

OFFICIAL STATEMENT DATED AUGUST 27, 2025

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, ASSUMING CONTINUING COMPLIANCE BY THE DISTRICT (DEFINED HEREIN) AFTER THE DATE OF INITIAL DELIVERY OF THE BONDS DESCRIBED BELOW (THE "BONDS") WITH CERTAIN COVENANTS CONTAINED IN THE BOND ORDER (DEFINED BELOW) AUTHORIZING THE BONDS AND SUBJECT TO THE MATTERS SET FORTH UNDER "TAX MATTERS" HEREIN, INTEREST ON THE BONDS FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING STATUTES, REGULATIONS, PUBLISHED RULINGS, AND COURT DECISIONS (1) WILL BE EXCLUDABLE FROM THE GROSS INCOME OF THE OWNERS THEREOF PURSUANT TO SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED TO THE DATE OF INITIAL DELIVERY OF THE BONDS (THE "CODE"), AND (2) WILL NOT BE AN ITEM OF TAX PREFERENCE FOR PURPOSES OF THE ALTERNATIVE MINIMUM TAX; HOWEVER, SUCH INTEREST MAY BE TAKEN INTO ACCOUNT IN DETERMINING THE "ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME" (AS DEFINED IN SECTION 56A OF THE CODE) OF "APPLICABLE CORPORATIONS" (AS DEFINED IN SECTION 59(K) OF THE CODE) FOR THE PURPOSE OF COMPUTING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE "TAX MATTERS" HEREIN.

THE BONDS HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE - Book-Entry-Only

Insured Rating (AG): S&P "AA" (stable outlook)
See "MUNICIPAL BOND RATING" and
"MUNICIPAL BOND INSURANCE" herein.

\$1,100,000

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3

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

LIMITED TAX ROAD BONDS, SERIES 2025

Dated: September 1, 2025

Due: September 1, as shown below

Interest Accrual Date: Date of Delivery

Principal of the bonds described above (the "Bonds") will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrar, initially UMB Bank, N.A., Austin, Texas (the "Paying Agent/Registrar," "Paying Agent" or "Registrar"). Interest on the Bonds will accrue from the date of initial delivery (expected to be on or about September 25, 2025) (the "Date of Delivery") and be payable on March 1, 2026 and on each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued only in fully registered form in \$5,000 denominations or integral multiples thereof. The Bonds are subject to redemption prior to maturity as shown below.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "BOOK-ENTRY-ONLY SYSTEM."



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY INC. ("AG" or the "Insurer").

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due	Principal	Interest	Initial	CUSIP	Due	Principal	Interest	Initial	CUSIP
(September 1)	Amount	Rate	Reoffering Yield (a)	Number (b)	(September 1)	Amount	Rate	Reoffering Yield (a)	Number (b)
2027	\$ 20,000	4.750%	2.900%	597853 BN9	2030	\$ 25,000	4.750%	3.070%	597853 BR0
2028	20,000	4.750%	2.910%	597853 BP4	2031	25,000	4.750%	3.280%	597853 BS8
2029	20,000	4.750%	2.950%	597853 BQ2	2032	25,000 (c)	4.750%	3.460%	597853 BT6

\$ 85,000 Term Bonds due September 1, 2035 (c), 597853 BW9 (b), 5.000% Interest Rate, 3.850% Yield (a)

\$100,000 Term Bonds due September 1, 2038 (c), 597853 BZ2 (b), 5.000% Interest Rate, 4.270% Yield (a)

\$115,000 Term Bonds due September 1, 2041 (c), 597853 CC2 (b), 5.000% Interest Rate, 4.600% Yield (a)

\$130,000 Term Bonds due September 1, 2044 (c), 597853 CF5 (b), 5.000% Interest Rate, 4.850% Yield (a)

\$155,000 Term Bonds due September 1, 2047 (c), 597853 CJ7 (b), 5.000% Interest Rate, 5.000% Yield (a)

\$175,000 Term Bonds due September 1, 2050 (c), 597853 CM0 (b), 5.000% Interest Rate, 5.020% Yield (a)

\$205,000 Term Bonds due September 1, 2053 (c), 597853 CQ1 (b), 5.000% Interest Rate, 5.050% Yield (a)

- (a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchasers for offers to the public and which may be subsequently changed by the Initial Purchasers and is the sole responsibility of the Initial Purchasers. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date.
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchasers shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Bonds maturing on or after September 1, 2032, are subject to redemption prior to maturity 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 a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. The Term Bonds (as defined herein) are subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."

The Bonds, when issued, will constitute valid and legally binding obligations of Midlothian Municipal Management District No. 3 (the "District") and will be payable from the proceeds of an annual ad valorem tax, levied against all taxable property located within the District within the limits prescribed by law. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Ellis County, Texas, the City of Midlothian or any entity other than the District. The Bonds are subject to special investment risks described herein. See "RISK FACTORS."

The Bonds are offered by the Initial Purchasers subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchasers, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Winstead PC, Dallas, Texas, Bond Counsel. Certain legal matters will be passed on for the District by Orrick, Herrington & Sutcliffe LLP, Austin, Texas, as Disclosure Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about September 25, 2025.

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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 representation must not be relied upon as having been authorized by the District.

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, 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 Winstead PC, 2728 N. Harwood Street, Suite 500, Dallas, Texas 75201, upon payment of duplication costs.

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

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

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

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement. The summary should not be detached and should be used in conjunction with the more complete information contained herein.

THE BONDS

<i>The Issuer</i>	Midlothian Municipal Management District No. 3 (the “District”), a political subdivision of the State of Texas, is located in Ellis County, Texas. See “THE DISTRICT.”
<i>The Issue</i>	\$1,100,000 Limited Tax Road Bonds, Series 2025 (the “Bonds”) are issued pursuant to an order (the “Bond Order”) of the District's Board of Directors (the “Board”) and are authorized pursuant to an election held within the District on November 7, 2017. See “THE BONDS—Authority for Issuance.” The Bonds are scheduled to mature serially on September 1 in the years 2027 through 2032, both inclusive, and mature as term bonds on September 1 in each of the years 2035, 2038, 2041, 2044, 2047, 2050 and 2053 (the “Term Bonds”) in the principal amounts and paying interest at the rates shown on the cover hereof. Interest on the Bonds accrues from the Date of Delivery and is payable on March 1, 2026, and on each September 1 and March 1 thereafter until the earlier of stated maturity or prior redemption. See “THE BONDS.”
<i>Redemption</i>	Bonds maturing on or after September 1, 2032, are subject to redemption, in whole or in part, at the option of the District, prior to their maturity dates, on September 1, 2031, or on any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”
<i>Source of and Security for Payment</i>	The Bonds are payable from a continuing direct annual ad valorem tax, within the limits prescribed by law, levied upon all taxable property within the District (see “TAX PROCEDURES”). The Bonds are obligations of the District and are not obligations of the State of Texas; Ellis County, Texas; the City of Midlothian (the “City”) or any other political subdivision or agency other than the District. See “THE BONDS—Source of and Security for Payment.”
<i>Payment Record</i>	The District has previously issued three series of limited tax road bonds, of which \$5,105,000 principal amount was outstanding as of July 1, 2025 (the “Outstanding Bonds”). The District will capitalize eighteen (18) months of interest from proceeds of the Bonds. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.” The District has never defaulted in the payment of principal and interest on its previously issued bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
<i>Use of Proceeds</i>	Proceeds from sale of the Bonds will be used, in part, to reimburse the Developers (hereinafter defined) for the construction costs shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” In addition, Bond proceeds will be used to capitalize eighteen (18) months of interest on the Bonds, to pay developer interest and to pay certain costs associated with the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
<i>Qualified Tax-Exempt Obligations</i>	The Bonds have been designated as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986. See “TAX MATTERS—Qualified Tax-Exempt Obligations.”
<i>Municipal Bond Rating and Municipal Bond Insurance</i>	S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) assigned a municipal bond insured rating of “AA” (stable outlook) to the Bonds with the understanding that, upon issuance and delivery of the Bonds, a bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Inc. (“AG” or the “Insurer”). No application has been made to a municipal rating company for an underlying rating on the Bonds, nor is it expected that the District would have received an investment grade rating if application had been made. See “RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”

<i>Authority for Issuance</i>	At the District’s bond election held on November 7, 2017, the voters of the District authorized the issuance of a total of \$46,000,000 principal amount of limited tax bonds for road construction purposes. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article III, Section 52 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and Chapter 375, Texas Local Government Code. See “RISK FACTORS—Future Debt,” “THE BONDS—Authority for Issuance,” and “—Issuance of Additional Debt.”
<i>Book-Entry-Only System</i>	The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond 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. See “BOOK-ENTRY-ONLY SYSTEM.”
<i>Bond Counsel</i>	Winstead PC, Dallas, Texas. See “MANAGEMENT OF THE DISTRICT,” “LEGAL MATTERS,” and “TAX MATTERS.”
<i>Financial Advisor</i>	Masterson Advisors LLC, Austin, Texas. See “MANAGEMENT OF THE DISTRICT.”
<i>District Engineer</i>	Macatee Engineering, Dallas, Texas.
<i>Disclosure Counsel</i>	Orrick, Herrington & Sutcliffe LLP, Austin, Texas.
<i>Paying Agent/Registrar</i>	UMB Bank, N.A., Austin, Texas.

THE DISTRICT

<i>Description and Location</i>	The District was created by House Bill 4347, an act of the 85th Legislature of the State of Texas on June 12, 2017, codified as Chapter 3952 of the Texas Special District Local Laws Code, pursuant to Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, and operates under the provisions of Chapter 49 of the Texas Water Code and Chapter 375 of the Texas Local Government Code. At the time of creation, the District contained 173 acres. In September of 2019, the District approved the annexation of an additional 120 acres into the District. As of July 1, 2025, the District contained 293 acres. The District is located within the City of Midlothian, Texas (the “City”) in northwestern Ellis County, which City is located approximately 26 miles southwest of downtown Dallas, Texas. The District lies wholly in the corporate limits of the City. See “THE DISTRICT.”
<i>Status of Development</i>	The land within the District is being developed primarily as two single-family residential communities known as Hawkins Meadows and Shady Valley. Water, sanitary sewer, and drainage facilities have been constructed to serve Hawkins Meadows, Phases 1 and 2 and Shady Valley, Phase 1 (consisting of approximately 111 acres of land developed into 294 single-family residential lots). As of July 1, 2025, the District contained 206 single-family homes completed and occupied, 1 single-family home completed and not occupied, 14 single-family homes in various stages of construction, and 73 developed lots available to new home construction. Construction of water, sanitary sewer, and drainage facilities to serve Hawkins Meadows, Phase 5 (approximately 19 acres of land being developed into 90 single-family residential lots) is underway, and lots are expected to be available for home construction in the second quarter of 2026. Additionally, construction of water, sanitary sewer, and drainage facilities to serve Shady Valley Estates Phase 2 (approximately 55 acres of land being developed into 115 single-family residential lots) is expected to commence in the third quarter of 2025, and lots are expected to be available for home construction in the second quarter of 2026. In addition to the single-family development described above, the District contains approximately 35 acres of commercial land which has been developed with water, sanitary sewer, and drainage facilities. Commercial development currently includes an Anytime Fitness facility, a 7-11 convenience store, a Starbucks Coffee, a freestanding doctor’s office, and ten office condo buildings on a total of approximately 8 acres of land. Approximately, 13 acres of land has also been sold by the Developer for future development of a medical complex with construction expected to commence in the first quarter of 2026. The remaining approximately 27 commercial acres remain vacant and owned by the Developers or others.

Approximately 15 acres of land in the District is owned by Midlothian Independent School District and has been developed as an elementary school which is exempt from taxation by the District.

In addition, the District contains approximately 73 acres of developable land which has not yet been developed with water, sanitary sewer and drainage facilities and approximately 26 acres of undevelopable land that is contained in drainage and detention easements and recreational and open space areas. See “THE DISTRICT—Status of Development” and “—Homebuilding.”

The Developers.....Major water, sewer, and drainage facilities and streets to serve land within the District have been developed by Hawkins Midlothian Development LLC (“HMD”), a Texas limited liability company. Water, sewer, and drainage facilities to serve specific sections within the District have been, or are being, constructed by HMD and First Texas Homes. These entities may be collectively referred to herein as the “Developers.” HMD was created for the sole purpose of developing Hawkins Meadows, and its only substantial asset consists of certain land in the District. The manager of HMD is Alluvium Development, Inc., a Texas corporation, which has over 33 years of experience developing land in Texas. See “THE DEVELOPERS.”

Homebuilders.....Gehan Homes and First Texas Homes (collectively, the “Homebuilders”) are building homes in the District which range in sales price from approximately \$400,000 to \$1,000,000. See “THE DISTRICT—Homebuilding.”

RISK FACTORS

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY PARTICULARLY THE SECTION CAPTIONED “RISK FACTORS.”

