 140 days. When the Texas Legislature is not in session, the Governor of Texas (the “Governor”) may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During this time, the Texas Legislature may enact laws that materially change current law as it relates to the District. On August 15, 2025, the Governor called the Second Special Session to begin on August 15, 2025. The District can make no representation regarding any actions the Texas Legislature may take or the effect of such actions.

## **Marketability of the Bonds**

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

## **Bond Insurance Risk Factors**

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

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

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

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

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

Neither the District nor the Initial Purchaser have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal of and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See “MUNICIPAL BOND INSURANCE” and “RATINGS” herein for further information provided by the Bond Insurer and the Insurance Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

## **LEGAL MATTERS**

### **Legal Opinions**

The District will furnish to the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State

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

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

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

### **Legal Review**

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

### **No-Litigation Certificate**

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

### **No Material Adverse Change**

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

## **TAX MATTERS**

### **Opinion**

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

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

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

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

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

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

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

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

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue



Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

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

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

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

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

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

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

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

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

Section 265 of the Code provides, in general, that interest expense incurred to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner thereof. In addition, interest expense incurred by certain owners that are "financial institutions" within the meaning of such section and which is allocable to tax-exempt obligations acquired after August 7, 1986, is completely disallowed as a deduction for taxable years

beginning after December 31, 1986. Section 265(b) of the Code provides an exception to this rule for interest expense incurred by financial institutions and allocable to tax-exempt obligations (other than private activity bonds) which are designated by an issuer, such as the District, as “qualified tax-exempt obligations.” An issue may be designated as “qualified tax-exempt obligations” only where the amount of such issue, when added to all other tax-exempt obligations (other than private activity bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000.

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

### **CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Order, the District has made the following covenants for the benefit of the holders of the Bonds. The District is required to observe these covenants for so long as it remains obligated to pay the Bonds. Under the covenants, the District will be obligated to provide certain updated financial information and operating data annually, as well as timely notice of specified events, to the Municipal Securities Rulemaking Board or any successor to its function as a repository (the “MSRB”), through its Electronic Municipal Market Access (“EMMA”) system.

#### **Annual Reports**

The District will provide certain updated financial information and operating data to the EMMA annually. The 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 subsection titled “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 ending in or after 2025.

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

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

#### **Event Notices**

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of SEC Rule 15c2-12 or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the SEC Rule 15c2-12, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or

additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of SEC Rule 15c2-12, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of SEC Rule 15c2-12, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of SEC Rule 15c2-12, 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. The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the MSRB consistent with SEC Rule 15c2-12. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

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

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

#### **Compliance with Prior Undertaking**

During the last five years, the District has complied in all material respects with its previous continuing disclosure undertakings pursuant to SEC Rule 15c2-12.

## **OFFICIAL STATEMENT**

### **General**

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

The District's audited financial statements for the year ended April 30, 2024, were prepared by Mark C. Eyring, CPA, PLLC and have been included herein as "APPENDIX A." Mark C. Eyring, CPA, PLLC has consented to the publication of such financial statements in this Preliminary Official Statement.

### **Experts**

The information contained in this Official Statement relating to engineering and to the description of the Road System and the Utility System, and, in particular, that engineering information included in the sections entitled "THE BONDS – Estimated Use and Distribution of Bond Proceeds," "THE DISTRICT – Description and Location," "DEVELOPMENT OF THE DISTRICT – Status of Development within the District," and "THE SYSTEM" has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as an expert in the field of civil engineering.

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

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

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

### **Updating of Official Statement**

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

## **CONCLUDING STATEMENT**

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

and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Caddo Mills Municipal Management District No. 1 of Hunt County as of the date shown on the cover page.

/s/ Keith Roach  
President, Board of Directors  
Caddo Mills Municipal Management District No. 1 of  
Hunt County

ATTEST:

/s/ Jesus Rodriguez  
Secretary, Board of Directors  
Caddo Mills Municipal Management District No. 1  
of Hunt County

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

CADDO MILLS MUNICIPAL  
MANAGEMENT DISTRICT NO. 1  
HUNT COUNTY, TEXAS  
ANNUAL AUDIT REPORT  
APRIL 30, 2024

## C O N T E N T S

INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	9
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES	10
NOTES TO THE FINANCIAL STATEMENTS	11-19
SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND	20
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY	21
SCHEDULE OF SERVICES AND RATES	22
EXPENDITURES FOR THE YEAR ENDED APRIL 30, 2024	23
ANALYSIS OF CHANGES IN DEPOSITS, ALL GOVERNMENTAL FUND TYPES	24
SCHEDULE OF TEMPORARY INVESTMENTS	25
TAXES LEVIED AND RECEIVABLE	26-27
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS	28-31
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT	32
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, GENERAL FUND	33
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, DEBT SERVICE FUND	34
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	35-36



# Mark C. Eyring, CPA, PLLC

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

August 28, 2024

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Caddo Mills Municipal  
Management District No. 1  
Hunt County, Texas

### **Opinions**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Caddo Mills Municipal Management District No. 1 as of and for the year ended April 30, 2024, and the related notes to the financial statements, which collectively comprise Caddo Mills Municipal Management District No. 1's basic financial statements as listed in the table of contents.

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

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

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

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

## INDEPENDENT AUDITOR'S REPORT (Continued)

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

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

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

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

### **Required Supplementary Information**

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

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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Caddo Mills Municipal Management District No. 1's basic financial statements. The supplementary information on Pages 21 to 36 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 located in the lower right portion of the page.

