

OFFICIAL STATEMENT DATED OCTOBER 21, 2025

IN THE OPINION OF BOND COUNSEL (HEREIN DEFINED), UNDER EXISTING LAW AND ASSUMING CONTINUING COMPLIANCE WITH COVENANTS IN THE BOND ORDER (HEREIN DEFINED), INTEREST ON THE BONDS WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND IS NOT INCLUDED IN COMPUTING THE ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE “LEGAL MATTERS” AND “TAX MATTERS” FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

*The Bonds have NOT been designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – NOT Qualified Tax-Exempt Obligations.”*

NEW ISSUE – Book-Entry-Only

S&P Global Ratings (BAM Insured).....“AA”  
Moody’s Investors Service, Inc. (Underlying) ..... “Baa3”

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2 OF COLLIN COUNTY**  
(A political subdivision of the State of Texas, located within Collin County)

**\$21,920,000**  
**Unlimited Tax Bonds**  
**Series 2025**

**\$4,765,000**  
**Unlimited Tax Road Bonds**  
**Series 2025**

**Dated: November 1, 2025**

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

**Interest Accrues From: Date of Delivery**

The \$21,920,000 McKinney Municipal Utility District No. 2 of Collin County Unlimited Tax Bonds, Series 2025 (the “System Bonds”) and the \$4,765,000 McKinney Municipal Utility District No. 2 of Collin County Unlimited Tax Road Bonds, Series 2025 (the “Road Bonds”) are obligations solely of McKinney Municipal Utility District No. 2 of Collin County (the “District”) and are not obligations of the State of Texas (“Texas”); Collin County, Texas; the City of McKinney, Texas; or any entity other than the District. The System Bonds and the Road Bonds are herein referred to collectively as the “Bonds.” Interest on the Bonds will accrue from the initial date of delivery (on or about November 19, 2025) (the “Date of Delivery”) and is payable on March 1, 2026, and on each September 1 and March 1 thereafter (the “Interest Payment Date”) until the earlier of maturity or redemption and will be calculated on the basis of a 360-day year composed of twelve (12) 30-day months. The Bonds will be issued in fully registered form only, without coupons, in principal denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York (“DTC”), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the Beneficial Owners (herein defined). The initial paying agent for the Bonds is BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”).

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”).**



The System Bonds are the fifth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a waterworks, wastewater and storm drainage system to serve the District (the “System”). The Road Bonds are the third series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a road system to serve the District (the “Road System”). Voters in the District have authorized a total of \$183,100,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System; \$274,650,000 principal amount of unlimited tax refunding bonds for the System; \$140,160,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$210,240,000 principal amount of unlimited tax refunding bonds for the Road System; \$32,470,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing firefighting facilities to serve the District; and \$48,705,000 principal amount of unlimited tax refunding bonds for firefighting facilities to serve the District. After the issuance of the Bonds, the following amounts will remain authorized but unissued: \$119,165,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System; \$274,650,000 principal amount of unlimited tax refunding bonds for the System; \$120,290,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$210,240,000 principal amount of unlimited tax refunding bonds for the Road System; \$32,470,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing firefighting facilities to serve the District; and \$48,705,000 principal amount of unlimited tax refunding bonds for firefighting facilities to serve the District. The Bonds, when issued, will constitute legal, valid, and binding obligations of the District, payable from the proceeds of two (2) continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS – Source of Payment.”

The Bonds are offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Sanford Kuhl Hagan Kugle Parker Kahn LLP (“Bond Counsel”). Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP (“Disclosure Counsel”). Delivery of the Bonds is expected through the facilities of DTC on or about November 19, 2025.

**PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIP NOS.**

**\$21,920,000 McKinney Municipal Utility District No. 2 of Collin County Unlimited Tax Bonds, Series 2025**

**\$15,455,000 Serial Bonds**

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 581733 (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 581733 (b)
***	***	***	***	***	2042 (c)	1,005,000	4.500%	4.600%	GU0
2032 (c)	615,000	6.500%	3.250%	GJ5	2043 (c)	1,055,000	4.625%	4.650%	GV8
2033 (c)	650,000	6.500%	3.350%	GK2	2044 (c)	1,110,000	4.500%	4.700%	GW6
2034 (c)	680,000	4.000%	3.550%	GL0	2045 (c)	1,165,000	4.000%	4.750%	GX4
2035 (c)	715,000	4.000%	3.750%	GM8	2046 (c)	1,225,000	4.000%	4.800%	GY2
***	***	***	***	***	2047 (c)	1,285,000	4.000%	4.840%	GZ9
2038 (c)	830,000	4.125%	4.125%	GQ9	2048 (c)	1,350,000	4.000%	4.860%	HA3
2039 (c)	\$870,000	4.250%	4.250%	GR7	2049 (c)	1,415,000	4.000%	4.880%	HB1
***	***	***	***	***	2050 (c)	1,485,000	4.000%	4.900%	HC9