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2025 Certified Taxable Assessed Valuation	\$147,746,188	(a)
Gross Debt Outstanding (after the issuance of the Bonds)	\$6,205,000	(b)
Ratios of Gross Debt to:		
2025 Certified Taxable Assessed Valuation	4.20%	
2025 Tax Rate:		
Debt Service.....	\$0.21	
Maintenance and Operations.....	<u>0.19</u>	
Total	\$0.40/\$100 A.V.	(c)
Maximum Annual Debt Service Requirements (2052)		
of the Bonds and the Outstanding Bonds		
("Maximum Annual Requirement")	\$388,963	(d)
Average Annual Debt Service Requirements (2026-2053)		
of the Bonds and the Outstanding Bonds		
("Average Annual Requirement")	\$372,510	(d)
Tax rate required to pay Maximum Annual Requirement based upon:		
2025 Certified Taxable Assessed Valuation at a 95% collection rate.....	\$0.28/\$100 A.V.	(e)
Tax rate required to pay Average Annual Requirement based upon:		
2025 Certified Taxable Assessed Valuation at a 95% collection rate.....	\$0.27/\$100 A.V.	(e)
Status of Home Construction as of July 1, 2025 (f):		
Single-Family Residential – Completed and Occupied.....	206	
Single-Family Residential – Completed and Unoccupied.....	1	
Single-Family Residential – Under Construction.....	14	
Vacant Developed Lots	73	
Lots Under Construction	<u>205</u>	
Total	499	

Estimated 2025 Population — 721 (g)

- (a) As certified by the Ellis Central Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."
(b) Includes the Bonds and the Outstanding Bonds. See "FINANCIAL STATEMENT—Outstanding Bonds."
(c) See "TAX DATA—Tax Rate Distribution."
(d) See "DEBT SERVICE REQUIREMENTS."
(e) See "TAX DATA—Tax Adequacy for Debt Service."
(f) See "THE DISTRICT—Status of Development."
(g) Estimate based on 3.5 persons per occupied single-family connection.

OFFICIAL STATEMENT

\$1,100,000

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3

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

LIMITED TAX ROAD BONDS SERIES 2025

This Official Statement provides certain information in connection with the issuance by Midlothian Municipal Management District No. 3 (the “District”) of its \$1,100,000 Limited Tax Road Bonds, Series 2025 (the “Bonds”).

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas, an election held in the District, and an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”).

This Official Statement includes descriptions, among others, of the Bonds and the Bond Order, the Developers (defined herein), and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from the District upon payment of the costs of duplication therefor.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the District’s undertaking to provide certain information on a continuing basis.

RISK FACTORS

General

The Bonds are obligations solely of the District and are not obligations of the City of Midlothian, Ellis County, Texas, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on all taxable property within the District in an amount sufficient to service the District's bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See “THE BONDS—Source of and Security for Payment.” The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that taxable property within the District will maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See “—Registered Owners' Remedies and Bankruptcy Limitations” herein.

Dependence on Major Taxpayers and the Developer

The ten top taxpayers represent \$50,738,235 or 34.34% of the 2025 Certified Taxable Assessed Valuation within the District as of January 1, 2025. The Developers are the principal taxpayers within the District. According to the 2025 tax rolls, the Developers will cumulatively be responsible for payment of District for approximately 17.54% (\$25,919,899) of the 2025 certified tax roll. See “TAX DATA—Principal Taxpayers.” The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District’s ability to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay taxes in a timely manner, the District may need to levy additional taxes or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Order, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes could have a material adverse effect upon the District’s ability to pay debt service on the Bonds. See “—Tax Collection Limitations” herein.

Undeveloped Acreage and Vacant Lots

There are approximately 73 developable acres of land in the District that have not been fully provided with water, sanitary sewer, drainage, road and other facilities necessary for the construction of taxable improvements and there are 73 vacant developed lots available for home construction in the District. Failure of the Developers to develop the developable land or of Homebuilders to construct taxable improvements on the developed lots could restrict the rate of growth of taxable values in the District. Future increases in value will result primarily from the construction of homes by builders. The District makes no representation that the lot sales and building program will be successful. See “THE DISTRICT—Status of Development.”

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.

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences and of developed lots which are currently being marketed by the Developers for sale to homebuilders for the construction of primary residences. The market value of such homes and lots is related to general economic conditions in the Dallas area, the State of Texas and the nation and those conditions can affect the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, energy costs and availability, credit availability (see "Credit Market and Liquidity in the Financial Markets" below), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 26 miles from the central downtown business district of the City of Dallas, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Dallas metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Dallas and decline in the nation's real estate and financial markets could adversely affect development and home-building plans in the District and restrain the growth of the District's property tax base.

Competition

The demand for and construction of single-family homes in the District, which is approximately 26 miles from downtown Dallas, could be affected by competition from other residential developments, including other residential developments located in the western 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 the builders 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. The District can give no assurance that building and marketing programs in the District by the Developers will be implemented or, if implemented, will be successful.

Developers/Landowners Obligation to the District

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

Operating Funds

The District's primary sources of operating revenue are maintenance tax revenue and advances from the Developer. The District does not receive water and sewer service revenues. The District levied a 2025 maintenance tax rate of \$0.19 per \$100 of taxable assessed valuation. The District's General Fund balance as of July 29, 2025 is \$30,729. The revenue produced from a \$0.19 maintenance tax rate in 2025 may not be sufficient to offset the operating expenses of the District. Continued maintenance of a positive General Fund balance will depend upon (1) cash subsidies from the Developers, and (2) continued development and increased amounts of maintenance tax revenue. If funds from these sources are not forthcoming, the District would have to increase its maintenance tax rate. See "TAX DATA—Maintenance and Operations Tax" and "GENERAL FUND OPERATIONS—Operating Statement."

Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2025 Certified Taxable Assessed Valuation is \$147,746,188. After issuance of the Bonds, the maximum annual debt service requirement will be \$388,963 (2052) and the average annual debt service requirement will be \$372,510 (2026-2053, inclusive). Assuming no increase or decrease from the 2025 Certified Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.28 and \$0.27 per \$100 of assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and average annual debt service requirement, respectively. See "DEBT SERVICE REQUIREMENTS." Although calculations have been made regarding the tax rate necessary to pay the maximum and average annual debt service on the Bonds based upon the 2025 Certified Taxable Assessed Valuation, the District can make no representations regarding the future level of assessed valuation within the District. See "TAX PROCEDURES" and "TAX DATA—Tax Adequacy for Debt Service."

Future Debt

The District reserves in the Bond Order the right to issue the \$46,000,000 principal amount of authorized but unissued limited tax bonds for the purpose of acquiring or constructing drainage facilities, the \$29,000,000 principal amount of authorized but unissued limited tax bonds for the purpose of financing and constructing recreational facilities, and the remaining \$39,565,000 principal amount of authorized but unissued limited tax bonds for the purpose of financing and constructing road facilities, and the District may issue additional bonds which may be authorized by voters within the District hereafter. The District may also issue refunding bonds. After reimbursement to the Developers with proceeds of the Bonds, approximately \$3,397,045 in reimbursements will remain owed to the Developers. See "THE BONDS—Issuance of Additional Debt" and "THE SYSTEM—Future Debt." The issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and any bonds issued to acquire or construct drainage facilities must be approved by the Texas Commission on Environmental Quality (the "TCEQ").

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 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 market conditions limiting the proceeds from a foreclosure sale of taxable property and collection procedures. 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. The costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAX PROCEDURES—District's Rights in the Event of Tax Delinquencies."

Registered Owners' Remedies and Bankruptcy Limitations

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

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay, or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it is (1) authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

A district may not be forced into bankruptcy involuntarily.

Environmental Regulations

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

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

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

Air Quality Issues: Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the TCEQ may impact new industrial, commercial and residential development in the Dallas- Fort Worth area. Under the Clean Air Act (“CAA”) Amendments of 1990, a ten-county Dallas-Fort Worth area (“2008 DFW Area”) – Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Rockwall, Tarrant, and Wise Counties – has been designated a “severe” nonattainment area under the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), with an attainment deadline of July 20, 2027. If the EPA ultimately determines that the 2008 DFW Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

Further, a nine-county Dallas-Fort Worth area (“2015 DFW Area”) – Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Tarrant, and Wise Counties was designated a “moderate” nonattainment area under the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2015 (the “2015 Ozone Standard”), with an attainment deadline of August 3, 2024. On June 20, 2024, the EPA reclassified the 2015 DFW Area to serious nonattainment, with an attainment deadline of August 3, 2027.

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.

Water Supply & Discharge Issues: Water supply and discharge regulations that municipal management 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 management 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 management district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal management 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) (“CGP”), 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 non-stormwater discharges into surface water in the state. The CGP has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal management district must comply may have an impact on the municipal management district’s ability to obtain and maintain compliance with TPDES permits.

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’s decision.

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

Continuing Compliance with Certain Covenants

The Bond Order contains covenants by the District intended to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds. Failure by the District to comply with such covenants in the Bond Order 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.”

Marketability

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

Governmental Approval

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the security of the Bonds as an investment, nor has the foregoing authority passed upon the adequacy or accuracy of the information contained in this Official Statement.

Forward-Looking Statements

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District’s expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements.

The forward looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

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 tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers 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 June 23, 2025, the Governor called the First Special Session which began on July 21, 2025 and ended on August 15, 2025. A second special session was called and began on August 15, 2025, and may last no longer than 30 days. The District can make no representation regarding any actions the Texas Legislature may take or the effect of such actions.

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Initial Purchaser (as defined herein) has entered into an agreement with the Insurer (as defined herein) for the purchase of a municipal bond insurance policy (the “Policy”). At the time of entering into the agreement, the Insurer was rated “AA” (stable outlook) by S&P. See “MUNICIPAL BOND INSURANCE.”

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer (the “Insurer”) and its claim paying ability. The 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 Insurer and of the ratings on the Bonds insured by the 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 description of “MUNICIPAL BOND RATING” and “MUNICIPAL BOND INSURANCE.”

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

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

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order of the Board authorizing the issuance and sale of the Bonds. 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.

The Bonds will be dated September 1, 2025, with interest accruing from the Date of Delivery, and are payable on each March 1 and September 1 (each an “Interest Payment Date”) commencing March 1, 2026, until the earlier of stated maturity or prior redemption. The Bonds mature on September 1 in the amounts and years and accrue interest at the rates shown on the cover page of this Official Statement. Interest calculations are based on a 360-day year comprised of twelve 30-day months. The Bonds will be issued only in fully registered form in \$5,000 denominations or integral multiples thereof.

Authority for Issuance

At a bond election held within the District on November 7, 2017, the voters of the District authorized the issuance of a total of \$46,000,000 principal amount of limited tax bonds for the purpose of acquiring or constructing drainage facilities, a total of \$29,000,000 principal amount of limited tax bonds for the purpose of acquiring or constructing recreational facilities, and a total of \$46,000,000 principal amount of limited tax bonds for road construction purposes. See “Issuance of Additional Debt” below.

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article III, Section 52 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and Chapter 375, Texas Local Government Code.

Source of and Security for Payment

The principal and interest of the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the District. While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants in the Bond Order to levy an annual ad valorem tax, within the limits prescribed by law, upon all taxable property in the District sufficient to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection.

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

Method of Payment of Principal and Interest

In the Bond Order, the Board has appointed UMB Bank, N.A., Austin, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Austin, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Order.

Funds

The Bond Order confirms the Road Debt Service Fund, and the proceeds from all taxes levied, assessed and collected for and on account of the Bonds authorized by the Bond Order shall be deposited, as collected, in such fund.

Upon closing of the Bonds, eighteen (18) months of capitalized interest will be deposited into the Road Debt Service Fund. Accrued interest, if any, shall be deposited into the Road Debt Service Fund upon receipt. The remaining proceeds from the sale of the Bonds, including interest earnings thereon, shall be deposited into the Road Capital Projects Fund and used to reimburse the Developer for the costs of acquiring or constructing District facilities on behalf of the District, pay interest on such reimbursements and pay the costs of issuing the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a more complete description of the use of Bond proceeds.

No Arbitrage

The District will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates then 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 in the Bond Order that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds, and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on and after September 1, 2032 prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2031, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. In the event the Initial Purchaser elects to combine two or more maturities of the Bonds into one or more "Term Bonds," such Term Bonds will be subject to mandatory sinking fund redemption prior to stated maturity.

If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed will be determined by the District, provided, however, that if fewer than all the Bonds within a particular maturity are redeemed at any time, the particular Bonds within each such maturity to be redeemed will be selected by the Paying Agent/Registrar from the Bonds which have not previously been called for redemption, by lot or other customary method of random selection. However, if during any period in which ownership of the Bonds is determined only by book-entry at a securities depository, if fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds will be selected in accordance with arrangements between the District and the securities depository. See “BOOK ENTRY-ONLY SYSTEM.”