## Management's Discussion and Analysis

### Using this Annual Report

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

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

#### *Government-Wide Financial Statements*

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

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

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

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

#### *Fund Financial Statements*

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

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

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

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

### **Financial Analysis of the District as a Whole**

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

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

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

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

Summary of Net Position

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Current and other assets	\$ 1,495,952	\$ 1,173,802	\$ 322,150
Capital assets	53,225,706	39,549,788	13,675,918
Total assets	<u>54,721,658</u>	<u>40,723,590</u>	<u>13,998,068</u>
Long-term liabilities	66,665,437	48,196,328	18,469,109
Other liabilities	322,568	166,021	156,547
Total liabilities	<u>66,988,005</u>	<u>48,362,349</u>	<u>18,625,656</u>
Net position:			
Invested in capital assets, net of related debt	(13,559,847)	(8,425,189)	(5,134,658)
Restricted	1,035,187	614,554	420,633
Unrestricted	258,313	171,876	86,437
Total net position	<u>\$ (12,266,347)</u>	<u>\$ (7,638,759)</u>	<u>\$ (4,627,588)</u>

Summary of Changes in Net Position

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 854,080	\$ 619,583	\$ 234,497
Other revenues	37,315	1,500	35,815
Total revenues	<u>891,395</u>	<u>621,083</u>	<u>270,312</u>
Expenses:			
Service operations	4,678,780	4,041,200	637,580
Debt service	840,203	539,087	301,116
Total expenses	<u>5,518,983</u>	<u>4,580,287</u>	<u>938,696</u>
Change in net position	(4,627,588)	(3,959,204)	(668,384)
Net position, beginning of year	<u>(7,638,759)</u>	<u>(3,679,555)</u>	<u>(3,959,204)</u>
Net position, end of year	<u>\$ (12,266,347)</u>	<u>\$ (7,638,759)</u>	<u>\$ (4,627,588)</u>

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

The District's combined fund balances as of the end of the fiscal year ended April 30, 2024, were \$1,469,169, an increase of \$310,684 from the prior year.

The General Fund balance increased by \$85,156, in accordance with the District's financial plan.

The Debt Service Fund balance increased by \$217,724, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by \$7,804, as proceeds from the District's Series 2023 unlimited tax road bonds and interest earnings 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 April 30, 2024, was expected to be \$252,341 and the actual end of year fund balance was negative \$332,747.

### **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>\$ 53,225,706</u>	<u>\$ 39,549,788</u>	<u>\$ 13,675,918</u>

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

Additions:	
Utilities and roads constructed by developer	\$ 17,847,439
Decreases:	
Assets transferred to City of Caddo Mills	<u>(4,171,521)</u>
Net change to capital assets	<u>\$ 13,675,918</u>

#### *Debt*

Subsequent to April 30, 2024, the District sold its \$5,845,000 Series 2024 unlimited tax utility bonds on August 28, 2024.

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

Bonded debt payable, beginning of year	\$ 8,890,000
Sale of bonds	5,155,000
Bonds paid	<u>(115,000)</u>
Bonded debt payable, end of year	<u>\$ 13,930,000</u>

At April 30, 2024, the District had \$53,293,501 of bonds authorized but unissued for the purposes of acquiring, constructing and improving a water, sanitary sewer and drainage system within the District and \$16,121,501 for road purposes authorized but unissued

The District's bonds do not have an underlying rating. The Series 2022 utility and 2023 road bonds are insured by Build America Mutual Assurance Company. The insured rating of the Series 2022 utility and 2023 road bonds is AA by Standard & Poor's. The Series 2021 road bonds are not rated or insured. There were no changes in the bond ratings during the fiscal year ended April 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 April 30, 2024, the cumulative amount of developer advances for this purpose was \$76,758.

As further described in Note 5 of the notes to the financial statements, the developer within the District is constructing water, sewer and drainage facilities and road improvements on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality as applicable. At April 30, 2024, the estimated amount due to the developer was \$53,225,706.

## **RELEVANT FACTORS AND WATER SUPPLY ISSUES**

### *Property Tax Base*

The District's tax base increased approximately \$69,090,000 for the 2023 tax year, primarily due to the addition of new 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.