**\$6,465,000 Term Bonds**

\$3,050,000 Term Bonds Due September 1, 2031 (d), Interest Rate: 6.500% (Price: \$111.563) (a), CUSIP No. 581733 GH9 (b)  
 \$1,540,000 Term Bonds Due September 1, 2037 (c)(d), Interest Rate: 4.125% (Price: \$100.634) (a), CUSIP No. 581733 GP1 (b)  
 \$1,875,000 Term Bonds Due September 1, 2041 (c)(d), Interest Rate: 4.500% (Price: \$100.00) (a), CUSIP No. 581733 GT3 (b)

**\$4,765,000 McKinney Municipal Utility District No. 2 of Collin County Unlimited Tax Road Bonds, Series 2025**

**\$4,430,000 Serial Bonds**

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 581733 (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 581733 (b)
2026	\$ 80,000	6.500%	3.000%	HD7	2039 (c)	\$ 190,000	4.000%	4.250%	HS4
2027	105,000	6.500%	3.000%	HE5	2040 (c)	200,000	4.000%	4.350%	HT2
2028	110,000	6.500%	3.000%	HF2	2041 (c)	210,000	4.125%	4.450%	HU9
2029	115,000	6.500%	3.050%	HG0	2042 (c)	220,000	4.125%	4.550%	HV7
2030	120,000	6.500%	3.100%	HH8	2043 (c)	230,000	4.250%	4.600%	HW5
2031	125,000	6.500%	3.200%	HJ4	2044 (c)	240,000	4.375%	4.650%	HX3
2032 (c)	135,000	4.000%	3.300%	HK1	2045 (c)	255,000	4.375%	4.700%	HY1
2033 (c)	140,000	4.000%	3.450%	HL9	2046 (c)	265,000	4.375%	4.720%	HZ8
2034 (c)	145,000	4.000%	3.600%	HM7	2047 (c)	280,000	4.500%	4.740%	JA1
2035 (c)	155,000	4.000%	3.750%	HN5	2048 (c)	295,000	4.500%	4.760%	JB9
***	***	***	***	***	2049 (c)	310,000	4.500%	4.780%	JC7
2038 (c)	180,000	4.000%	4.100%	HR6	2050 (c)	325,000	4.500%	4.800%	JD5

**\$335,000 Term Bonds**

\$335,000 Term Bonds Due September 1, 2037 (d), Interest Rate: 4.000% (Price: \$100.000) (a), CUSIP No. 581733 HQ8 (b)

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchasers. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first optional redemption date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association, and are included solely for the convenience of the owners of the Bonds. None of the District, the Financial Advisor (herein defined), or the Initial Purchasers shall be responsible for the selection or correctness of the CUSIP numbers.
- (c) The Bonds maturing on and 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 any date thereafter, at a price equal to the principal thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*."
- (d) Subject to mandatory sinking fund redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth herein under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

## USE OF INFORMATION IN THIS OFFICIAL STATEMENT

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

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

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

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

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted here from, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

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

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#### **APPENDIX A: Financial Statements of the District**

#### **APPENDIX B: Specimen Municipal Bond Insurance Policy**

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

### **Award of the Bonds**

After requesting competitive bids for the System Bonds, the District has accepted the bid of SAMCO Capital Markets, Inc. (the "System Bond Initial Purchaser") to purchase the System Bonds at the interest rates shown on the inside cover of this Official Statement at a price of 97.003380% of par, resulting in a net effective interest rate of 4.497113%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the System Bonds after their sale by the District to the System Bond Initial Purchaser. The District has no control over the price at which the System Bonds are subsequently sold, and the initial yields at which the System Bonds are priced and reoffered are established by, and are the sole responsibility of, the System Bond Initial Purchaser.

After requesting competitive bids for the Road Bonds, the District has accepted the bid of SAMCO Capital Markets, Inc. (the "Road Bond Initial Purchaser") to purchase the Road Bonds at the interest rates shown on the inside cover of this Official Statement at a price of 97.001364% of par, resulting in a net effective interest rate of 4.569788%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the Road Bonds after their sale by the District to the Road Bond Initial Purchaser. The District has no control over the price at which the Road Bonds are subsequently sold, and the initial yields at which the Road Bonds are priced and reoffered are established by, and are the sole responsibility of, the Road Bond Initial Purchaser.