Mandatory Redemption: The Bonds maturing on September 1 in each of the years 2035, 2038, 2041, 2044, 2047, 2050, and 2053 (the “Term Bonds”) shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Mandatory Redemption Date”), on September 1 in each of the years and in the principal amounts set forth in the following schedule:

\$85,000 Term Bonds		\$100,000 Term Bonds		\$115,000 Term Bonds	
Due September 1, 2035		Due September 1, 2038		Due September 1, 2041	
Mandatory	Principal	Mandatory	Principal	Mandatory	Principal
Redemption Date	Amount	Redemption Date	Amount	Redemption Date	Amount
2033	\$ 25,000	2036	\$ 30,000	2039	\$ 35,000
2034	30,000	2037	35,000	2040	40,000
2035 (maturity)	30,000	2038 (maturity)	35,000	2041 (maturity)	40,000

\$130,000 Term Bonds		\$155,000 Term Bonds		\$175,000 Term Bonds	
Due September 1, 2044		Due September 1, 2047		Due September 1, 2050	
Mandatory	Principal	Mandatory	Principal	Mandatory	Principal
Redemption Date	Amount	Redemption Date	Amount	Redemption Date	Amount
2042	\$ 40,000	2045	\$ 50,000	2048	\$ 55,000
2043	45,000	2046	50,000	2049	60,000
2044 (maturity)	45,000	2047 (maturity)	55,000	2050 (maturity)	60,000

\$205,000 Term Bonds	
Due September 1, 2053	
Mandatory	Principal
Redemption Date	Amount
2051	\$ 65,000
2052	70,000
2053 (maturity)	70,000

The Paying Agent/Registrar shall select by lot the Term Bonds within the applicable stated maturity to be redeemed. Any Term Bond not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of Term Bonds of a stated maturity required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the District, by the principal amount of any Term Bonds of the same maturity which, at least 45 days prior to a mandatory redemption date (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement

Notice of Redemption; Effect of Redemption: Notice of redemption identifying the Bonds to be redeemed in whole or in part will be given by the Paying Agent/Registrar by registered mail, overnight delivery, or other comparably secure means, not less than 15 thirty (30) days prior to the redemption date to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar. The Paying Agent/Registrar may also provide written notice of redemption to DTC by facsimile. Such notices will state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment, and, if less than all the Bonds outstanding are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given will be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision must be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed will no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption will terminate on the date fixed for redemption.

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Order. While the Bonds are in the Book-Entry-Only System, the Bonds will be registered in the name of Cede & Co. and will not be transferred. See “BOOK-ENTRY-ONLY SYSTEM.”

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding. Registered owners of lost, stolen or destroyed bonds will be required to pay the District’s costs to replace such bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

The District may issue additional bonds, in some cases with the approval of the TCEQ, necessary to acquire contract rights and provide and maintain improvements and facilities consistent with the purposes for which the District was created. After issuance of the Bonds, the District will have \$39,565,000 of limited tax bonds authorized but unissued for the purpose of financing and constructing road facilities, \$46,000,000 of limited tax bonds authorized but unissued for the purpose of acquiring or constructing drainage facilities, and \$29,000,000 of limited tax bonds authorized but unissued for the purpose of acquiring or constructing recreational facilities. The District may also issue refunding 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. Any additional bonds issued by the District may dilute the security for the Bonds. See “THE SYSTEM—Future Debt.”

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities or acquire contract rights therefor. The District is also empowered to establish parks and recreational facilities for the residents of the District; to contract for or employ its own peace officers; and, after approval by the City, the TCEQ, and the voters of the District, to establish, operate, and maintain firefighting facilities, independently or with one or more conservation and reclamation districts.

Abolishment by the City of Midlothian

Under existing Texas law, because the District lies wholly within the corporate limits of the City, the District may be abolished by the City without the District’s consent. If the District is abolished, the City will assume the District’s assets and obligations (including the Bonds) and abolish the District within ninety (90) days. Abolishment of the District by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that abolishment will or will not occur or regarding the ability of the City to make debt service payments on the Bonds should abolishment occur.

Remedies in Event of Default

Other than a writ of mandamus, the Bond Order does not provide a specific remedy for a default. If the District defaults, a Registered Owner could petition for a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the District’s officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Order. Such remedy might need to be enforced on a periodic basis. Based on recent Texas court decisions, it is unclear whether §49.066, Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if a judgment against the District for money damages could be 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 enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity which permit the exercise of judicial discretion. Certain traditional legal remedies also may not be available. See “RISK FACTORS – Registered Owners’ Remedies and Bankruptcy Limitations.”

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to Section 49.186, Texas Water Code, the Bonds, whether rated or unrated, are (a) legal investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees and (b) legal investments for the public funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State. The Bonds are also eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State or any political subdivision or public agency of the State and are lawful and sufficient security for those deposits to the extent of their market value. Most political subdivisions in the State are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose other, more stringent requirements in order for the Bonds to be legal investments for such entity’s funds or to be eligible to serve as collateral for their funds.

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York (“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 and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor takes any responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurances 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.

General

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

DTC, the world’s largest 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 3.6 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 S&P Global Rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry 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 the District (or the Trustee on behalf thereof) as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or 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 principal, premium, if any, interest payments and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

THE DISTRICT

General

The District was created by House Bill 4347, an act of the 85th Legislature of the State of Texas on June 12, 2017, codified as Chapter 3952 of the Texas Special District Local Laws Code, pursuant to Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, and operates under the provisions of Chapter 49 of the Texas Water Code and Chapter 375 of the Texas Local Government Code. The District is located wholly within the corporate limits of the City.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants, and contract rights therefore, necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities or contract rights therefor. The District is also empowered to establish parks and recreational facilities for the residents of the District, and to issue bonds and other forms of indebtedness to purchase or construct such facilities, to contract for or employ its own peace officers and, after approval by the City, the TCEQ and the voters of the District, to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts. See “THE BONDS – Issuance of Additional Debt.”

The TCEQ exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of the City which limit the purposes for which the District may sell bonds; limit the net effective interest rate on such bonds and other terms of such bonds; and require public water, sewer, and drainage facilities to be designed in accordance with certain City standards. Construction and operation of the District’s drainage system are subject to the regulatory jurisdiction of additional government agencies. See “THE SYSTEM.”

Description and Location

At the time of creation, the District contained 173 acres. In September of 2019, the District approved the annexation of an additional 120 acres into the District. As of July 1, 2025, the District contained 293 acres. The District is located within the City of Midlothian, Texas (the “City”) in northwestern Ellis County, which City is located approximately 26 miles southwest of downtown Dallas, Texas. The District lies wholly in the corporate limits of the City.

Status of Development

The land within the District is being developed primarily as two single-family residential communities known as Hawkins Meadows and Shady Valley. Water, sanitary sewer, and drainage facilities have been constructed to serve Hawkins Meadows, Phases 1 and 2 and Shady Valley, Phase 1 (consisting of approximately 111 acres of land developed into 294 single-family residential lots). As of July 1, 2025, the District contained 204 single-family homes completed and occupied, 1 single-family homes completed and not occupied, 14 single-family homes in various stages of construction, and 73 developed lots available to new home construction.

Construction of water, sanitary sewer, and drainage facilities to serve Hawkins Meadows, Phase 5 (approximately 19 acres of land being developed into 90 single-family residential lots) is underway, and lots are expected to be available for home construction in the second quarter of 2026. Additionally, construction of water, sanitary sewer, and drainage facilities to serve Shady Valley Estates Phase 2 (approximately 55 acres of land being developed into 115 single-family residential lots) is expected to commence in the third quarter of 2025, and lots are expected to be available for home construction in the second quarter of 2026.

In addition to the single-family development described above, the District contains approximately 35 acres of commercial land which has been developed with water, sanitary sewer, and drainage facilities. Commercial development currently includes an Anytime Fitness facility, a 7-11 convenience store, a Starbucks Coffee, a freestanding doctor’s office, and ten office condo buildings on a total of approximately 8 acres of land. Approximately, 13 acres of land has also been sold by the Developer for future development of a medical complex with construction expected to commence in the first quarter of 2026. The remaining approximately 15 commercial acres remain vacant and owned by the Developers and others.

Approximately 15 acres of land in the District is owned by Midlothian Independent School District and has been developed as an elementary school which is exempt from taxation by the District.

In addition, the District contains approximately 73 acres of developable land which has not yet been developed with water, sanitary sewer and drainage facilities and approximately 26 acres of undevelopable land that is contained in drainage and detention easements and recreational and open space areas.

As of July 1, 2025, the District contained 219 single-family homes completed or under construction as shown below:

Status of Home Construction as of July 1, 2025:

Single-Family Residential – Completed and Occupied.....	204
Single-Family Residential – Completed and Unoccupied.....	1
Single-Family Residential – Under Construction.....	14
Vacant Developed Lots	<u>73</u>
Total	294

Homebuilding

Gehan Homes and First Texas Homes (collectively, the “Homebuilders”) are building homes in the District which range in sales price from approximately \$400,000 to \$1,000,000.

MANAGEMENT

Board of Directors

The District is governed by the Board of Directors, consisting of five directors, which has control over and management supervision of all affairs of the District. None of the Directors listed below reside within the District; however, each Director owns an undivided interest in a parcel of land in the District. Directors are elected by the voters within the District for four- year staggered terms. Directors elections are held only in even numbered years. The Directors and Officers of the District are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Terrance Jobe	Chair	May 2028
Jonathan Jobe	Vice Chair	May 2028
Tiffany Jobe	Secretary	May 2028
Tiffany Roath	Director	May 2026
Travis Hudson	Director	May 2026

All members of the Board of Directors are affiliated with the Developers. While the District does not employ any full-time employees, it has contracted for certain services as follows:

Tax Assessor/Collector

Land and improvements within the District are appraised for ad valorem taxation purposes by Ellis Central Appraisal District. The District contracts with Utility Tax Service, LLC to serve as Tax Assessor/Collector.

Bookkeeper

The District has engaged Municipal Accounts & Consulting, L.P. to serve as the District's bookkeeper.

Engineer

The consulting engineer for the District in connection with the design and construction of the District's facilities is Macatee Engineering (the “Engineer”).

General Counsel and Bond Counsel

The District engages Winstead PC, Dallas, Texas as general counsel and as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

Financial Advisor

Masterson Advisors LLC (the “Financial Advisor”) serves as financial advisor to the District. The fees to be paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

Disclosure Counsel

The District has engaged Orrick, Herrington & Sutcliffe LLP, Austin, Texas, as disclosure counsel. The fees paid to disclosure counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Auditor

The District’s financial statements for the year ended December 31, 2024, were audited by McCall Gibson Swedlund Barfoot Ellis, PLLC. See APPENDIX A for a copy of the District’s December 31, 2024 audited financial statements.

THE DEVELOPERS

Role of a Developer

In general, the activities of a landowner or developer in a municipal management district such as the District include designing the project; defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of roads and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. In some instances, a landowner or developer will be required by the TCEQ to pay thirty percent (30%) of the cost of placing the water distribution, wastewater collection, and storm drainage facilities in a district, exclusive of water supply and storage and wastewater treatment plants of which the district incurs one hundred percent (100%) of the cost. While a developer is required by the TCEQ to pave streets (in areas where District facilities are being financed with bonds), a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer’s right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Neither the Developers (as hereinafter defined) nor any of their affiliates is obligated to pay principal of or interest on the Bonds. Furthermore, neither the Developers nor any of their affiliates has any binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developers 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 boundaries of the District. See “RISK FACTORS—Dependence on Major Taxpayers and the Developer.”

The Developers

Major water, sewer, and drainage facilities and streets to serve land within the District have been developed by Hawkins Midlothian Development LLC (“HMD”), a Texas limited liability company. Water, sewer, and drainage facilities to serve specific sections within the District have been, or are being, constructed by HMD and First Texas Homes (“FTH”). These entities may be collectively referred to herein as the “Developers.” HMD was created for the sole purpose of developing Hawkins Meadows, and its only substantial asset consists of certain land in the District. The Manager of HMD is Alluvium Development, Inc., a Texas corporation, which has over 33 years of experience developing land in Texas.

HMD has financed the development of Hawkins Meadows, Phase 1 in the District with financing provided by Citizens National Bank and PMB Lending. The development loans have been paid in full. Of the 108 lots in this section, houses have been, or are being, constructed on all of such lots. In addition to Phase 1, HMD owns approximately 142 acres of land in the District.

FTH has financed, or is financing, the development of Hawkins Meadows, Phases 2 and 5 (161 lots), and Shady Valley Estates Phase 2 (115 lots) with cash on hand. Of the 276 lots in Hawkins Meadows, Phases 2 and 5, and Shady Valley Estates, Phase 2, houses have been, or are being, constructed on 115 of such lots. FTH does not own any additional land in the District.

The Developers are not responsible for, liable for, and have not made any commitment for payment of the Bonds or other obligations of the District. The Developers do not have any legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of its property within the District, or any other assets, at any time.

THE ROAD SYSTEM

The Bonds are being issued to finance the road system (the “Roads”) which serves the residents of the District by providing collector roads and portions of major thoroughfares within the District. The Roads to be financed from the proceeds of the Bonds are comprised of those roads in Shady Valley Estates. The costs include excavation, paving and grading, storm water pollution plan, construction staking, topographic as-built surveys, geotechnical reports, traffic impact study, engineering, and land acquisition costs. Upon competition, the Roads have been, or will be, accepted by the City for operation and maintenance in accordance with the procedures of the City.