### *Relationship to the City of Caddo Mills*

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

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



CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

APRIL 30, 2024

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>						
Cash, including interest-bearing accounts, Note 7	\$ 40,205	\$ 74,641	\$ 94,008	\$ 208,854	\$	\$ 208,854
Temporary investments, at cost, Note 7	305,959	906,081	62,311	1,274,351		1,274,351
Receivables:						
Property taxes	2,324	10,423		12,747		12,747
Due from other funds	619			619	(619)	0
Capital assets, Note 4:				0	53,225,706	53,225,706
Total assets	<u>\$ 349,107</u>	<u>\$ 991,145</u>	<u>\$ 156,319</u>	<u>\$ 1,496,571</u>	<u>53,225,087</u>	<u>54,721,658</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 14,036	\$	\$	\$ 14,036		14,036
Accrued interest payable				0	94,048	94,048
Due to other fund		78	541	619	(619)	0
Long-term liabilities, Note 5:						
Due within one year				0	214,484	214,484
Due in more than one year				0	66,665,437	66,665,437
Total liabilities	<u>14,036</u>	<u>78</u>	<u>541</u>	<u>14,655</u>	<u>66,973,350</u>	<u>66,988,005</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property tax revenues	<u>2,324</u>	<u>10,423</u>	<u>0</u>	<u>12,747</u>	<u>(12,747)</u>	<u>0</u>
<b>FUND BALANCES / NET POSITION</b>						
Fund balances:						
Restricted for bond interest, Note 5		17,610		17,610	(17,610)	0
Assigned to:						
Debt service		963,034		963,034	(963,034)	0
Capital projects			155,778	155,778	(155,778)	0
Unassigned	<u>332,747</u>			<u>332,747</u>	<u>(332,747)</u>	<u>0</u>
Total fund balances	<u>332,747</u>	<u>980,644</u>	<u>155,778</u>	<u>1,469,169</u>	<u>(1,469,169)</u>	<u>0</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 349,107</u>	<u>\$ 991,145</u>	<u>\$ 156,319</u>	<u>\$ 1,496,571</u>		
Net position:						
Invested in capital assets, net of related debt, Note 4					(13,559,847)	(13,559,847)
Restricted for debt service					879,409	879,409
Restricted for capital projects					155,778	155,778
Unrestricted, Note 5					258,313	258,313
Total net position					<u>\$ (12,266,347)</u>	<u>\$ (12,266,347)</u>

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

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1

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

FOR THE YEAR ENDED APRIL 30, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
<b>REVENUES</b>						
Property taxes	\$ 149,098	\$ 694,366	\$	\$ 843,464	\$ 9,032	\$ 852,496
Penalty and interest		1,584		1,584		1,584
Interest on deposits	8,011	26,075	3,229	37,315		37,315
Total revenues	157,109	722,025	3,229	882,363	9,032	891,395
<b>EXPENDITURES / EXPENSES</b>						
Service operations:						
Professional fees	56,558	353		56,911		56,911
Contracted services	9,749	13,842		23,591		23,591
Administrative expenditures	5,646	390	220	6,256		6,256
Capital outlay / non-capital outlay			4,171,521	4,171,521		4,171,521
Debt service:						
Principal retirement		115,000		115,000	(115,000)	0
Bond issuance expenditures			285,404	285,404		285,404
Interest and fees		493,078	420,501	913,579	61,721	975,300
Total expenditures / expenses	71,953	622,663	4,877,646	5,572,262	(53,279)	5,518,983
Excess (deficiency) of revenues over expenditures	85,156	99,362	(4,874,417)	(4,689,899)	62,311	(4,627,588)
<b>OTHER FINANCING SOURCES (USES)</b>						
Bonds issued, Note 5		272,779	4,882,221	5,155,000	(5,155,000)	0
Bond issuance discounts, Note 5		(154,417)		(154,417)	154,417	0
Total other financing sources (uses)	0	118,362	4,882,221	5,000,583	(5,000,583)	0
Net change in fund balances / net position	85,156	217,724	7,804	310,684	(4,938,272)	(4,627,588)
Beginning of year	247,591	762,920	147,974	1,158,485	(8,797,244)	(7,638,759)
End of year	\$ 332,747	\$ 980,644	\$ 155,778	\$ 1,469,169	\$ (13,735,516)	\$ (12,266,347)

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

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1NOTES TO THE FINANCIAL STATEMENTSAPRIL 30, 2024

## NOTE 1: REPORTING ENTITY

Caddo Mills Municipal Management District No. 1 (the "District") was created by the Texas Commission on Environmental Quality on March 29, 2019. The District operates in accordance with Texas Water Code Chapters 49 and 54, Chapter 375 of the Texas Local Government Code and Article XVI, Section 59 and Article III, Sections 52 and 52(a) of the Texas Constitution. The District is located within the corporate limits of the City of Caddo Mills and within Hunt County, Texas. The District is a political subdivision of the State of Texas, governed by an appointed five member Board of Directors. The Board of Directors held its first meeting on April 15, 2019. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality with respect to water, wastewater and drainage.

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

#### Basic Financial Statements

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Basis of Accounting

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

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

### Interfund Activity

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

### Receivables

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

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

### Long-term Liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 1,469,169
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		53,225,706
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	\$ (13,930,000)	
Issuance discount net of premium (to be amortized as interest expense)	352,543	
Due to developers for operating advances	(76,758)	
Due to developers for construction	<u>(53,225,706)</u>	(66,879,921)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Uncollected property taxes		12,747
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(94,048)</u>
Net position, end of year		<u>\$12,266,347</u>

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

Total net change in fund balances		\$ 310,684
The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:		
Bonds issued	\$ (5,155,000)	
Principal reduction	<u>115,000</u>	(5,040,000)
The funds report the effect of 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		131,767
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		9,032
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>(39,071)</u>
Change in net position		<u>\$ (4,627,588)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**NOTE 4: CAPITAL ASSETS**