The System Bond Initial Purchaser and the Road Bond Initial Purchaser are herein referred to collectively as the "Initial Purchasers."

### **Prices and Marketability**

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchasers on or before the Date of Delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker, or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchasers regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the sole responsibility of the Initial Purchasers.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial 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 which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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 SEC 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 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.

### **Delivery of Official Statements**

The District shall furnish to the Initial Purchasers (and to each participating underwriter of the Bonds, within the meaning of the Rule, designated by the Initial Purchasers), within seven (7) business days after the sale date, the aggregate number of Official Statements agreed upon between the District and the Initial Purchasers. The District also shall furnish to the Initial Purchasers a like number of any supplements or amendments approved and authorized for distribution by the District for dissemination to potential underwriters of the Bonds, as well as such additional copies of this Official Statement or any such supplements or amendments as the Initial Purchasers may reasonably request prior to the 90<sup>th</sup> day after the end of the underwriting period described in the Rule. The District shall pay the expense of preparing the number of copies



of this Official Statement agreed upon between the District and the Initial Purchasers and an equal number of any supplements or amendments issued on or before the delivery date, but the Initial Purchasers shall pay for all other copies of this Official Statement or any supplement or amendment thereto.

## **MUNICIPAL BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX B to this Official Statement.

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

### **Build America Mutual Assurance Company**

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

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

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

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

### *Capitalization of BAM*

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2025 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$503.3 million, \$258.1 million and \$245.2 million, respectively.

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

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

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

### *Additional Information Available from BAM*

***Credit Insights Videos:*** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM’s analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM’s website at

<https://bambonds.com/insights/#video>. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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

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

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

#### **RATING**

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

Moody's has assigned an underlying credit rating of "Baa3" to the Bonds. An explanation of Moody's ratings may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. A security rating is not a recommendation to buy, sell, or hold securities. Furthermore, there is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if in 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.

The District is not aware of any rating assigned to the Bonds other than those discussed above.

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## OFFICIAL STATEMENT SUMMARY

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

### THE BONDS

The Issuer .....	McKinney Municipal Utility District No. 2 of Collin County (the "District"), a political subdivision of the State of Texas ("Texas"), is located within Collin County, Texas (the "County"). See "THE DISTRICT – General" and "THE DISTRICT – Description."
Description of the Bonds.....	<p>The \$21,920,000 McKinney Municipal Utility District No. 2 of Collin County Unlimited Tax Bonds, Series 2025 (the "System Bonds") are dated November 1, 2025 (the "Dated Date"), and mature on September 1 in the years and amounts set forth on the inside cover of this Official Statement. The \$4,765,000 McKinney Municipal Utility District No. 2 of Collin County Unlimited Tax Road Bonds, Series 2025 (the "Road Bonds") are dated November 1, 2025, and mature on September 1 in the years and amounts set forth on the inside cover of this Official Statement. The System Bonds and the Road Bonds are herein referred to collectively as the "Bonds."</p> <p>Interest on the Bonds will accrue from the initial date of delivery (on or about November 19, 2025) (the "Date of Delivery") and is payable on March 1, 2026, and on each September 1 and March 1 thereafter (the "Interest Payment Date") until the earlier of maturity or redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 of principal amount for any one (1) maturity. See "THE BONDS – General."</p>
Redemption .....	<p><i>Optional Redemption:</i> The Bonds that mature on or after September 1, 2032, are subject to redemption, in whole or from time to time in part, at the option of the District, on September 1, 2031, and any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Redemption Provisions – <i>Optional Redemption</i>."</p> <p><i>Mandatory Redemption:</i> The System Bonds maturing on September 1 in the years 2031, 2037, 2041 are term bonds (the "System Term Bonds") and are subject to certain mandatory sinking fund redemption provisions as set forth herein under "THE BONDS – Redemption Provisions – <i>Mandatory Redemption</i>."</p> <p><i>Mandatory Redemption:</i> The Road Bonds maturing on September 1 in the year 2037 are term bonds (the "Road Term Bonds" collectively with the System Term Bonds, the "Term Bonds") and are subject to certain mandatory sinking fund redemption provisions as set forth herein under "THE BONDS – Redemption Provisions – <i>Mandatory Redemption</i>."</p>
Source of Payment .....	Principal of and interest on the Bonds are payable from the proceeds of two (2) continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of Texas; the County; the City of McKinney, Texas (the "City"); or any entity other than the District. See "THE BONDS – Source of Payment."
Payment Record.....	The District has never defaulted on the timely payment of principal of and interest on its bonded indebtedness. See "THE BONDS – Source of Payment."
Authority for Issuance.....	The System Bonds are the fifth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a waterworks, wastewater and storm drainage system to serve the District (the "System"). The Road Bonds are the third series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a road system to serve the District (the "Road System"). Voters in the District have authorized a