THE UTILITY SYSTEM

Regulation

According to the Engineer, the District’s water supply and distribution, wastewater collection, and storm drainage facilities (collectively, the “Utility System”) have been designed in accordance with accepted engineering practices and the then current requirements of various entities having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the Utility System was required to be accomplished in accordance with the standards and specifications of such entities and is subject to inspection by each such entity. The regulations and requirements of entities exercising regulatory jurisdiction over the Utility System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. In particular, additional or revised requirements in connection with any permit for the wastewater treatment plant in which the District owns capacity beyond the criteria existing at the time of construction of the plant could result in the need to construct additional facilities in the future. The following descriptions are based upon information supplied by the District’s Engineer.

Water, Sanitary Sewer and Drainage Facilities

Construction of the water, sanitary sewer and drainage facilities to serve the District has been financed with funds advanced by the Developers. It is expected that a portion of the proceeds from sale of future issues of bonds will be used to reimburse the Developers for certain of the advances.

Source of Water Supply: The District is provided treated water capacity by the City. Water from the City is obtained from a surface water treatment plant where the City stores and treats water pumped from the Joe Pool Reservoir. The City’s surface water treatment plant provides water to the entire City water system. In addition to the 5.95 MGD (million gallons per day) water rights in Joe Pool Lake, the City also has an additional 9.0 MGD available from the Tarrant Regional Water District.

Source of Wastewater Treatment: The District receives wastewater treatment services from the City. The City is obligated to provide retail wastewater service to meet the needs of the area within the boundaries of the District.

100-Year Flood Plain and Storm Drainage Information: “Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. According to the District’s Engineer, approximately 18 acres of land within the District are located within the 100-year flood plain as designated by the most recent Federal Emergency Management Agency Flood Insurance Rate Map.

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Participation- Frequency Atlas of the United States (“Atlas 14”) which shows that severe rainfall events are now occurring more frequently. Within Texas, the Atlas 14 study showed an increased number of rainfall events in a band extending from the upper Gulf Coast in the east and running west generally along the I-10 corridor to Central Texas. In particular, the study shows that Central Texas is more likely to experience larger storms than previously thought. Based on this study, various governmental entities, are contemplating amendments to their regulations that will potentially increase the size of the 100-year flood plain which interim flood plain is based on the current 500-year flood plain, resulting in the interim flood plain regulations applying to a larger number of properties, and potentially increasing the size of detention ponds and drainage facilities required for future construction in all areas (not just in the flood plain). Flood plain boundaries within the District may be redrawn based on the Atlas 14 study based on the higher statistical rainfall amount, and could mean higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the flood plain.

Future Debt

The Developer has financed the engineering and construction costs of underground utilities to serve the District, as well as certain other District improvements. After reimbursement from sale of the Bonds, the Developer will have expended approximately \$3,397,045 for design, construction and acquisition of District improvements not yet reimbursed. It is anticipated that proceeds from future issues of District bonds will be used, in part, to reimburse the Developer for these costs to the extent allowed by the TCEQ. According to the Engineer, the District's authorized but unissued bonds will be adequate, under present land use projections, to finance such improvements. See "RISK FACTORS—Future Debt."

USE AND DISTRIBUTION OF BOND PROCEEDS

The estimated use and distribution of Bond proceeds is shown below. Of proceeds to be received from sale of the Bonds, \$883,059 is estimated for construction costs and \$216,941 is estimated for non-construction costs.

CONSTRUCTION COSTS

Hawkins Meadows Phase II Paving.....	\$ 66,000
Shady Valley Estates Paving.....	817,059

Total Construction Costs	\$ 883,059
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NON-CONSTRUCTION COSTS

Legal Fees.....	\$ 27,500
Fiscal Agent Fees.....	25,000
Capitalized Interest (Eighteen (18) Months) (a).....	81,994
Bond Discount (a).....	32,759
Engineering Report.....	10,000
Bond Issuance Expenses.....	33,716
Attorney General Fee (0.1%).....	1,100
Contingency.....	4,873

Total Non-Construction Costs	\$ 216,941
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TOTAL BOND ISSUE	\$ 1,100,000
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(a) Contingency represents the difference in the estimated and actual amounts of Bond Discount and capitalized interest.

LIMITED TAX BONDS AUTHORIZED BUT UNISSUED

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
11/7/2017	Drainage Bonds	\$46,000,000	\$0	\$46,000,000
11/7/2017	Recreational Bonds	\$29,000,000	\$0	\$29,000,000
11/7/2017	Road Bonds	\$46,000,000	\$6,435,000 *	\$39,565,000

* Includes the Bonds.

FINANCIAL STATEMENT

2025 Certified Taxable Assessed Valuation	\$147,746,188 (a)
Direct Debt:	
Outstanding Bonds (as of July 1, 2025)	\$5,105,000
The Bonds	<u>1,100,000</u>
Gross Direct Debt (after issuance of the Bonds)	\$6,205,000
Ratios of Gross Direct Debt to:	
2025 Certified Taxable Assessed Valuation	4.20%

Area of District — 293 acres
Estimated 2025 Population — 721 (b)

- (a) As certified by the Appraisal District. See “TAX PROCEDURES.”
(b) Based on 3.5 persons per single family connections.

Cash and Investment Balances (unaudited as of July 29, 2025)

General Operating Fund	Cash and Temporary Investments	\$30,729 (a)
Road Debt Service Fund	Cash and Temporary Investments	\$280,794 (b)

- (a) See “RISK FACTORS—Operating Funds
(b) The District will capitalize eighteen (18) months of interest from proceeds of the Bonds. Neither the Bond Order nor Texas law requires that the District maintain any particular balance in the Debt Service Fund.

Outstanding Bonds (as of July 1, 2025)

Series		Original Principal Amount	Outstanding Bonds (as of July 1, 2025)
2020	(a)	\$ 2,485,000	\$ 2,315,000
2022	(a)	1,250,000	1,190,000
2023	(a)	1,600,000	<u>1,600,000</u>
Total			\$ 5,105,000

- (a) Limited tax road bonds.

Investments of the District

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

ESTIMATED OVERLAPPING DEBT STATEMENT

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of the overlapping Tax Debt of the District.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Ellis County.....	\$ 2,424,019,039	5/31/2025	0.020%	\$ 484,804
Midlothian Independent School District.....	968,445,000	5/31/2025	0.020%	193,689
City of Midlothian.....	28,960,000	5/31/2025	0.020%	5,792
Total Estimated Overlapping Debt.....				\$ 684,285
The District.....	6,205,000 (a)	Current	100.00%	6,205,000
Total Direct and Estimated Overlapping Debt.....				\$ 6,889,285

Ratios of Gross Debt and Estimated Overlapping Debt to:

2025 Certified Taxable Assessed Valuation.....4.66%

(a) Includes the Bonds and the Outstanding Bonds.

Overlapping Tax Rates for 2024

	2024 Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Ellis County.....	\$ 0.273992
Midlothian Independent School District.....	1.106900
City of Midlothian	<u>0.650000</u>
Total Overlapping Tax Rate.....	\$ 2.03089
The District (a).....	<u>0.40000</u>
Total Tax Rate.....	\$ 2.43089

(a) The District levied a total tax rate of \$0.40 per \$100 of taxable assessed valuation for 2025 (consisting of \$0.21 for debt service and \$0.19 for maintenance and operations). See "TAX DATA—Tax Rate Distribution."

TAX DATA

Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from District records. Reference is made to these records for further and more complete information.

Tax Year	Certified Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of May 31, 2025 (a)	
				Amount	Percent
2021	\$ 55,067,179	\$ 0.40	\$ 220,269	\$ 220,269	100.00%
2022	80,488,766	0.40	321,955	321,955	100.00%
2023	110,219,688	0.40	440,879	438,030	99.35%
2024	121,909,559	0.40	487,638	479,938	98.42%
2025	147,746,188	0.40	590,985	(b)	(b)

(a) Unaudited.

(b) In process of collections. Taxes for 2025 are due on January 31, 2026.

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. No split payments are allowed, and no discounts are allowed.

Tax Rate Distribution

	2025	2024	2023	2022	2021
Debt Service	\$ 0.2100	\$ 0.2200	\$ 0.2600	\$ 0.2375	\$ 0.2350
Maintenance and Operations	0.1900	0.1800	0.1400	0.1625	0.1650
Total	\$ 0.4000	\$ 0.4000	\$ 0.4000	\$ 0.4000	\$ 0.4000

Tax Rate Limitations

The maximum authorized ad valorem tax rate for all purposes is limited to \$0.40 per \$100 assessed valuation.

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. Such tax, when combined with any maintenance tax levied by the District, is limited to \$0.40 per \$100 assessed valuation. For the 2025 tax year, the Board levied a debt service tax in the amount of \$0.21 per \$100 assessed valuation.

Maintenance and Operations Tax

The Board of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. On November 7, 2017, the Board was authorized to levy such a maintenance tax in an amount not to exceed \$0.40 per \$100 of assessed valuation. For the 2025 tax year, the Board levied a maintenance tax in the amount of \$0.19 per \$100 assessed valuation.

Tax Exemptions

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. For tax year 2025, the District has not granted any residential homestead exemptions.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect delinquent taxes. The contract establishes an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Property Tax Code. See “TAX PROCEDURES – Levy and Collection of Taxes.”

Principal Taxpayers

The following list of principal taxpayers was provided by the District's tax assessor/collector and represents the principal taxpayers' value as a percentage of the 2025 Certified Taxable Assessed Valuation of \$147,746,188. This represents ownership as of January 1, 2025. See “RISK FACTORS—Dependence on Major Taxpayers and the Developer.”

Taxpayer	Type of Property	% of	
		2025 Certified Taxable Assessed Valuation	2025 Certified Taxable Assessed Valuation
First Texas Homes Inc. (a)(b)	Land & Improvements	\$ 20,157,028	13.64%
Mettle Investments LP	Land	6,813,119	4.61%
Hawkins Midlothian Development LLC (a)	Land	5,762,871	3.90%
Waypoint Midlothian LLC & Midlothian Rose LLC	Land & Improvements	5,280,000	3.57%
TNT Global Mortgage Capital LLC	Land & Improvements	5,015,086	3.39%
Midlothian 7-11 LLC	Land & Improvements	2,077,469	1.41%
Midlo Hawkins Run Properties LP	Land & Improvements	2,016,000	1.36%
CJ Real Estate II LLC	Land & Improvements	1,537,736	1.04%
Buie Professional Building LLC	Land & Improvements	1,070,926	0.72%
VW 663 Holdings LLC	Land & Improvements	1,008,000	0.68%
Total		\$ 50,738,235	34.34%

(a) See “THE DEVELOPERS.”

(b) See “THE DISTRICT—Homebuilders.”

Summary of Assessed Valuation

The following summary of the 2025, 2024 and 2023 Certified Taxable Assessed Valuations is provided by the District's Tax Assessor/Collector based on information provided by the Appraisal District and contained in the 2025, 2024 and 2023 certified tax rolls of the District.

	2025 Certified Taxable Assessed Value	2024 Certified Taxable Assessed Value	2023 Certified Taxable Assessed Value
Land	\$ 62,251,489	\$ 67,735,319	\$ 51,298,446
Improvements	132,756,974	92,305,640	90,143,886
Personal Property	1,876,641	1,218,196	1,520,493
Exemptions	(49,138,916)	(39,349,596)	(32,743,137)
Total	\$ 147,746,188	\$ 121,909,559	\$ 110,219,688

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2025 Certified Taxable Assessed Valuation of \$147,746,188, no use of available funds, and utilize tax rates necessary to pay the District's average and maximum annual debt service requirements on the Outstanding Bonds and the Bonds.

Maximum annual debt service requirement (2052)	\$388,963
\$0.28 tax rate on the 2025 Certified Taxable Assessed Valuation of \$147,746,188 at a 95% collection rate produces.....	\$393,005
Average annual debt service requirement (2026-2053)	\$372,510
\$0.27 tax rate on the 2025 Certified Taxable Assessed Valuation of \$147,746,188 at a 95% collection rate produces.....	\$378,969

TAX PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Outstanding Bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see “RISK FACTORS—Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully herein under “THE BONDS—Source of and Security for Payment.” Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and for the payment of certain contractual obligations. See “TAX DATA—Debt Service Tax” and “—Maintenance and Operations Tax.”

Property Tax Code and County-Wide Appraisal District

Title I of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas 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 Ellis Central Appraisal District (the “Appraisal District”) has the responsibility for appraising property for all taxing units within Ellis County, Texas, including the District. Such appraisal values are subject to review and change by the Ellis Central Appraisal Review Board (the “Appraisal Review Board”).

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax 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; 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 sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous 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. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran.

claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. 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. See "TAX DATA."

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year but must be adopted before July 1. For tax year 2025, the District has not adopted a general homestead exemption.