At April 30, 2024, "Invested in capital assets, net of related debt" was \$(13,559,847). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. The District lies wholly within the corporate limits of the City of Caddo Mills (the "City") and obtains water, sewer and drainage service from the City. In consideration of the District's acquiring and constructing these systems on behalf of the City, the City will own, operate and maintain such systems. The District transfers the ownership of certain capital assets constructed by the District to the City. The District is to pay for construction of a water distribution system, a sanitary sewer collection system, a drainage system and roads to serve the District. The District shall be the owner of each phase of the systems until such phase is completed and approved by the City, at which time ownership of such phase shall be transferred to the City. However, the District shall have a security interest therein until all bonds issued by the District pursuant to the respective agreement are retired.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	<u>\$ 39,549,788</u>	<u>\$ 17,847,439</u>	<u>\$ 4,171,521</u>	<u>\$ 53,225,706</u>
Total capital assets not being depreciated	<u>39,549,788</u>	<u>17,847,439</u>	<u>4,171,521</u>	<u>53,225,706</u>
 Total capital assets, net	 <u>\$ 39,549,788</u>	 <u>\$ 17,847,439</u>	 <u>\$ 4,171,521</u>	 <u>\$ 53,225,706</u>
Changes to capital assets:				
Increase in liability to developer for construction		\$ 17,847,439	\$	
Capital outlay paid (decrease in liability) to developer		(4,171,521)		
Assets transferred to City		<u>4,171,521</u>	<u>4,171,521</u>	
Net increases / decreases to capital assets		<u>\$ 17,847,439</u>	<u>\$ 4,171,521</u>	

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

Subsequent to April 30, 2024, the District sold its \$5,845,000 Series 2024 unlimited tax utility bonds on August 28, 2024.

Long-term liability activity for the fiscal year ended April 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	\$ 8,890,000	\$ 5,155,000	\$ 115,000	\$ 13,930,000	\$ 240,000
Less deferred amounts:					
For issuance premiums (discounts)	<u>(220,776)</u>	<u>(154,417)</u>	<u>(22,650)</u>	<u>(352,543)</u>	<u>(25,516)</u>
Total bonds payable	<u>8,669,224</u>	<u>5,000,583</u>	<u>92,350</u>	<u>13,577,457</u>	<u>214,484</u>
 Due to developers for operating advances (see below)	 76,758			 76,758	 -----
Due to developers for construction (see below)	<u>39,549,788</u>	<u>17,847,439</u>	<u>4,171,521</u>	<u>53,225,706</u>	<u>-----</u>
Total due to developers	<u>39,626,546</u>	<u>17,847,439</u>	<u>4,171,521</u>	<u>53,302,464</u>	<u>0</u>
 Total long-term liabilities	 <u>\$ 48,295,770</u>	 <u>\$ 22,848,022</u>	 <u>\$ 4,263,871</u>	 <u>\$ 66,879,921</u>	 <u>\$ 214,484</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of April 30, 2024, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 240,000	\$ 559,188	\$ 799,188
2026	370,000	544,762	914,762
2027	385,000	525,738	910,738
2028	400,000	505,962	905,962
2029	415,000	485,438	900,438
2030 - 2034	2,355,000	2,109,212	4,464,212
2035 - 2039	2,865,000	1,628,000	4,493,000
2040 - 2044	3,480,000	1,050,704	4,530,704
2045 - 2049	<u>3,420,000</u>	<u>316,840</u>	<u>3,736,840</u>
	<u>\$ 13,930,000</u>	<u>\$ 7,725,844</u>	<u>\$ 21,655,844</u>

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 April 30, 2024, were as follows:

	<u>Series 2021 Road</u>	<u>Series 2022 Utility</u>	<u>Series 2023 Road</u>
Amounts outstanding, April 30, 2024	\$3,970,000	\$4,805,000	\$5,155,000
Interest rates	2.00% to 3.00%	4.00% to 6.50%	4.00% to 6.50%
Maturity dates, serially beginning/ending	September 1, 2024/2046	September 1, 2024/2047	September 1, 2025/2048
Interest payment dates	September 1/March 1	September 1/March 1	September 1/March 1
Callable dates	September 1, 2026*	September 1, 2029*	September 1, 2029*

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

Water, sewer and drainage bonds voted	\$ 58,098,501
Water, sewer and drainage bonds approved for sale and sold	4,805,000
Water, sewer and drainage bonds voted and not issued	53,293,501
Road bonds voted	25,361,501
Road bonds approved for sale and sold	9,240,000
Road bonds voted and not issued	16,121,501
Refunding bonds voted	One and one-half times the amount of unlimited tax bonds previously issued



NOTES TO THE FINANCIAL STATEMENTS (Continued)

In accordance with the Series 2022 utility and 2023 road Bond Orders, a portion of the bond proceeds was deposited into the debt service fund and reserved for the payment of bond interest. This bond interest reserve is reduced as the interest is paid. Transactions for the current year are summarized as follows:

Bond interest reserve, beginning of year:		
Series 2022 utility bonds		\$ 244,035
Sale of bonds, Series 2023 road bonds:		
6 months' interest from sale of bonds		118,362
Deduct appropriation for bond interest paid:		
Series 2022 utility bonds	\$ (226,425)	
Series 2023 road bonds	<u>(118,362)</u>	<u>(344,787)</u>
Bond interest reserve, end of year:		
Series 2023 road bonds		<u>\$ 17,610</u>

Developer Construction Commitments, Liabilities and Advances

The developer within the District is constructing certain facilities within the District's boundaries. The District has agreed to reimburse the developer for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality as applicable. The District's engineer stated that cost of the construction in progress at April 30, 2024, was \$53,225,706. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

The developer within the District has advanced funds to the District to cover initial operating deficits. At April 30, 2024, the cumulative amount of unreimbursed developer advances was \$76,758. 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 \$335,071.