total of \$183,100,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System; \$274,650,000 principal amount of unlimited tax refunding bonds for the System; \$140,160,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a Road System; \$210,240,000 principal amount of unlimited tax refunding bonds for the Road System; \$32,470,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing firefighting facilities to serve the District; and \$48,705,000 principal amount of unlimited tax refunding bonds for firefighting facilities to serve the District. After the issuance of the Bonds, the following amounts will remain authorized but unissued: \$119,165,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System; \$274,650,000 principal amount of unlimited tax refunding bonds for the System; \$120,290,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$210,240,000 principal amount of unlimited tax refunding bonds for the Road System; \$32,470,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing firefighting facilities to serve the District; and \$48,705,000 principal amount of unlimited tax refunding bonds for firefighting facilities to serve the District.

The System Bonds are issued pursuant to an order by the Texas Commission on Environmental Quality (the "TCEQ"); the Texas Constitution and general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended, and Chapter 8252, Texas Special District Local Laws Code, as amended; an order authorizing issuance of the System Bonds (the "System Bond Order") adopted by the Board of Directors of the District (the "Board"); and an election held within the boundaries of the District on November 6, 2018.

The Road Bonds are issued pursuant to the Texas Constitution and general laws of Texas, including Chapters 49 and 54, Texas Water Code, as amended, and Chapter 8252, Texas Special District Local Laws Code, as amended; an order authorizing issuance of the Road Bonds (the "Road Bond Order") adopted by the Board; and an election held within the boundaries of the District on November 6, 2018.

Short-Term Debt.....	In connection with the System Bonds, the District issued its \$14,564,000 Bond Anticipation Note, Series 2025 (the "BAN"), dated March 25, 2025. The BAN accrues interest at a rate of 3.930% per year (computed on the basis of a 360-day year and the actual days elapsed) and matures on March 24, 2026, unless called for redemption prior to maturity.
Outstanding Bonds .....	The District has previously issued four (4) series of unlimited tax bonds for the purpose of acquiring or constructing the System, of which \$40,645,000 will remain outstanding as of the Date of Delivery (the "Outstanding System Bonds"). The District has also previously issued two (2) series of unlimited tax bonds for the purpose of acquiring or constructing the Road System, of which \$14,375,000 will remain outstanding as of the Date of Delivery (the "Outstanding Road Bonds," and together with the Outstanding System Bonds, the "Outstanding Bonds"). See "THE BONDS – Outstanding Bonds."
Use of Proceeds .....	Proceeds from the sale of the System Bonds will be used to redeem the BAN, the proceeds of which were used to reimburse the Developer (herein defined) for a portion of the improvements and related costs shown under "USE AND DISTRIBUTION OF SYSTEM BOND PROCEEDS." Additionally, proceeds of the sale of the System Bonds will be used (a) to reimburse the Developer for the improvements and related costs that were not reimbursed by the BAN; and (b) to pay: (i) six (6) months of capitalized interest; (ii) developer interest; (iii) BAN interest; and (iv) other certain costs associated with the issuance of the System Bonds and the BAN. See "USE AND DISTRIBUTION OF SYSTEM BOND PROCEEDS."

Proceeds from the sale of the Road Bonds will be used (a) to reimburse the Developer for the improvements and related costs shown under “USE AND DISTRIBUTION OF ROAD BOND PROCEEDS” and (b) to pay: (i) six (6) months of capitalized interest; (ii) developer interest; and (iii) other certain costs associated with the issuance of the Road Bonds. See “USE AND DISTRIBUTION OF ROAD BOND PROCEEDS.”

NOT Qualified Tax-Exempt Obligations.....	The Bonds have NOT been designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – NOT Qualified Tax-Exempt Obligations.”
Municipal Bond Insurance.....	Assured Guaranty Inc. (“AG”). See “MUNICIPAL BOND INSURANCE” and “RATING.”
Rating .....	S&P Global Ratings (BAM Insured): “AA.” Moody’s Investors Service, Inc. (Underlying): “Baa3.” See “RATING” above.
General & Bond Counsel.....	Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas.
Disclosure Counsel.....	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
Financial Advisor.....	Robert W. Baird & Co. Incorporated, Houston, Texas.
Engineer .....	Westwood Professional Services, Inc., Frisco, Texas.
Paying Agent/Registrar .....	BOKF, NA, Dallas, Texas, Houston, Texas.