Freeport Goods and Goods-in-Transit Exemptions: 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 personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

The City and Ellis County may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City, Ellis County, and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

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. Generally, 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. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, open space land and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

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

District and Taxpayer Remedies

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

Levy and Collection of Taxes

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

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

Tax Payment Installations After Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a designated disaster area or emergency area and whose property has been damaged as a direct result of the disaster or emergency, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction, such as the District, if the taxpayer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date. Additionally, the Property Tax Code authorizes a taxing jurisdiction such as the District, solely at the jurisdiction's discretion to adopt a similar installment payment option for taxes imposed on property that is located within a designated disaster area or emergency area and is owned or leased by certain qualified business entities, regardless of whether the property has been damaged as a direct result of the disaster or emergency.

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "ESTIMATED OVERLAPPING DEBT STATEMENT—Overlapping Tax Rates for 2024." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both subject to the restrictions on residential homesteads described above under "Levy and Collection of Taxes." 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 cost of suit and sale, 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 (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 purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "RISK FACTORS—Tax Collection Limitations."

GENERAL FUND OPERATIONS

General

The Bonds are payable from the levy of an ad valorem tax, within the limits prescribed by law, upon all taxable property in the District. Net revenues, if any, derived from the District's general fund are not pledged to the payment of the Bonds but are available for any lawful purpose including payment of debt service on the Bonds, at the discretion and upon action of the Board. The District is provided water and sewer service by the City. Consequently, the District's general fund is used primarily for administration, and it is not expected that significant net revenues, if any, will be available for debt service.

Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and, in all instances, exclude depreciation. Such summary is based upon information obtained from the District's audited financial statement for fiscal years ended December 31, 2021 through 2024 and an unaudited summary for the six-month period ended June 30, 2025 as provided by the District's bookkeeper. Reference is made to such statements and records for further and more complete information.

	1/1/2026 to 6/30/2025 (a) (Unaudited)	Fiscal Year Ended December 31			
		2024	2023	2022	2021
Revenues					
Property Taxes	\$ 195,542	\$ 165,416	\$ 126,449	\$ 95,056	\$ 136,254
Penalty and Interest	-	-	-	-	-
Investment Revenue	1,477	2,013	738	138	10
Miscellaneous Revenue	-	-	-	-	-
Total Revenues	\$ 197,019	\$ 167,429	\$ 127,187	\$ 95,194	\$ 136,264
Expenditures					
Professional Fees	\$ 38,653	\$ 49,675	\$ 63,989	\$ 54,395	\$ 12,750
Contracted Services	16,329	27,372	25,454	22,961	18,406
Utilities	590	1,383	2,699	21,883	-
Repairs and Maintenance	45,773	53,892	101,343	68,039	48,536
Other	32,352	50,160	51,033	29,399	4,222
Total Expenditures	\$ 133,696	\$ 182,482	\$ 244,518	\$ 196,677	\$ 83,914
Revenues Over (Under) Expenditures	\$ 63,322	\$ (15,053)	\$ (117,331)	\$ (101,483)	\$ 52,350
Other Sources (Developer Advances)	\$ -	\$ -	\$ 125,000	\$ -	\$ -
Fund Balance (Beginning of Year)	\$ (35,988)	\$ (20,935)	\$ (28,604)	\$ 72,879	\$ 20,529
Fund Balance (End of Year)	\$ 27,334	\$ (35,988)	\$ (20,935)	\$ (28,604)	\$ 72,879

(a) Unaudited. Provided by the District's bookkeeper.

DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements for the Outstanding Bonds and the Bonds. This schedule does not reflect the fact that the District will capitalize eighteen (18) months of interest from the Bond proceeds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Year	Outstanding Bonds Debt Service Requirements	Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2025	(a) \$ 209,024				\$ 209,024
2026	310,138		\$ 51,018	\$ 51,018	361,156
2027	311,913	\$ 20,000	54,663	74,663	386,575
2028	308,269	20,000	53,713	73,713	381,981
2029	309,606	20,000	52,763	72,763	382,369
2030	310,606	25,000	51,813	76,813	387,419
2031	311,294	25,000	50,625	75,625	386,919
2032	311,731	25,000	49,438	74,438	386,169
2033	306,831	25,000	48,250	73,250	380,081
2034	307,031	30,000	47,000	77,000	384,031
2035	306,988	30,000	45,500	75,500	382,488
2036	306,788	30,000	44,000	74,000	380,788
2037	311,338	35,000	42,500	77,500	388,838
2038	310,269	35,000	40,750	75,750	386,019
2039	308,838	35,000	39,000	74,000	382,838
2040	307,350	40,000	37,250	77,250	384,600
2041	310,575	40,000	35,250	75,250	385,825
2042	308,163	40,000	33,250	73,250	381,413
2043	310,563	45,000	31,250	76,250	386,813
2044	307,513	45,000	29,000	74,000	381,513
2045	309,188	50,000	26,750	76,750	385,938
2046	310,525	50,000	24,250	74,250	384,775
2047	311,413	55,000	21,750	76,750	388,163
2048	306,850	55,000	19,000	74,000	380,850
2049	307,125	60,000	16,250	76,250	383,375
2050	306,950	60,000	13,250	73,250	380,200
2051	311,438	65,000	10,250	75,250	386,688
2052	311,963	70,000	7,000	77,000	388,963
2053	-	70,000	3,500	73,500	73,500
Total	\$ 8,560,274	\$ 1,100,000	\$ 979,031	\$ 2,079,031	\$ 10,639,305

(a) Excludes the District's March 1, 2025 debt service payment of \$99,024.

Average Annual Debt Service Requirements (2026-2053).....	\$372,510
Maximum Annual Debt Service Requirements (2052).....	\$388,963

LEGAL MATTERS

Legal Opinions

The District will furnish to the Initial Purchasers a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving 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, within the limits prescribed by law, levied upon all taxable property within the District. The District will also furnish the approving legal opinion of Winstead PC, Dallas, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Bondholders may be limited by laws relating to governmental immunity, bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. 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, with the limits prescribed by law, upon all taxable property within the District, and that subject to the matters set forth in such legal opinion and described under “Legal Review” below, interest on the Bonds is excludable from gross income of the owners for federal income tax purposes under existing law and is not an item of tax preference for purposes of the federal alternative minimum tax.

In addition to serving as Bond Counsel, Winstead PC 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 on for the District by Orrick, Herrington & Sutcliffe LLP, Austin, Texas, as Disclosure Counsel. The legal fees of such firm are contingent upon the sale and delivery of the Bonds.

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

Legal Review

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of a continuing direct annual ad valorem tax levied, within the limits prescribed by law, upon all taxable property within the District and based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds; the approving legal opinion of Bond Counsel, to a like effect, and to the effect that interest on the Bonds is excludable from gross income of the holders for federal tax purposes pursuant to section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the “annual adjusted financial statement income” (as defined in section 56A of the Code) of “applicable corporations” (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations.

In its capacity as Bond Counsel, Winstead PC, has reviewed the information appearing in this Official Statement under the captioned sections “THE BONDS” (except for the subsections “BOOK-ENTRY-ONLY SYSTEM,” “TAX PROCEDURES,” “THE DISTRICT—General,” “MANAGEMENT—General Counsel and Bond Counsel,” “LEGAL MATTERS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” (except for the subsection “—Compliance with Prior Undertakings”)) solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm 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 such firm’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 of the other information contained herein.

No-Litigation Certificate

The District will furnish the Initial Purchasers a certificate, executed by both the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

No Material Adverse Change

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

TAX MATTERS

Opinion

Winstead PC, Dallas, Texas, Bond Counsel, will render its opinion that, under existing law, and assuming compliance with certain covenants and the accuracy of certain representations, discussed below, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of preference for purposes of the alternative minimum tax; however, such interest is taken into account in determining the “annual adjusted financial statement income” (as defined in section 56A of the Code) of “applicable corporations” (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations.

Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) establishes certain requirements that must be met at and subsequent to the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from federal gross income. Included among these continuing requirements are certain restrictions and prohibitions on the use of bond proceeds, yield and other restrictions on the investment of gross proceeds and other amounts, and the arbitrage rebate requirement that certain earnings on gross proceeds be rebated to the federal government. Failure to comply with these continuing requirements may cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of their issuance. The District has covenanted to comply with certain procedures, and has made certain representations and certifications designed to assure compliance with these Code requirements. In rendering its opinion, Bond Counsel will rely on these covenants, on representations and certifications of the District relating to matters solely within its knowledge (which Bond Counsel has not independently verified), and will assume continuing compliance by the District.

The statutes, regulations, published rulings, and court decisions on which Bond Counsel has based its opinion are subject to change by Congress, as well as to subsequent judicial and administrative interpretation by courts and the Internal Revenue Service (the “Service”). No assurance can be given that such law or its interpretation will not change in a manner that would adversely affect the tax treatment of receipt or accrual of interest on, or the acquisition, ownership, market value, or disposition of, the Bonds. No ruling concerning the tax treatment of the Bonds has been sought from the Service, and the opinion of Bond Counsel is not binding on the Service. The Service has an ongoing audit program of tax-exempt obligations to determine whether, in the Service’s view, interest on such tax-exempt obligations is excludable from gross income for federal income tax purposes. No assurance can be given regarding whether or not the Service will commence an audit of the Bonds. If such an audit were to be commenced, under current procedures, the Service would treat the District as the taxpayer, and owners of the Bonds would have no right to participate in the audit process. In this regard, in responding to or defending an audit with respect to the Bonds, the District might have different or conflicting interests from those of the owners of the Bonds.

For taxable years beginning after December 31, 2024, an “applicable corporation” (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its “adjusted financial statement income” (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation’s “adjusted financial statement income,” ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the District made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Orders subsequent to the issuance of the Bonds. The Orders contain covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds, the manner in which the proceeds of the Bonds are to be invested, the reporting of certain information to the United States Treasury, and rebating any arbitrage profits to the United States Treasury. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from date of the issuance of the Bonds.

The opinions set forth above are based on existing law and Bond Counsel's knowledge of relevant facts on the date of issuance of the Bonds. Such opinions are an expression of professional judgment and are not a guarantee of result. Except as stated above, Bond Counsel expresses no opinion regarding any other federal, state, or local tax consequences under current law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition, ownership, or disposition of, the Bonds. Further, Bond Counsel assumes no obligation to update or supplement its opinions to reflect any facts or circumstances that may come to its attention or any changes in law that may occur after the issuance date of the Bonds. In addition, Bond Counsel has not undertaken to advise in the future whether any events occurring after the issuance date of the Bonds may affect the tax-exempt status of interest on the Bonds.

Original Issue Discount

Certain maturities of the Bonds (the "Discount Bonds") may be offered and sold to the public at an "original issue discount" ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of such Bonds. In general, the issue price of Discount Bonds is the first price at which a substantial amount of Discount Bonds of the same maturity are sold to the public (other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers).

For federal income tax purposes, OID accrues to the owner of a Discount Bond over such Discount Bond's period to maturity based on the constant interest rate method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). Bond Counsel is of the opinion that the portion of OID that accrues during the ownership period of a Discount Bond (i) is interest excludable from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as is other interest on the Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, sale, or other disposition of that Discount Bond. OID may be treated as continuing to accrue even if payment of the Discount Bonds becomes doubtful in the event that the District encounters financial difficulties, and it is treated as interest earned by cash-basis owners, even though no cash corresponding to the accrual is received in the year of accrual. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond.

The federal income tax consequences of the acquisition, ownership, redemption, sale, or other disposition of Discount Bonds not purchased in the initial offering at the initial offering price may be determined according to rules different from those described above. Owners of such Discount Bonds should consult their tax advisors regarding the federal, state, and local income tax treatment and consequences of acquisition, ownership, redemption, sale, or other disposition of such Discount Bonds.

Original Issue Premium

Certain maturities of the Bonds (the "Premium Bonds") may be offered and sold to the public at prices greater than their stated redemption prices (the principal amount) payable at maturity ("Bond Premium"). In general, under section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Collateral Tax Consequences Summary

The following discussion is a brief discussion of certain collateral federal income tax consequences resulting from the purchase, ownership, or disposition of the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. This discussion is based on existing statutes, regulations, published rulings, and court decisions, all of which are subject to change or modification, retroactively. Prospective investors should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by section 884 of the Code.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. PROSPECTIVE 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, owners 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 owner 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 of the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

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

Changes in Law

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

Qualified Tax-Exempt Obligations for Financial Institutions

The District has designated the Bonds as “qualified tax-exempt obligations” for purposes of section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended (the “Code”). “Qualified tax-exempt obligations” under section 265(b)(3) of the Code affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under section 265(b)(2) of the Code.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by Fidelity Capital Markets (the “Initial Purchasers”) bearing the interest rates shown on the cover page hereof, at a price of 97.0220% of the principal amount thereof which resulted in a net effective interest rate of 5.159120% as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

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

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

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the 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 jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall 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 RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") assigned a municipal bond insured rating of "AA" (stable outlook) to the Bonds with the understanding that, upon issuance and delivery of the Bonds, a municipal bond insurance policy ensuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Inc. ("AG" or the "Insurer"). An explanation of the ratings may be obtained from S&P. No application has been made to a municipal rating company for an underlying rating on the Bonds, nor is it expected that the District would have received an investment grade rating if application had been made. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

There is no assurance that such rating will continue for any given period of time or that they will not be revised or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Inc. ("AG" or the "Insurer") will issue its municipal bond insurance policy (the "Policy") for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX B 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 Limited (“AGUK”), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA (“AGE”).