**NOTE 6: PROPERTY TAXES**

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

At an election held May 2, 2020, 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

On September 6, 2023, the District levied the following ad valorem taxes for the 2023 tax year on the adjusted taxable valuation of \$250,920,886:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.2800	\$ 702,635
Maintenance	<u>0.0600</u>	<u>150,565</u>
	<u>\$ 0.3400</u>	<u>\$ 853,200</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	\$ 853,200
Appraisal district adjustments to prior year taxes	<u>(704)</u>
Statement of Activities property tax revenues	<u>\$ 852,496</u>

Concentration of Tax Base

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

**NOTE 7: DEPOSITS**

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

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions and 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 \$1,274,351.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Debt Service Fund

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

Cash	\$ 74,641
Temporary investments	<u>906,081</u>
	<u>\$ 980,722</u>

Capital Projects Fund

For construction of capital assets:

Cash	\$ 94,008
Temporary investments	<u>62,311</u>
	<u>\$ 156,319</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 three fiscal years.

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

NOTE 9: TOWN OF CADDO MILLS

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

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1

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

FOR THE YEAR ENDED APRIL 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 100,000	\$ 100,000	\$ 149,098	\$ 49,098
Penalty and other	500	500	0	(500)
Interest on deposits	150	150	8,011	7,861
TOTAL REVENUES	<u>100,650</u>	<u>100,650</u>	<u>157,109</u>	<u>56,459</u>
EXPENDITURES				
Service operations:				
Professional fees	77,000	77,000	56,558	(20,442)
Contracted services	13,000	13,000	9,749	(3,251)
Administrative expenditures	5,900	5,900	5,646	(254)
TOTAL EXPENDITURES	<u>95,900</u>	<u>95,900</u>	<u>71,953</u>	<u>(23,947)</u>
EXCESS REVENUES (EXPENDITURES)	4,750	4,750	85,156	80,406
FUND BALANCE, BEGINNING OF YEAR	<u>247,591</u>	<u>247,591</u>	<u>247,591</u>	<u>0</u>
FUND BALANCE, END OF YEAR	<u>\$ 252,341</u>	<u>\$ 252,341</u>	<u>\$ 332,747</u>	<u>\$ 80,406</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.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1  
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION  
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY  
APRIL 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

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1

SCHEDULE OF SERVICES AND RATES

APRIL 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<br>(other than emergency interconnect) |   |   |
| <input checked="" type="checkbox"/> Other <u>All services are provided by the City of Caddo Mills.</u>                                   |   |   |

2. Retail Service Providers

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

Contact the City of Caddo Mills.

b. Water and Wastewater Retail Connections:

Contact the City of Caddo Mills.

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

Contact the City of Caddo Mills.

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: \_\_\_\_\_

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1EXPENDITURESFOR THE YEAR ENDED APRIL 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	\$ 6,500	\$	\$	6,500
Legal	30,224	353		30,577
Engineering	19,834			19,834
	<u>56,558</u>	<u>353</u>	<u>0</u>	<u>56,911</u>
Contracted services:				
Bookkeeping	9,749			9,749
Tax assessor-collector		1,335		1,335
Appraisal district		12,507		12,507
	<u>9,749</u>	<u>13,842</u>	<u>0</u>	<u>23,591</u>
Administrative expenditures:				
Insurance	3,156			3,156
Other	2,490	390	220	3,100
	<u>5,646</u>	<u>390</u>	<u>220</u>	<u>6,256</u>
<b>CAPITAL OUTLAY</b>				
Authorized expenditures	<u>0</u>	<u>0</u>	<u>4,171,521</u>	<u>4,171,521</u>
<b>DEBT SERVICE</b>				
Principal retirement	<u>0</u>	<u>115,000</u>	<u>0</u>	<u>115,000</u>
Bond issuance expenditures	<u>0</u>	<u>0</u>	<u>285,404</u>	<u>285,404</u>
Interest and fees:				
Interest		492,447	420,501	912,948
Paying agent fees		631		631
	<u>0</u>	<u>493,078</u>	<u>420,501</u>	<u>913,579</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 71,953</u>	<u>\$ 622,663</u>	<u>\$ 4,877,646</u>	<u>\$ 5,572,262</u>

See accompanying independent auditor's report.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1ANALYSIS OF CHANGES IN DEPOSITS  
ALL GOVERNMENTAL FUND TYPESFOR THE YEAR ENDED APRIL 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	\$ 8,011	\$ 722,025	\$ 3,229	\$ 733,265
Maintenance tax receipts		148,344		148,344
Transfer of maintenance taxes	148,266			148,266
Proceeds from bonds		<u>118,362</u>	<u>4,882,221</u>	<u>5,000,583</u>
<b>TOTAL DEPOSITS PROVIDED</b>	<u>156,277</u>	<u>988,731</u>	<u>4,885,450</u>	<u>6,030,458</u>
<b>APPLICATIONS OF DEPOSITS</b>				
Cash disbursements for:				
Current expenditures	47,789	16,170	251	64,210
Capital outlay			4,171,521	4,171,521
Debt service		608,078	705,905	1,313,983
Transfer of maintenance taxes		<u>148,266</u>		<u>148,266</u>
<b>TOTAL DEPOSITS APPLIED</b>	<u>47,789</u>	<u>772,514</u>	<u>4,877,677</u>	<u>5,697,980</u>
<b>INCREASE (DECREASE) IN DEPOSITS</b>	108,488	216,217	7,773	332,478
<b>DEPOSITS BALANCES, BEGINNING OF YEAR</b>	<u>237,676</u>	<u>764,505</u>	<u>148,546</u>	<u>1,150,727</u>
<b>DEPOSITS BALANCES, END OF YEAR</b>	<u>\$ 346,164</u>	<u>\$ 980,722</u>	<u>\$ 156,319</u>	<u>\$ 1,483,205</u>

See accompanying independent auditor's report.



CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1SCHEDULE OF TEMPORARY INVESTMENTSAPRIL 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-01-1048-0001	Market	On demand	<u>\$ 305,959</u>	<u>\$ 0</u>
DEBT SERVICE FUND				
Texas CLASS				
No. TX-01-1048-0003	Market	On demand	<u>\$ 556,197</u>	<u>\$ 0</u>
No. TX-01-1048-0004	Market	On demand	<u>349,884</u>	<u>0</u>
			<u>\$ 906,081</u>	<u>\$ 0</u>
CAPITAL PROJECTS FUND				
Texas CLASS				
No. TX-01-1048-0002	Market	On demand	<u>\$ 62,311</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 1,274,351</u>	<u>\$ 0</u>

See accompanying independent auditor's report.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1TAXES LEVIED AND RECEIVABLEFOR THE YEAR ENDED APRIL 30, 2024

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 1,043	\$ 2,672
Additions and corrections to prior year taxes	<u>(186)</u>	<u>(518)</u>
Adjusted receivable, beginning of year	857	2,154
2023 ADJUSTED TAX ROLL	<u>150,565</u>	<u>702,635</u>
Total to be accounted for	151,422	704,789
Tax collections: Current tax year	(148,344)	(692,274)
Prior tax years	<u>(754)</u>	<u>(2,092)</u>
RECEIVABLE, END OF YEAR	<u>\$ 2,324</u>	<u>\$ 10,423</u>
RECEIVABLE, BY TAX YEAR		
2021	\$ 96	\$ 40
2022	7	22
2023	<u>2,221</u>	<u>10,361</u>
RECEIVABLE, END OF YEAR	<u>\$ 2,324</u>	<u>\$ 10,423</u>

See accompanying independent auditor's report.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1TAXES LEVIED AND RECEIVABLE (Continued)FOR THE YEAR ENDED APRIL 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	\$ 57,542,520	\$ 37,219,721	\$ 29,655,060	\$ 17,185,290
Improvements	206,961,101	153,274,777	44,188,110	203,680
Personal property	1,799,890	444,080	154,000	0
Less exemptions	<u>(15,382,625)</u>	<u>(9,106,265)</u>	<u>(1,529,547)</u>	<u>(860,758)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 250,920,886</u>	<u>\$ 181,832,313</u>	<u>\$ 72,467,623</u>	<u>\$ 16,528,212</u>
Debt service tax rates	\$ 0.28000	\$ 0.25000	\$ 0.10000	\$ 0.00000
Maintenance tax rates*	<u>0.06000</u>	<u>0.09000</u>	<u>0.24000</u>	<u>0.34000</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.34000</u>	<u>\$ 0.34000</u>	<u>\$ 0.34000</u>	<u>\$ 0.34000</u>
TAX ROLLS	<u>\$ 853,200</u>	<u>\$ 618,935</u>	<u>\$ 246,390</u>	<u>\$ 56,196</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>98.5 %</u>	<u>99.9 %</u>	<u>99.9 %</u>	<u>100 %</u>

\*Maximum tax rate approved by voters on May 2, 2020: \$1.00

\*\*The District first levied taxes for tax year 2020.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS  
FOR THE YEAR ENDED APRIL 30, 2024

Due During Fiscal Years Ending April 30	Series 2021		
	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 120,000	\$ 99,938	\$ 219,938
2026	120,000	97,537	217,537
2027	125,000	95,088	220,088
2028	130,000	92,537	222,537
2029	135,000	89,888	224,888
2030	140,000	87,050	227,050
2031	145,000	83,931	228,931
2032	150,000	80,613	230,613
2033	155,000	77,181	232,181
2034	160,000	73,637	233,637
2035	165,000	69,775	234,775
2036	170,000	65,587	235,587
2037	175,000	61,275	236,275
2038	180,000	56,838	236,838
2039	185,000	52,275	237,275
2040	190,000	47,350	237,350
2041	200,000	41,988	241,988
2042	205,000	36,419	241,419
2043	210,000	30,450	240,450
2044	215,000	24,075	239,075
2045	225,000	17,475	242,475
2046	230,000	10,650	240,650
2047	240,000	3,600	243,600
TOTALS	<u>\$ 3,970,000</u>	<u>\$ 1,395,157</u>	<u>\$ 5,365,157</u>

See accompanying independent auditor's report.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)  
FOR THE YEAR ENDED APRIL 30, 2024