#### **THE DISTRICT**

Description.....	The original district was created pursuant to an Act effective September 1, 2007, 80th Legislature, Regular Session, House Bill 3979 (codified at Chapter 8252, Texas Special District Local Laws Code), which granted the original district the power of division. Pursuant to an election held on May 5, 2018, the original district was divided into the District and McKinney Municipal Utility District No. 2A of Collin County. See “THE DISTRICT – General.”
Location.....	The District is located entirely within the extraterritorial jurisdiction of the City, about five miles north of the City. The District is west of US 75 near the intersection of US 75 and FM 543. The District is part the master-planned community known as “Trinity Falls,” which is made up of approximately 2,000 acres. The District is composed of approximately 955 acres within Trinity Falls.
Developer and Principal Landowner .....	The developer and principal owner of land within the District, and the rest of Trinity Falls, is Trinity Falls Holdings LP (the “Developer”). The principal limited partner of the Developer is McKinney Project Holdings LLC, and the general partner of the Developer is Johnson Trinity Falls GP LLC, which is an affiliate of The Johnson Development Corp. The Johnson Development Corp. has completed projects in multiple markets resulting in the development of nearly 45,000 acres of multi-use commercial parks, office buildings, retail centers, residential subdivisions, master-planned communities, and multi-family housing. See “DEVELOPER AND PRINCIPAL LANDOWNER.”
Development within the District .....	Land within the District has been developed as the single-family subdivisions of Trinity Falls Planning Unit 3, Phases 3B, 3C, 3D, 5A, 5B East, 5B West, and 5C, Trinity Falls Planning Unit 4, Phase 1, Trinity Falls Planning Unit 6, Phase 1, Trinity Falls Planning Unit 7 Phases 1, 2, 3, 4, 5, 6, 7, and 8, and Trinity Falls Planning Unit 8, Phases 1 and 2 (aggregating approximately 417 acres and approximately 1,533 single-family lots).

As of September 1, the District consisted of approximately 1,212 completed homes, 107 homes under construction, and 214 vacant developed lots. In addition to the single-family development, approximately six (6) acres within the District have been developed to include the McKinney Fire Station No. 10 and the Children’s Lighthouse (daycare), approximately 141 acres have been developed as parks, recreational and open spaces, and approximately seven (7) acres developed for commercial use. Additionally,

approximately 149.70 acres are currently under development as PU 8 Phases 3, 4, and 5, PU 6 Phases 2 and 4, and PU 4 Phase 2. Of the remaining undeveloped acreage within the District, approximately 20 acres will be developed for future commercial use, approximately 94 acres remain undeveloped but developable, and approximately 120 acres are undevelopable. See "DEVELOPMENT WITHIN THE DISTRICT."

Development Agreement with City..... The District and the Developer have entered into an agreement with the City to provide water and sewer service to the property within the District. The agreement gives the City exclusive jurisdiction over the subdivision and platting of the development, as well as the design, construction, and installation of public infrastructure built within the District. See "DEVELOPMENT AGREEMENT WITH CITY."

#### **INVESTMENT CONSIDERATIONS**

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

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**SELECTED FINANCIAL INFORMATION**  
**(UNAUDITED)**

2025 Assessed Taxable Valuation .....	\$ 615,630,148	(a)
See "TAX DATA" and "TAXING PROCEDURES."		
Estimated Assessed Taxable Valuation as of July 1, 2025.....	\$ 653,665,084	(b)
See "TAX DATA" and "TAXING PROCEDURES."		
Direct Debt:		
The Outstanding Bonds (at the Delivery of the Bonds) .....	\$ 55,020,000	
The System Bonds .....	21,920,000	
The Road Bonds.....	<u>4,765,000</u>	
Total .....	\$ 81,705,000	
Estimated Overlapping Debt .....	\$ <u>13,595,429</u>	(c)
Total Direct and Estimated Overlapping Debt .....	\$ 95,300,429	(c)
Direct Debt Ratios:		
As a Percentage of the 2025 Assessed Taxable Valuation.....	13.27	%
As a Percentage of the Estimated Assessed Taxable Valuation as of July 1, 2025 .....	12.50	%
Direct and Estimated Overlapping Debt Ratios:		
As a Percentage of the 2025 Assessed Taxable Valuation.....	15.48	%
As a Percentage of the Estimated Assessed Taxable Valuation as of July 1, 2025 .....	14.58	%
General Operating Fund Balance (as of September 11, 2025) .....	\$ 1,139,155	
System Debt Service Fund Balance (as of September 11, 2025).....	\$ 1,139,129	(d)
System Capital Projects Fund Balance (as of September 11, 2025) .....	\$ 453,003	
Road System Debt Service Fund Balance (as of September 11, 2025) .....	\$ 346,154	(e)
Road System Capital Project Fund Balance (as of September 11, 2025).....	\$ 165	
2024 District Tax Rate per \$100 of Assessed Taxable Valuation:		
System Debt Service .....	\$ 0.650	
Road System Debt Service .....	\$ 0.260	
Maintenance & Operations .....	<u>\$ 0.140</u>	
Total .....	\$ 1.050	(f)
Single-Family Homes (Including 107 Under Construction) as of September 1, 2025 .....	1,319	(g)