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

Incorporation of Certain Documents by Reference

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

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, including the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

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

Engineer: The information contained in this Official Statement relating to engineering matters and to the description of the System and in particular that of engineering related information included in the sections entitled “THE DISTRICT,” “THE ROAD SYSTEM” and “THE UTILITY SYSTEM” has been provided by Macatee Engineering, LLC, and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering. Information related to the status of development within these sections was prepared with assistance from the Developers.

Appraisal District: The information contained in this Official Statement relating to the assessed valuations has been provided by the Ellis Central Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Ellis County, Texas, including the District.

Tax Assessor/Collector: The information contained in this Official Statement relating to the historical breakdown of the Assessed Valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by Utility Tax Service, LLC, and is included herein in reliance upon the authority of said firm as an expert in assessing and collecting taxes.

Auditor: The financial statements of the District as of December 31, 2024, and for the year then ended, have been audited by McCall Gibson Swedlund Barfoot Ellis, PLLC, Certified Public Accountants, as stated in their report appearing herein. See APPENDIX A for a copy of the District's audited financial statements for the fiscal year ended December 31, 2024.

Bookkeeper: The information related to the “unaudited” summary of the District’s General Operating Fund as it appears in “GENERAL FUND OPERATIONS—Operating Statement” has been provided by Municipal Accounts & Consulting, L.P. and is herein in reliance upon the authority of such firm as experts in tracking and managing the various funds of utility districts.

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the SEC regarding the District's continuing disclosure obligations because the District does not have more than \$10,000,000 in aggregate amount of bonds outstanding and no person is committed by contract or other arrangement with respect to payment of the Bonds. As required by the exemption, in the Bond Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"), or any successor, through its Electronic Municipal Market Access System ("EMMA").

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB, or any successor, through its Electronic Municipal Market Access System ("EMMA"). The financial information and operating data which will be provided with respect to the District will be the District's audited financial statements and supplemental schedules as found in "APPENDIX A—Independent Auditor's Report and Financial Statements for the fiscal year ended December 31, 2024." 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, if such audited financial statements are then available. If audited financial statements are not available within twelve months after such fiscal year end, then the District will file unaudited financial statements for the applicable fiscal year with the MSRB within such twelve month period, and audited financial statements when the audit report becomes available. Any information concerning the District 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 of the District is not complete within such period, then the District shall provide unaudited financial statements for the applicable entity and fiscal year to the MSRB within such twelve month period, and audited financial statements when the audit report becomes available.

The District's current fiscal year end is December 31. Accordingly, it must provide updated information by June 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the “Rule”). The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operational data, or financial statements in accordance with its agreement described above under “—Annual Reports.”

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through the EMMA internet portal at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered and Beneficial Owners of the Bonds. The District may amend or repeal the agreement in the Bond Order if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchasers from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

The District became obligated in accordance with SEC Rule 15c2-12 in fiscal year 2020 and has complied in all material respects with its continuing disclosure agreements entered into.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Midlothian Municipal Management District No. 3, as of the date shown on the cover page.

/s/ Terrance Jobe
President, Board of Directors
Midlothian Municipal Management District No. 3

ATTEST:

/s/ Tiffany Jobe
Secretary, Board of Directors
Midlothian Municipal Management District No. 3

PHOTOGRAPHS OF THE DISTRICT
(Taken August 2025)













APPENDIX A

Independent Auditor's Report and Financial Statements for the fiscal year ended December 31, 2024

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3

ELLIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2024

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

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McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

*Chris Swedlund
Noel W. Barfoot
Joseph Ellis
Ashlee Martin*

*Mike M. McCall
(retired)
Debbie Gibson
(retired)*

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Midlothian Municipal Management District No. 3
Ellis County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Midlothian Municipal Management District No. 3 (the "District") as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 the District'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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 our 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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.
- 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 the District's internal control. Accordingly, no such opinion is expressed.
- 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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are 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 we 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 the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund 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. We 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 we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Directors
Midlothian Municipal Management District No. 3

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot Ellis PLLC

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants
Houston, Texas

May 6, 2025

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2024

Management's discussion and analysis of the financial performance of Midlothian Municipal Management District No. 3 of Ellis County, Texas provides an overview of the District's financial activities for the fiscal year ended December 31, 2024. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, maintenance tax revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs. This fund was closed during the current fiscal year.

**MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2024**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets by \$6,786,462 as of December 31, 2024. The following is a comparative analysis of government-wide changes in net position:

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2024	2023	Change Positive (Negative)
Current Assets	\$ 660,152	\$ 569,725	\$ 90,427
Capital Assets (Net of Accumulated Depreciation)	2,464,704	2,464,704	
Total Assets	\$ 3,124,856	\$ 3,034,429	\$ 90,427
Due to Developer	\$ 4,204,803	\$ 4,211,745	\$ 6,942
Bonds Payable	5,062,649	5,151,039	88,390
Other Liabilities	118,436	73,262	(45,174)
Total Liabilities	\$ 9,385,888	\$ 9,436,046	\$ 50,158
Deferred Inflows of Resources	\$ 525,430	\$ 472,171	\$ (53,259)
Net Position:			
Net Investment in Capital Assets	\$ (6,677,748)	\$ (6,766,224)	\$ 88,476
Restricted	51,814	37,462	14,352
Unrestricted	(160,528)	(145,026)	(15,502)
Total Net Position	\$ (6,786,462)	\$ (6,873,788)	\$ 87,326

The following table provides a summary of the District's operations for the years ended December 31, 2024 and December 31, 2023.

	Summary of Changes in the Statement of Activities		
	2024	2023	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 471,371	\$ 317,603	\$ 153,768
Other Revenues	23,189	20,793	2,396
Total Revenues	\$ 494,560	\$ 338,396	\$ 156,164
Total Expenses	407,234	2,790,672	2,383,438
Change in Net Position	\$ 87,326	\$ (2,452,276)	\$ 2,539,602
Net Position, Beginning of Year	(6,873,788)	(4,421,512)	(2,452,276)
Net Position, End of Year	\$ (6,786,462)	\$ (6,873,788)	\$ 87,326

**MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2024**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2024, were \$80,987, an increase of \$20,429 from the prior year.

The General Fund fund balance decreased by \$15,053, primarily due to operating costs exceeding tax revenues.

The Debt Service Fund fund balance increased by \$42,338, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund decreased by \$6,856, primarily due to a developer reimbursement from the remaining bond proceeds that were received in the prior fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were \$5,329 more than budgeted revenues. Actual expenditures were \$14,423 less than budgeted expenditures. Developer advances were \$34,805 less than budgeted advances. This resulted in a negative budget variance of \$15,053. See the budget to actual comparison for further information.

CAPITAL ASSETS

Certain infrastructure is conveyed to the City of Midlothian for ownership and maintenance. The District retains ownership and maintenance of the drainage and detention infrastructure which serves the District. There is currently land valued at \$2,464,704 which will be used for future detention purposes.

LONG-TERM DEBT ACTIVITY

As of December 31, 2024, the District had total bond debt payable of \$5,105,000. The changes in the debt position of the District during the year ended December 31, 2024, are summarized as follows:

Bond Debt Payable, January 1, 2024	\$ 5,195,000
Less: Bond Principal Paid	<u>\$ 90,000</u>
Bond Debt Payable, December 31, 2024	<u>\$ 5,105,000</u>

The District's bonds do not carry an underlying rating or insured rating as of December 31, 2024.

**MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2024**

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Midlothian Municipal Management District No. 3, c/o Winstead PC, 2728 N. Harwood Street, Suite 500, Dallas, Texas 75201.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2024

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 1,387	\$ 42,933
Investments	11,814	130,771
Property Taxes Receivable	212,830	260,417
Due from Other Funds	26,905	
Land		
TOTAL ASSETS	<u>\$ 252,936</u>	<u>\$ 434,121</u>
LIABILITIES		
Accounts Payable	\$ 52,020	\$ 400
Accrued Interest Payable		
Due to Developer		
Due to Other Funds		26,905
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 52,020</u>	<u>\$ 27,305</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 236,904	\$ 289,841
FUND BALANCES		
Restricted for Debt Service	\$	\$ 116,975
Unrestricted	(35,988)	
TOTAL FUND BALANCES	<u>\$ (35,988)</u>	<u>\$ 116,975</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 252,936</u>	<u>\$ 434,121</u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$ 44,320	\$	\$ 44,320
	142,585		142,585
	473,247		473,247
	26,905	(26,905)	
		2,464,704	2,464,704
<u>\$ -0-</u>	<u>\$ 687,057</u>	<u>\$ 2,437,799</u>	<u>\$ 3,124,856</u>
\$	\$ 52,420	\$	\$ 52,420
		66,016	66,016
		4,204,803	4,204,803
	26,905	(26,905)	
		110,000	110,000
		4,952,649	4,952,649
<u>\$ -0-</u>	<u>\$ 79,325</u>	<u>\$ 9,306,563</u>	<u>\$ 9,385,888</u>
<u>\$ -0-</u>	<u>\$ 526,745</u>	<u>\$ (1,315)</u>	<u>\$ 525,430</u>
	\$ 116,975	\$ (116,975)	\$
	(35,988)	35,988	
<u>\$ -0-</u>	<u>\$ 80,987</u>	<u>\$ (80,987)</u>	<u>\$ - 0 -</u>
<u>\$ -0-</u>	<u>\$ 687,057</u>		
		\$ (6,677,748)	\$ (6,677,748)
		51,814	51,814
		(160,528)	(160,528)
		<u>\$ (6,786,462)</u>	<u>\$ (6,786,462)</u>

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

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2024

Total Fund Balances - Governmental Funds	\$	80,987
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		2,464,704
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Deferred inflows of resources related to property taxes receivable for the 2023 tax levies became part of recognized revenue in the governmental activities of the District.		1,315
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (4,204,803)	
Accrued Interest Payable	(66,016)	
Bonds Payable	<u>(5,062,649)</u>	<u>(9,333,468)</u>
Total Net Position - Governmental Activities		<u>\$ (6,786,462)</u>

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

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Property Taxes	\$ 165,416	\$ 306,877
Penalty and Interest		3,392
Investment Revenues	2,013	12,604
Miscellaneous Revenues		<u>5,059</u>
TOTAL REVENUES	<u>\$ 167,429</u>	<u>\$ 327,932</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 49,675	\$ 2,090
Contracted Services	27,372	14,419
Utilities	1,383	
Repairs and Maintenance	53,892	
Other	50,160	6,932
Developer Reimbursements		
Debt Service:		
Bond Principal		90,000
Bond Interest		<u>172,153</u>
TOTAL EXPENDITURES/EXPENSES	<u>\$ 182,482</u>	<u>\$ 285,594</u>
NET CHANGE IN FUND BALANCE	\$ (15,053)	\$ 42,338
CHANGE IN NET POSITION		
FUND BALANCES(DEFICIT)/NET POSITION - JANUARY 1, 2024	<u>(20,935)</u>	<u>74,637</u>
FUND BALANCES(DEFICIT)/NET POSITION - DECEMBER 31, 2024	<u><u>\$ (35,988)</u></u>	<u><u>\$ 116,975</u></u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 472,293	\$ (922)	\$ 471,371
	3,392		3,392
121	14,738		14,738
	5,059		5,059
<u>\$ 121</u>	<u>\$ 495,482</u>	<u>\$ (922)</u>	<u>\$ 494,560</u>
\$	\$ 51,765	\$	\$ 51,765
	41,791		41,791
	1,383		1,383
	53,892		53,892
35	57,127		57,127
6,942	6,942	(6,942)	
	90,000	(90,000)	
	172,153	29,123	201,276
<u>\$ 6,977</u>	<u>\$ 475,053</u>	<u>\$ (67,819)</u>	<u>\$ 407,234</u>
\$ (6,856)	\$ 20,429	\$ (20,429)	\$
		87,326	87,326
<u>6,856</u>	<u>60,558</u>	<u>(6,934,346)</u>	<u>(6,873,788)</u>
<u>\$ -0-</u>	<u>\$ 80,987</u>	<u>\$ (6,867,449)</u>	<u>\$ (6,786,462)</u>

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

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024

Net Change in Fund Balances - Governmental Funds	\$ 20,429
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(922)
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	90,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(29,123)
Governmental funds report developer reimbursements for infrastructure assets conveyed to the City of Midlothian as an expenditure. However, in the Statement of Net Position, these reimbursements decrease amounts shown as Due to Developer.	<u>6,942</u>
Change in Net Position - Governmental Activities	<u>\$ 87,326</u>

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

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1. CREATION OF DISTRICT

Midlothian Municipal Management District No. 3 (the “District”) was created by House Bill 4347, an act of the 85th Legislature of the State of Texas on June 12, 2017, codified as Chapter 3952 of the Texas Special District Local Laws Code, pursuant to Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, and operates under the provisions of Chapter 49 of the Texas Water Code and Chapter 375 of the Texas Local Government Code. The District is located wholly within the corporate limits of the City of Midlothian, Texas (the “City”).