Due During Fiscal Years Ending April 30	Series 2022		
	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 120,000	\$ 222,525	\$ 342,525
2026	125,000	214,562	339,562
2027	130,000	206,275	336,275
2028	135,000	197,663	332,663
2029	140,000	188,725	328,725
2030	145,000	179,462	324,462
2031	155,000	169,713	324,713
2032	160,000	159,475	319,475
2033	165,000	150,975	315,975
2034	175,000	144,175	319,175
2035	180,000	137,075	317,075
2036	190,000	129,675	319,675
2037	195,000	121,975	316,975
2038	205,000	113,975	318,975
2039	215,000	105,575	320,575
2040	225,000	96,775	321,775
2041	230,000	87,387	317,387
2042	240,000	77,400	317,400
2043	250,000	66,988	316,988
2044	260,000	56,150	316,150
2045	275,000	44,781	319,781
2046	285,000	32,702	317,702
2047	295,000	20,016	315,016
2048	310,000	6,782	316,782
TOTALS	<u>\$ 4,805,000</u>	<u>\$ 2,930,806</u>	<u>\$ 7,735,806</u>

See accompanying independent auditor's report.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)  
FOR THE YEAR ENDED APRIL 30, 2024

Due During Fiscal Years Ending April 30	Series 2023		
	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$	\$ 236,725	\$ 236,725
2026	125,000	232,663	357,663
2027	130,000	224,375	354,375
2028	135,000	215,762	350,762
2029	140,000	206,825	346,825
2030	145,000	197,563	342,563
2031	155,000	187,812	342,812
2032	160,000	179,375	339,375
2033	170,000	172,575	342,575
2034	175,000	165,675	340,675
2035	185,000	158,475	343,475
2036	190,000	150,975	340,975
2037	200,000	143,175	343,175
2038	210,000	134,975	344,975
2039	220,000	126,375	346,375
2040	230,000	117,375	347,375
2041	240,000	107,975	347,975
2042	250,000	97,863	347,863
2043	260,000	87,025	347,025
2044	275,000	75,484	350,484
2045	285,000	63,235	348,235
2046	300,000	50,437	350,437
2047	310,000	36,900	346,900
2048	325,000	22,612	347,612
2049	340,000	7,650	347,650
TOTALS	<u>\$ 5,155,000</u>	<u>\$ 3,399,881</u>	<u>\$ 8,554,881</u>

See accompanying independent auditor's report.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)  
FOR THE YEAR ENDED APRIL 30, 2024

Due During Fiscal Years Ending April 30	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total
2025	\$ 240,000	\$ 559,188	\$ 799,188
2026	370,000	544,762	914,762
2027	385,000	525,738	910,738
2028	400,000	505,962	905,962
2029	415,000	485,438	900,438
2030	430,000	464,075	894,075
2031	455,000	441,456	896,456
2032	470,000	419,463	889,463
2033	490,000	400,731	890,731
2034	510,000	383,487	893,487
2035	530,000	365,325	895,325
2036	550,000	346,237	896,237
2037	570,000	326,425	896,425
2038	595,000	305,788	900,788
2039	620,000	284,225	904,225
2040	645,000	261,500	906,500
2041	670,000	237,350	907,350
2042	695,000	211,682	906,682
2043	720,000	184,463	904,463
2044	750,000	155,709	905,709
2045	785,000	125,491	910,491
2046	815,000	93,789	908,789
2047	845,000	60,516	905,516
2048	635,000	29,394	664,394
2049	340,000	7,650	347,650
TOTALS	<u>\$ 13,930,000</u>	<u>\$ 7,725,844</u>	<u>\$ 21,655,844</u>

See accompanying independent auditor's report.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBTFOR THE YEAR ENDED APRIL 30, 2024

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Totals</u>
Bond Series:	2021	2022	2023	
Interest Rate:	2.00% to 3.00%	4.00% to 6.50%	4.00% to 6.50%	
Dates Interest Payable:	September 1/ March 1	September 1/ March 1	September 1/ March 1	
Maturity Dates:	September 1, 2024/2046	September 1, 2024/2047	September 1, 2025/2048	
Bonds Outstanding at Beginning of Current Year	\$ 4,085,000	\$ 4,805,000	\$	\$ 8,890,000
Add Bonds Sold			5,155,000	5,155,000
Less Retirements	<u>(115,000)</u>	<u>                    </u>	<u>                    </u>	<u>(115,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 3,970,000</u>	<u>\$ 4,805,000</u>	<u>\$ 5,155,000</u>	<u>\$ 13,930,000</u>
Current Year Interest Paid	<u>\$ 102,287</u>	<u>\$ 226,425</u>	<u>\$ 163,735</u>	<u>\$ 492,447</u>

Bond Descriptions and Original Amount of Issue

- (1) Caddo Mills Municipal Management District No. 1 Unlimited Tax Road Bonds, Series 2021 (\$4,085,000)
- (2) Caddo Mills Municipal Management District No. 1 Unlimited Tax Utility Bonds, Series 2022 (\$4,805,000)
- (3) Caddo Mills Municipal Management District No. 1 Unlimited Tax Road Bonds, Series 2023 (\$5,155,000)

Paying Agent/Registrar

(1) (2) (3) BOKF, N.A., Dallas, Texas

<u>Bond Authority</u>	<u>Utility Bonds</u>	<u>Road Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 58,098,501	\$ 25,361,501	See Note 5
Amount Issued:	4,805,000	9,240,000	
Remaining to be Issued:	53,293,501	16,121,501	

Net Debt Service Fund deposits and investments balances as of April 30, 2024: \$ 980,644

Average annual debt service payment for remaining term of all debt: 866,234

See accompanying independent auditor's report.



CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1  
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
GENERAL FUND  
FOR YEARS ENDED APRIL 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2024	2023	2022	2021*	2020	2024	2023	2022	2021	2020
REVENUES										
Property taxes	\$ 149,098	\$ 164,156	\$ 173,935	\$ 54,820	\$	94.9 %	99.9 %	99.7 %	99.9 %	%
Penalty and other	0	0	502			0.0	0.0	0.3	0.0	
Interest on deposits	8,011	192	13	44		5.1	0.1	0.0	0.1	
TOTAL REVENUES	157,109	164,348	174,450	54,864	0	100.0	100.0	100.0	100.0	N/A
EXPENDITURES										
Service operations:										
Professional fees	56,558	76,253	49,018	25,702	20,406	36.0	46.3	28.1	46.8	
Contracted services	9,749	14,238	9,953	2,394	925	6.2	8.7	5.7	4.4	
Administrative expenditures	5,646	5,688	4,589	1,795	3,162	3.6	3.5	2.6	3.3	
TOTAL EXPENDITURES	71,953	96,179	63,560	29,891	24,493	45.8	58.5	36.4	54.5	N/A
EXCESS REVENUES (EXPENDITURES)	\$ 85,156	\$ 68,169	\$ 110,890	\$ 24,973	\$ (24,493)	54.2 %	41.5 %	63.6 %	45.5 %	N/A %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	N/A	N/A	N/A	N/A	N/A					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	N/A	N/A	N/A	N/A	N/A					

\*District was funded by developer advances for fiscal years 2021 and prior.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1  
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
DEBT SERVICE FUND  
FOR YEARS ENDED APRIL 30

	AMOUNT			PERCENT OF TOTAL REVENUES		
	2024	2023	2022*	2024	2023	2022
REVENUES						
Property taxes	\$ 694,366	\$ 452,996	\$ 71,900	96.2 %	99.6 %	96.5 %
Penalty and interest	1,584	647	0	0.2	0.1	0.0
Accrued interest on bonds received at date of sale	0	0	2,586	0.0	0.0	3.5
Interest on deposits	26,075	1,308	6	3.6	0.3	0.0
TOTAL REVENUES	722,025	454,951	74,492	100.0	100.0	100.0
EXPENDITURES						
Current:						
Professional fees	353	133	0	0.0	0.0	0.0
Contracted services	13,842	0	0	1.9	0.0	0.0
Other expenditures	390	1,110	325	0.1	0.2	0.4
Debt service:						
Principal retirement	115,000	0	0	15.9	0.0	0.0
Interest and fees	493,078	199,409	60,339	68.3	43.9	81.0
TOTAL EXPENDITURES	622,663	200,652	60,664	86.2	44.1	81.4
EXCESS REVENUES (EXPENDITURES)	\$ 99,362	\$ 254,299	\$ 13,828	13.8 %	55.9 %	18.6 %

\*First year of financial activity.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSAPRIL 30, 2024

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

District Business Telephone No.: 972-982-8450

Submission date of the most recent District Registration Form: April 5, 2023

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

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Kristen Dye c/o Coats Rose, P.C. 16000 North Dallas Parkway, Suite 350 Dallas, Texas 75248	Appointed 3/01/23- 3/01/27	\$ 0	\$ 49	President
Matt McMahan c/o Coats Rose, P.C. 16000 North Dallas Parkway, Suite 350 Dallas, Texas 75248	Appointed 3/01/23- 3/01/27	0	0	Vice President
Jesus Rodriguez c/o Coats Rose, P.C. 16000 North Dallas Parkway, Suite 350 Dallas, Texas 75248	Appointed 3/01/23- 3/01/27	0	0	Secretary
Victor Ling c/o Coats Rose, P.C. 16000 North Dallas Parkway, Suite 350 Dallas, Texas 75248	Appointed 3/01/23- 3/01/25	0	177	Assistant Secretary

Four Directors at April 30, 2024

See accompanying independent auditor's report.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)APRIL 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 North Dallas Parkway, Suite 350 Dallas, Texas 75248	4/15/19	\$ 30,224 114,959 Bonds	Attorney
Linebarger, Heard, Goggan, Blair & Sampson, L.L.P. P. O. Drawer 2789 Texas City, Texas 77592-2789	Prior to 2023	353	Delinquent Tax Attorney
L & S District Services, LLC P.O. Box 170 Tomball, Texas 77377	4/15/19	9,749 900 Bonds	Bookkeeper
JB I Partners, Inc. 2121 Midway Road, Suite 300 Carrollton, Texas 75006	4/15/19	19,834	Engineer
Hunt County Tax Assessor Collector P.O. Box 1042 2500 Stonewall Street Greenville, Texas 75403-1042	5/5/20	1,335	Tax Assessor- Collector
Hunt Central Appraisal District P.O. Box 1339 Greenville, Texas 75403-1339	Legislative Action	12,507	Central Appraisal District
Robert W. Baird & Co. 1331 Lamar, Suite 1360 Houston, Texas 77010	4/15/19	106,084 Bonds	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	4/12/21	6,500 4,950 Bonds	Independent Auditor

See accompanying independent auditor's report.

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



## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$        in aggregate principal amount of

Effective Date:

Premium: \$

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AG. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

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

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

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

This Policy sets forth in full the undertaking of AG, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

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

ASSURED GUARANTY INC.

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

1633 Broadway, New York, N.Y. 10019

(212) 974-0100

Form 500 (8/24)