- (a) Represents the assessed valuation of all taxable property within the District as of January 1, 2025, provided by the Appraisal District (herein defined). Such amount includes \$59,350,530 of assessed valuation assigned to properties that remain under review by the Appraisal Review Board (herein defined). Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board, upon which the District will levy its tax.
- (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the assessed valuation of all taxable property within the District as of July 1, 2025, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2025, through July 1, 2025. No taxes will be levied against this amount.
- (c) See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."
- (d) At the delivery of the System Bonds, six (6) months of capitalized interest will be deposited into the System Debt Service Fund (herein defined). Neither Texas law nor the System Bond Order (herein defined) requires that the District maintain any particular sum in the System Debt Service Fund. Funds in the System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Road System (herein defined), including the Outstanding Road Bonds (herein defined) and the Road Bonds.
- (e) At the delivery of the Road Bonds, six (6) months of capitalized interest will be deposited into the Road System Debt Service Fund (herein defined). Neither Texas law nor the Road Bond Order (herein defined) requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued by the District for the System (herein defined), including the Outstanding System Bonds (herein defined) and the System Bonds.
- (f) The District has authorized publication of its intent to levy a total tax rate of \$1.05 per \$100 of assessed valuation for the 2025 tax year.
- (g) See "DEVELOPMENT WITHIN THE DISTRICT – Current Status of Development."

**SELECTED FINANCIAL INFORMATION**  
**(UNAUDITED – CONTINUED)**

**System Debt Service Calculations**

Combined Average Annual Debt Service Requirement on the Outstanding System Bonds and the System Bonds (2026–2050).....	\$ 4,021,457
Combined Maximum Annual Debt Service Requirement on the Outstanding System Bonds and the System Bonds (2046).....	\$ 4,347,806
System Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay the Estimated Combined Average Annual Debt Service Requirement on the Outstanding System Bonds and the System Bonds (2026–2050) at 95% Collections:	
Based on the 2025 Assessed Taxable Valuation (\$615,630,148) .....	\$ 0.69
Based on the Estimated Assessed Taxable Valuation as of July 1, 2025 (\$653,665,084) .....	\$ 0.65
System Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay the Estimated Combined Maximum Annual Debt Service Requirement on the Outstanding System Bonds and the System Bonds (2046) at 95% Collections:	
Based on the 2025 Assessed Taxable Valuation (\$615,630,148) .....	\$ 0.75
Based on the Estimated Assessed Taxable Valuation as of July 1, 2025 (\$653,665,084) .....	\$ 0.71

**Road System Debt Service Calculations**

Combined Average Annual Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2026–2050).....	\$ 1,252,550
Combined Maximum Annual Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2027) .....	\$ 1,361,819
Road System Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay the Estimated Combined Average Annual Debt Service Requirement on the Road Bonds and the Outstanding Road Bonds (2026–2050) at 95% Collections:	
Based on the 2025 Assessed Taxable Valuation (\$615,630,148) .....	\$ 0.22
Based on the Estimated Assessed Taxable Valuation as of July 1, 2025 (\$653,665,084) .....	\$ 0.21
Road System Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay the Estimated Combined Maximum Annual Debt Service Requirement on the Road Bonds And the Outstanding Road Bonds (2027) at 95% Collections:	
Based on the 2025 Assessed Taxable Valuation (\$615,630,148) .....	\$ 0.24
Based on the Estimated Assessed Taxable Valuation as of July 1, 2025 (\$653,665,084) .....	\$ 0.22