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants, and contract rights therefore, necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities or contract rights therefor. The District is also empowered to establish parks and recreational facilities for the residents of the District, and to issue bonds and other forms of indebtedness to purchase or construct such facilities, to contract for or employ its own peace officers and, after approval by the City, the TCEQ and the voters of the District, to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an appointed board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

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

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Funds

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

General Fund – To account for resources not accounted for in another fund, maintenance tax revenues, costs and general expenditures.

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

Capital Projects Fund – To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs. This fund was closed during the current fiscal year.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include 2023 tax levy collections during the period October 1, 2023, to December 31, 2024, and taxes collected from January 1, 2024 to December 31, 2024, for the 2022 and prior tax levies. The 2024 tax levy has been fully deferred to meet planned operating expenditures for the 2025 fiscal year.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of December 31, 2024, the Debt Service Fund owed the General Fund \$26,905 for maintenance tax collections.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include certain storm drainage infrastructure, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives range from 10 to 45 years.

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

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

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position. Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3. LONG-TERM DEBT

	Series 2020 Road	Series 2022 Road	Series 2023 Road
Amounts Outstanding – December 31, 2024	\$ 2,315,000	\$ 1,190,000	\$ 1,600,000
Interest Rates	2.35% - 3.50%	2.00% - 3.25%	4.50% - 5.75%
Maturity Dates – Serially Beginning/Ending	September 1, 2025/2050	September 1, 2025/2051	September 1, 2025/2052
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1,2025*	September 1,2026*	September 1,2029*

* On any date thereafter, at a price equal to the par value plus accrued interest from the most recent date fixed for redemption. Series 2020 Road term bonds maturing September 1, 2031, September 1, 2033, September 1, 2036, September 1, 2039, September 1, 2045 and September 1, 2050 are subject to mandatory redemption beginning September 1, 2030, September 1, 2032, September 1, 2034, September 1, 2037, September 1, 2040 and September 1, 2046, respectively. Series 2022 Road term bonds maturing September 1, 2028, September 1, 2031, September 1, 2034, September 1, 2037, September 1, 2040, September 1, 2046 and September 1, 2051 are subject to mandatory redemption beginning September 1, 2027, September 1, 2029, September 1, 2032, September 1, 2035, September 1, 2038, September 1, 2041 and September 1, 2047, respectively. Series 2023 Road term bonds maturing September 1, 2033, September 1, 2037, September 1, 2041, September 1, 2046, September 1, 2050 and September 1, 2052 are subject to mandatory redemption beginning September 1, 2030, September 1, 2034, September 1, 2038, September 1, 2042, September 1, 2047 and September 1, 2051, respectively.

The following is a summary of transactions regarding bonds payable for the year ended December 31, 2024:

	January 1, 2024	Additions	Retirements	December 31, 2024
Bonds Payable	\$ 5,195,000	\$	\$ 90,000	\$ 5,105,000
Unamortized Discounts	(43,961)		(1,610)	(42,351)
Bonds Payable, Net	<u>\$ 5,151,039</u>	<u>\$ -0-</u>	<u>\$ 88,390</u>	<u>\$ 5,062,649</u>
		Amount Due Within One Year		\$ 110,000
		Amount Due After One Year		<u>4,952,649</u>
		Bonds Payable, Net		<u>\$ 5,062,649</u>

As of December 31, 2024, the District had authorized but unissued bonds in the amount of \$46,000,000 for the purpose of acquiring or constructing drainage facilities, \$40,665,000 for the purpose of financing and constructing road facilities and \$29,000,000 for the purpose of financing and constructing recreational facilities. As of December 31, 2024, the debt service requirements on the bonds outstanding were as follows:

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3. LONG-TERM DEBT (Continued)

Fiscal Year	Principal	Interest	Total
2025	\$ 110,000	\$ 198,048	\$ 308,048
2026	115,000	195,138	310,138
2027	120,000	191,913	311,913
2028	120,000	188,269	308,269
2029	125,000	184,606	309,606
2030-2034	690,000	857,493	1,547,493
2035-2039	815,000	729,221	1,544,221
2040-2044	980,000	564,165	1,544,165
2045-2049	1,190,000	355,103	1,545,103
2050-2052	840,000	90,351	930,351
	\$ 5,105,000	\$ 3,554,307	\$ 8,659,307

The bonds are payable from an ad valorem tax levied upon all property subject to taxation within the District, within legal limit as to rate or amount.

During the year ended December 31, 2024, the District levied an ad valorem debt service tax at the rate of \$0.22 per \$100 of assessed valuation, which resulted in a tax levy of \$288,986 on the adjusted taxable valuation of \$131,357,488 for the 2024 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

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

NOTE 4. SIGNIFICANT BOND ORDERS AND LEGAL REQUIREMENTS

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

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

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

At fiscal year end, the carrying amount of the District's deposits was \$44,320 and the bank balance was \$298,868. The District was not exposed to custodial credit risk at year-end. The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at December 31, 2024, as listed below:

	<u>Cash</u>
GENERAL FUND	\$ 1,387
DEBT SERVICE FUND	<u>42,933</u>
TOTAL DEPOSITS	<u><u>\$ 44,320</u></u>

Investments

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

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

The District invests in Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS"), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool's administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. UMB Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered to be Level 1 investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS.

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, 2024, the District's investment in Texas CLASS was rated AAAm by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in Texas CLASS to have a maturity of less than one year due to the fact the share positions can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

As of December 31, 2024, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
Texas CLASS	\$ 11,814	\$ 11,814
<u>DEBT SERVICE FUND</u>		
Texas CLASS	130,771	130,771
TOTAL INVESTMENTS	<u>\$ 142,585</u>	<u>\$ 142,585</u>

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes.

NOTE 6. CAPITAL ASSETS

Certain infrastructure is conveyed to the City of Midlothian for ownership and maintenance. The District retains ownership and maintenance of the drainage and detention infrastructure which serves the District. There is currently land valued at \$2,464,704 which will be used for future detention purposes.

NOTE 7. MAINTENANCE TAX

On November 7, 2017, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed \$0.40 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's systems and other operating and maintenance expenses. During the current fiscal year, the District levied an ad valorem maintenance tax rate of \$0.18 per \$100 of assessed valuation, which resulted in a tax levy of \$236,444 on the adjusted taxable valuation of \$131,357,488 for the 2024 tax year.

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 and natural disasters for which the District carries commercial insurance. There have been no significant changes in coverage from the prior year and settlements have not exceeded coverage in the past three years.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 9. UNREIMBURSED DEVELOPER COSTS

The District and the Developers have entered into agreements which require the Developers to fund costs associated with water, sanitary sewer and drainage facilities, roads and operating advances. Reimbursement to the Developers for these projects and operating advances is contingent upon approval from the Commission and the future sale of bonds. The following table summarizes the current year activity related to unreimbursed costs:

Due to Developers, beginning of year	\$ 4,211,745
Additions / Reimbursements	<u>(6,942)</u>
Due to Developers, end of year	<u><u>\$ 4,204,803</u></u>

NOTE 10. ECONOMIC DEPENDENCY AND DEFICIT FUND BALANCE

The District's Developers own a substantial portion of the taxable property within the District. The Developer's ability to make full and timely payment of taxes (to the extent levied by the District) and/or operating advances could directly affect the District's ability to meet its financial obligations.

The General Fund has a deficit fund balance of \$35,988 as of December 31, 2024. The District expects this deficit to be eliminated in the 2025 fiscal year with property tax collections and, if needed, developer advances.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2024

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 161,000	\$ 165,416	\$ 4,416
Investment Revenues	1,000	2,013	1,013
Investment and Miscellaneous Revenues	<u>100</u>	<u></u>	<u>(100)</u>
TOTAL REVENUES	<u>\$ 162,100</u>	<u>\$ 167,429</u>	<u>\$ 5,329</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 50,500	\$ 49,675	\$ 825
Contracted Services	25,000	27,372	(2,372)
Utilities	29,700	1,383	28,317
Repairs and Maintenance	63,500	53,892	9,608
Other	<u>28,205</u>	<u>50,160</u>	<u>(21,955)</u>
TOTAL EXPENDITURES	<u>\$ 196,905</u>	<u>\$ 182,482</u>	<u>\$ 14,423</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (34,805)</u>	<u>\$ (15,053)</u>	<u>\$ 19,752</u>
OTHER FINANCING SOURCES(USES)			
Developer Advances	<u>\$ 34,805</u>	<u>\$ -0-</u>	<u>\$ (34,805)</u>
NET CHANGE IN FUND BALANCE	\$ -0-	\$ (15,053)	\$ (15,053)
FUND BALANCE(DEFICIT) - JANUARY 1, 2024	<u>(20,935)</u>	<u>(20,935)</u>	<u></u>
FUND BALANCE(DEFICIT) - DECEMBER 31, 2024	<u><u>\$ (20,935)</u></u>	<u><u>\$ (35,988)</u></u>	<u><u>\$ (15,053)</u></u>

See accompanying independent auditor's report.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

DECEMBER 31, 2024

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2024

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

_____ Retail Water	_____ Wholesale Water	_____ Drainage
_____ Retail Wastewater	_____ Wholesale Wastewater	_____ Irrigation
_____ Parks/Recreation	_____ Fire Protection	_____ Security
_____ Solid Waste/Garbage	_____ Flood Control	_____ Roads
_____ Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
_____ Other (specify): _____		

2. RETAIL SERVICE PROVIDERS – NOT APPLICABLE

3. TOTAL WATER CONSUMPTION – NOT APPLICABLE

4. STANDBY FEES – NOT APPLICABLE

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No

County in which District is located:

Ellis County, Texas

Is the District located within a city?

Entirely X Partly Not at all

City in which District is located:

City of Midlothian, Texas

Are Board Members appointed by an office outside the District?

Yes X No

See accompanying independent auditor's report.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2024

PROFESSIONAL FEES:

Auditing	\$ 14,250
Legal	31,425
Financial Advisor	<u>4,000</u>

TOTAL PROFESSIONAL FEES	<u>\$ 49,675</u>
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BOOKKEEPER FEES	<u>\$ 27,372</u>
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UTILITIES	<u>\$ 1,383</u>
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REPAIRS AND MAINTENANCE	<u>\$ 53,892</u>
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ADMINISTRATIVE EXPENDITURES:

Director Fees, Including Payroll Taxes	\$ 23,252
Insurance	1,750
Office Supplies, Postage and Other	<u>2,436</u>

TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 27,438</u>
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OTHER EXPENDITURES:

Bulk Water Purchases	<u>\$ 22,722</u>
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TOTAL EXPENDITURES	<u>\$ 182,482</u>
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See accompanying independent auditor's report.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
INVESTMENTS
DECEMBER 31, 2024

<u>Fund and Investment Type</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
Texas CLASS	XXXX0003	Varies	Daily	\$ 11,814	\$ -0-
<u>DEBT SERVICE FUND</u>					
Texas CLASS	XXXX0001	Varies	Daily	\$ 130,771	\$ -0-
TOTAL - ALL FUNDS				\$ 142,585	\$ -0-

See accompanying independent auditor's report.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -				
JANUARY 1, 2024	\$	132,169	\$	245,097
Adjustments to Beginning				
Balance		<u>(293)</u>		<u>(509)</u>
	\$	131,876	\$	244,588
Original 2024 Tax Levy	\$	236,444	\$	288,986
Adjustment to 2024 Tax Levy		<u>236,444</u>		<u>288,986</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 368,320		\$ 533,574
TAX COLLECTIONS:				
Prior Years	\$	131,416	\$	243,733
Current Year		<u>24,074</u>		<u>29,424</u>
		155,490		273,157
TAXES RECEIVABLE -				
DECEMBER 31, 2024		<u>\$ 212,830</u>		<u>\$ 260,417</u>
TAXES RECEIVABLE BY				
YEAR:				
2024	\$	212,370	\$	259,562
2023		<u>460</u>		<u>855</u>
TOTAL	\$	<u>212,830</u>	\$	<u>260,417</u>

See accompanying independent auditor's report.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
PROPERTY VALUATIONS:				
Land	\$ 72,756,826	\$ 51,298,446	\$ 41,822,848	\$ 21,793,431
Improvements	112,328,336	99,211,451	60,492,467	38,416,954
Personal Property	1,218,196	1,520,493	819,594	718,080
Exemptions	<u>(54,945,870)</u>	<u>(33,987,616)</u>	<u>(19,843,813)</u>	<u>(5,008,016)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 131,357,488</u>	<u>\$ 118,042,774</u>	<u>\$ 83,291,096</u>	<u>\$ 55,920,449</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.22	\$ 0.26	\$ 0.2375	\$ 0.235
Maintenance	<u>0.18</u>	<u>0.14</u>	<u>0.1625</u>	<u>0.165</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.40</u>	<u>\$ 0.40</u>	<u>\$ 0.4000</u>	<u>\$ 0.400</u>
ADJUSTED TAX LEVY*	<u>\$ 525,430</u>	<u>\$ 472,171</u>	<u>\$ 333,165</u>	<u>\$ 223,682</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>10.18 %</u>	<u>99.72 %</u>	<u>100.00 %</u>	<u>100.00 %</u>