**Combined Debt Service Calculations**

Combined Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2026–2050).....	\$ 5,274,007
Combined Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2046).....	\$ 5,706,594
Combined Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay the Estimated Combined Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2026–2050) at 95% Collections:	
Based on the 2025 Assessed Taxable Valuation (\$615,630,148) .....	\$ 0.91
Based on the Estimated Assessed Taxable Valuation as of July 1, 2025 (\$653,665,084) .....	\$ 0.85
Combined Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay the Estimated Combined Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2046) at 95% Collections:	
Based on the 2025 Assessed Taxable Valuation (\$615,630,148) .....	\$ 0.98
Based on the Estimated Assessed Taxable Valuation as of July 1, 2025 (\$653,665,084) .....	\$ 0.92



## OFFICIAL STATEMENT

### MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2 OF COLLIN COUNTY

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

**\$21,920,000**  
**Unlimited Tax Bonds**  
**Series 2025**

**\$4,765,000**  
**Unlimited Tax Road Bonds**  
**Series 2025**

## OFFICIAL STATEMENT INTRODUCTION

This Official Statement provides certain information with respect to the issuance by McKinney Municipal Utility District No. 2 of Collin County (the "District") of the \$21,920,000 Unlimited Tax Bonds, Series 2025 (the "System Bonds") and the \$4,765,000 Unlimited Tax Road Bonds, Series 2025 (the "Road Bonds"). The System Bonds and the Road Bonds are herein referred to collectively as the "Bonds."

The System Bonds are issued pursuant to an order by the Texas Commission on Environmental Quality (the "TCEQ"); the Texas Constitution and general laws of the State of Texas ("Texas"), including Chapters 49 and 54, Texas Water Code, as amended, and Chapter 8252, Texas Special District Local Laws Code, as amended; an order authorizing issuance of the System Bonds (the "System Bond Order") adopted by the Board of Directors of the District (the "Board"); and an election held within the boundaries of the District on November 6, 2018.

The Road Bonds are issued pursuant to the Texas Constitution and general laws of Texas, including Chapters 49 and 54, Texas Water Code, as amended, and Chapter 8252, Texas Special District Local Laws Code, as amended; an order authorizing issuance of the Road Bonds (the "Road Bond Order") adopted by the Board; and an election held within the boundaries of the District on November 6, 2018.

The System Bond Order and the Road Bond Order are collectively referred to herein as the "Bond Order," and, unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Order.

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from Bond Counsel (herein defined) at 1330 Post Oak Boulevard, Suite 2650, Houston, Texas 77056, or during the offering period from the Financial Advisor (herein defined) at 4801 Woodway Dr., Suite 118-E, Houston, Texas 77056, upon payment of reasonable copying, mailing, and handling charges.

## THE BONDS

### General

The Bonds are dated November 1, 2025 (the "Dated Date"), and mature on September 1 in the years and amounts, and will bear interest at the rates per annum, set forth on the inside cover of this Official Statement. Interest on the Bonds will accrue from the initial date of delivery (on or about November 19, 2025) (the "Date of Delivery") and is payable on March 1, 2026, and on each September 1 and March 1 thereafter (the "Interest Payment Date") until the earlier of maturity or redemption and will be calculated on the basis of a 360-day year comprised of twelve (12) 30-day months. The Bonds will be issued in fully registered form only, without coupons, in principal denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable to DTC, which will be solely responsible for making such payment to the Beneficial Owners (herein defined). The initial paying agent for the Bonds is BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar").

### Funds

The System Bond Order confirms the District's debt service fund for payment of debt service on the System Bonds, the Outstanding System Bonds and any other bonds issued by the District for the purpose of acquiring or constructing the System, or for the purpose of refunding such bonds (the "System Debt Service Fund"). The System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the bonds issued by the District for the System, including the System Bonds, the Outstanding System Bonds and any additional bonds issued by the District for the System, is to be kept separate from all other funds of the District and is to be used only for payment of such bonds. Amounts on deposit in the System Debt Service Fund may also be used for the following, to the extent applicable to the bonds issued by the District for the System,

including the System Bonds, the Outstanding System Bonds, and any additional bonds issued by the District for the System and to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of principal of and interest on bonds, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Upon closing of the System Bonds, six (6) months of capitalized interest will be deposited into the System Debt Service Fund. The proceeds from all taxes levied and collected for payment of debt service on bonds issued by the District for the System, including the System Bonds, the Outstanding System Bonds, and any additional bonds issued by the District for the System will also be deposited into the System Debt Service Fund. Funds in the System Debt Service Fund are available only to pay debt service on the bonds issued by the District for the System, including the System Bonds, the Outstanding System Bonds, and any additional bonds issued by the District for the System and are not available to pay debt service on the bonds issued by the District for the Road System, including the Road Bonds, the Outstanding Road Bonds, or any additional bonds issued by the District for the Road System.