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

Maintenance Tax – Maximum tax rate of \$0.40 per \$100 assessed valuation approved by voters on November 7, 2017

See accompanying independent auditor's report.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2024

S E R I E S - 2 0 2 0 R O A D				
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total	
2025	\$ 60,000	\$ 75,560	\$	135,560
2026	60,000	74,150		134,150
2027	65,000	72,650		137,650
2028	65,000	70,944		135,944
2029	65,000	69,156		134,156
2030	70,000	67,368		137,368
2031	70,000	65,268		135,268
2032	70,000	63,168		133,168
2033	75,000	61,068		136,068
2034	75,000	58,818		133,818
2035	80,000	56,475		136,475
2036	80,000	53,975		133,975
2037	85,000	51,475		136,475
2038	85,000	48,606		133,606
2039	90,000	45,738		135,738
2040	95,000	42,700		137,700
2041	95,000	39,375		134,375
2042	100,000	36,050		136,050
2043	105,000	32,550		137,550
2044	105,000	28,876		133,876
2045	110,000	25,200		135,200
2046	115,000	21,350		136,350
2047	120,000	17,326		137,326
2048	120,000	13,126		133,126
2049	125,000	8,925		133,925
2050	130,000	4,550		134,550
2051				
2052				
	<u>\$ 2,315,000</u>	<u>\$ 1,204,447</u>	<u>\$</u>	<u>3,519,447</u>

See accompanying independent auditor's report.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2024

S E R I E S - 2 0 2 2 R O A D				
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total	
2025	\$ 30,000	\$ 36,075	\$	66,075
2026	30,000	35,475		65,475
2027	30,000	34,875		64,875
2028	30,000	34,125		64,125
2029	30,000	33,375		63,375
2030	35,000	32,550		67,550
2031	35,000	31,588		66,588
2032	35,000	30,625		65,625
2033	35,000	29,575		64,575
2034	40,000	28,525		68,525
2035	40,000	27,325		67,325
2036	40,000	26,125		66,125
2037	40,000	24,925		64,925
2038	40,000	23,725		63,725
2039	45,000	22,525		67,525
2040	45,000	21,175		66,175
2041	45,000	19,825		64,825
2042	50,000	18,363		68,363
2043	50,000	16,738		66,738
2044	50,000	15,113		65,113
2045	55,000	13,488		68,488
2046	55,000	11,700		66,700
2047	55,000	9,913		64,913
2048	60,000	8,125		68,125
2049	60,000	6,175		66,175
2050	65,000	4,225		69,225
2051	65,000	2,113		67,113
2052				
	<u>\$ 1,190,000</u>	<u>\$ 598,366</u>	<u>\$</u>	<u>1,788,366</u>

See accompanying independent auditor's report.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2024

S E R I E S - 2 0 2 3 R O A D				
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total	
2025	\$ 20,000	\$ 86,413	\$	106,413
2026	25,000	85,513		110,513
2027	25,000	84,388		109,388
2028	25,000	83,200		108,200
2029	30,000	82,075		112,075
2030	25,000	80,688		105,688
2031	30,000	79,438		109,438
2032	35,000	77,938		112,938
2033	30,000	76,188		106,188
2034	30,000	74,688		104,688
2035	30,000	73,188		103,188
2036	35,000	71,688		106,688
2037	40,000	69,938		109,938
2038	45,000	67,938		112,938
2039	40,000	65,575		105,575
2040	40,000	63,475		103,475
2041	50,000	61,375		111,375
2042	45,000	58,750		103,750
2043	50,000	56,275		106,275
2044	55,000	53,525		108,525
2045	55,000	50,500		105,500
2046	60,000	47,475		107,475
2047	65,000	44,175		109,175
2048	65,000	40,600		105,600
2049	70,000	37,025		107,025
2050	70,000	33,175		103,175
2051	215,000	29,325		244,325
2052	295,000	16,963		311,963
	<u>\$ 1,600,000</u>	<u>\$ 1,751,494</u>	<u>\$</u>	<u>3,351,494</u>

See accompanying independent auditor's report.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2024

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2025	\$ 110,000	\$ 198,048	\$ 308,048
2026	115,000	195,138	310,138
2027	120,000	191,913	311,913
2028	120,000	188,269	308,269
2029	125,000	184,606	309,606
2030	130,000	180,606	310,606
2031	135,000	176,294	311,294
2032	140,000	171,731	311,731
2033	140,000	166,831	306,831
2034	145,000	162,031	307,031
2035	150,000	156,988	306,988
2036	155,000	151,788	306,788
2037	165,000	146,338	311,338
2038	170,000	140,269	310,269
2039	175,000	133,838	308,838
2040	180,000	127,350	307,350
2041	190,000	120,575	310,575
2042	195,000	113,163	308,163
2043	205,000	105,563	310,563
2044	210,000	97,514	307,514
2045	220,000	89,188	309,188
2046	230,000	80,525	310,525
2047	240,000	71,414	311,414
2048	245,000	61,851	306,851
2049	255,000	52,125	307,125
2050	265,000	41,950	306,950
2051	280,000	31,438	311,438
2052	295,000	16,963	311,963
	<u>\$ 5,105,000</u>	<u>\$ 3,554,307</u>	<u>\$ 8,659,307</u>

See accompanying independent auditor's report.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2024

Description	Original Bonds Issued	Bonds Outstanding January 1, 2024
Midlothian Municipal Management District No. 3 Limited Tax Road Bonds - Series 2020	\$ 2,485,000	\$ 2,375,000
Midlothian Municipal Management District No. 3 Limited Tax Road Bonds - Series 2022	1,250,000	1,220,000
Midlothian Municipal Management District No. 3 Limited Tax Road Bonds - Series 2023	<u>1,600,000</u>	<u>1,600,000</u>
TOTAL	<u>\$ 5,335,000</u>	<u>\$ 5,195,000</u>

Bond Authority:	Drainage Bonds	Road Bonds	Recreational Bonds
Amount Authorized by Voters	\$ 46,000,000	\$ 46,000,000	\$ 29,000,000
Amount Issued	<u> </u>	<u>5,335,000</u>	<u> </u>
Remaining to be Issued	<u>\$ 46,000,000</u>	<u>\$ 40,665,000</u>	<u>\$ 29,000,000</u>
Debt Service Fund cash and investment balances as of December 31, 2024 :			<u>\$ 173,704</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 309,261</u>

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

See accompanying independent auditor's report.

Current Year Transactions				Paying Agent
Bonds Sold	Retirements		Bonds Outstanding December 31, 2024	
	Principal	Interest		
\$	\$ 60,000	\$ 76,910	\$ 2,315,000	UMB Bank, N.A., Austin, TX
	30,000	36,675	1,190,000	UMB Bank, N.A., Austin, TX
		58,568	1,600,000	UMB Bank, N.A., Austin, TX
\$ - 0 -	\$ 90,000	\$ 172,153	\$ 5,105,000	

See accompanying independent auditor's report.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS

	Amounts		
	2024	2023	2022
REVENUES			
Property Taxes	\$ 165,416	\$ 126,449	\$ 95,056
Penalty and Interest			
Investment Revenues	2,013	738	138
Miscellaneous Revenues			
TOTAL REVENUES	<u>\$ 167,429</u>	<u>\$ 127,187</u>	<u>\$ 95,194</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 49,675	\$ 63,989	\$ 54,395
Contracted Services	27,372	25,454	22,961
Utilities	1,383	2,699	21,883
Repairs and Maintenance	53,892	101,343	68,039
Other	50,160	51,033	29,399
TOTAL EXPENDITURES	<u>\$ 182,482</u>	<u>\$ 244,518</u>	<u>\$ 196,677</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (15,053)</u>	<u>\$ (117,331)</u>	<u>\$ (101,483)</u>
OTHER FINANCING SOURCES (USES)			
Developer Advances	<u>\$ -0-</u>	<u>\$ 125,000</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCE	\$ (15,053)	\$ 7,669	\$ (101,483)
BEGINNING FUND BALANCE(DEFICIT)	<u>(20,935)</u>	<u>(28,604)</u>	<u>72,879</u>
ENDING FUND BALANCE(DEFICIT)	<u><u>\$ (35,988)</u></u>	<u><u>\$ (20,935)</u></u>	<u><u>\$ (28,604)</u></u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2021	2020	2024	2023	2022	2021	2020
\$ 136,254	\$ 43,616	98.8 %	99.4 %	99.9 %	100.0 %	88.7 %
	4,923					10.0
10	8	1.2	0.6	0.1		
	616					1.3
<u>\$ 136,264</u>	<u>\$ 49,163</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 12,750	\$ 12,968	29.7 %	50.3 %	57.1 %	9.4 %	\$ 26.4 %
18,406	12,755	16.3	20.0	24.1	13.5	25.9
		0.8	2.1	23.0		
48,536		32.2	79.7	71.5	35.6	
4,222	6,266	30.0	40.1	30.9	3.1	12.7
<u>\$ 83,914</u>	<u>\$ 31,989</u>	<u>109.0 %</u>	<u>192.2 %</u>	<u>206.6 %</u>	<u>61.6 %</u>	<u>65.0 %</u>
<u>\$ 52,350</u>	<u>\$ 17,174</u>	<u>(9.0) %</u>	<u>(92.2) %</u>	<u>(106.6) %</u>	<u>38.4 %</u>	<u>35.0 %</u>
<u>\$ -0-</u>	<u>\$ -0-</u>					
\$ 52,350	\$ 17,174					
20,529	3,355					
<u>\$ 72,879</u>	<u>\$ 20,529</u>					

See accompanying independent auditor's report.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2024	2023	2022
REVENUES			
Property Taxes	\$ 306,877	\$ 188,964	\$ 129,886
Penalty and Interest	3,392	8,268	4,146
Investment Revenues	12,604	8,014	2,013
Miscellaneous Revenues	<u>5,059</u>	<u>3,764</u>	<u>3,207</u>
TOTAL REVENUES	<u>\$ 327,932</u>	<u>\$ 209,010</u>	<u>\$ 139,252</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 22,241	\$ 22,046	\$ 13,845
Debt Service Principal	90,000	85,000	55,000
Debt Service Interest and Fees	<u>173,353</u>	<u>116,140</u>	<u>97,671</u>
TOTAL EXPENDITURES	<u>\$ 285,594</u>	<u>\$ 223,186</u>	<u>\$ 166,516</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 42,338</u>	<u>\$ (14,176)</u>	<u>\$ (27,264)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds From Issuance of Long-Term Debt	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 55,912</u>
NET CHANGE IN FUND BALANCE	\$ 42,338	\$ (14,176)	\$ 28,648
BEGINNING FUND BALANCE	<u>74,637</u>	<u>88,813</u>	<u>60,165</u>
ENDING FUND BALANCE	<u>\$ 116,975</u>	<u>\$ 74,637</u>	<u>\$ 88,813</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues					
2021	2020	2024	2023	2022	2021	2020	
\$	\$	93.7 %	90.4 %	93.3 %	%	%	
6,056		1.0	4.0	3.0	99.4		
27		3.8	3.8	1.4	0.4		
11		1.5	1.8	2.3	0.2		
\$ 6,094	\$ - 0 -	100.0 %	100.0 %	100.0 %	100.0 %	N/A	%
\$ 9,920	\$	6.8 %	10.5 %	9.9 %	162.8 %		%
		27.4	40.7	39.5			
54,756		52.9	55.6	70.1	898.5		
\$ 64,676	\$ - 0 -	87.1 %	106.8 %	119.5 %	1,061.3 %	N/A	%
\$ (58,582)	\$ - 0 -	12.9 %	(6.8) %	(19.5) %	(961.3) %	N/A	%
\$ -0-	\$ 118,747						
\$ (58,582)	\$ 118,747						
118,747							
\$ 60,165	\$ 118,747						
N/A	N/A						
N/A	N/A						

See accompanying independent auditor's report.

District Mailing Address	-	Midlothian Municipal Management District No. 3 Winstead PC 2728 N. Harwood Street, Suite 500 Dallas, Texas 75201
District Telephone Number	-	(214) 745-5400

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2024

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2024</u>	<u>Title</u>
Winstead PC	08/23/22	\$ 31,485	General Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	10/06/20	\$ 14,250 \$ 750	Auditor Bond Related
Municipal Accounts & Consulting, L.P.	10/29/19	\$ 28,913	Bookkeeper
Macatee Engineering, LLC	10/29/19	\$ 0	Engineer
Specialized Public Finance Inc.	10/26/20	\$ 4,000	Financial Advisor
Bob Leared Interests	09/25/19 02/06/24	\$ 2,590	Former Tax Assessor/ Collector
Utility Tax Service, LLC	02/06/24	\$ 9,115	Tax Assessor/ Collector
Perdue, Brandon, Fielder, Collins & Mott, L.L.P		\$ 2,090	Delinquent Tax Attorney

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)