The Road Bond Order confirms the District's debt service fund for payment of debt service on the Road Bonds, the Outstanding Road Bonds and any other bonds issued by the District for the purpose of acquiring or constructing the Road System, or for the purpose of refunding such bonds (the "Road System Debt Service Fund"). The Road System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the bonds issued by the District for the Road System, including the Road Bonds, the Outstanding Road Bonds and any additional bonds issued by the District for the Road System, is to be kept separate from all other funds of the District and is to be used only for payment of such bonds. Amounts on deposit in the Road System Debt Service Fund may also be used for the following, to the extent applicable to the bonds issued by the District for the Road System, including Road Bonds, the Outstanding Road Bonds, and any additional bonds issued by the District for the Road System and to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of principal of and interest on bonds, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Upon closing of the Road Bonds, six (6) months of capitalized interest will be deposited into the Road System Debt Service Fund. The proceeds from all taxes levied and collected for payment of debt service on bonds issued by the District for the Road System, including Road Bonds, the Outstanding Road Bonds, and any additional bonds issued by the District for the Road System will also be deposited into the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are available only to pay debt service on the bonds issued by the District for the Road System, including the Road Bonds, the Outstanding Road Bonds, and any additional bonds issued by the District for the Road System and are not available to pay debt service on the bonds issued by the District for the System, including the System Bonds, the Outstanding System Bonds, or any additional bonds issued by the District for the System.

## **Redemption Provisions**

### *Optional Redemption:*

The Bonds maturing on and 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, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption.

The Paying Agent/Registrar shall give written notice of redemption, by registered mail, overnight delivery, or other comparably secure means, not less than 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, but neither the failure to give such notice nor any defect therein shall affect the sufficiency of notice given to the registered owner as hereinabove stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile.

The Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one (1) or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds of either respective series, the particular Bonds of such series to be redeemed shall be selected by the District. If less than all of the Bonds of a particular maturity of either respective series are to be redeemed, the Paying Agent/Registrar is required to select the Bonds of such maturity to be redeemed by lot.

### *Mandatory Redemption:*

The System Bonds maturing on September 1 in the years 2031, 2037, and 2041 are term bonds (the "Term Bonds"). The Term Bonds shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), and in the principal amount set forth in the following schedule:

**\$3,050,000 Term Bonds Maturing on September 1, 2031**

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2026	\$ 370,000
September 1, 2027	\$ 485,000
September 1, 2028	\$ 510,000
September 1, 2029	\$ 535,000
September 1, 2030	\$ 560,000
September 1, 2031 (Maturity)	\$ 590,000

**\$1,540,000 Term Bonds Maturing on September 1, 2037**

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2036	\$ 750,000
September 1, 2037 (Maturity)	\$ 790,000

**\$1,875,000 Term Bonds Maturing on September 1, 2041**

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2040	\$ 915,000
September 1, 2041 (Maturity)	\$ 960,000

The Road Bonds maturing on September 1 in the year 2027 are term bonds (the "Term Bonds"). The Term Bonds shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), and in the principal amount set forth in the following schedule:

**\$335,000 Term Bonds Maturing on September 1, 2037**

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2036	\$ 165,000
September 1, 2037 (Maturity)	\$ 170,000

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

**Short-Term Debt**

In connection with the System Bonds, the District issued its \$14,546,000 Bond Anticipation Note, Series 2025 (the "BAN"), dated March 25, 2025. The BAN accrues interest at a rate of 3.93% per year (computed on the basis of a 360-day year and the actual days elapsed) and matures on March 24, 2026, unless called for redemption prior to maturity.

**Outstanding Bonds**

The District has previously issued four (4) series of unlimited tax bonds for the purpose of acquiring or constructing the System (herein defined), of which \$40,645,000 will remain outstanding as of the Date of Delivery (the "Outstanding System Bonds"). The District has also previously issued two (2) series of unlimited tax bonds for the purpose of acquiring or constructing the Road System (herein defined), of which \$14,375,000 will remain outstanding as of the Date of Delivery (the "Outstanding Road Bonds," and together with the Outstanding System Bonds, the "Outstanding Bonds").

**Registration, Transfer and Exchange**

In the event the Book-Entry-Only System (herein defined) should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the registered owner, except for any tax, governmental charges, or other expenses required to be paid with respect to such registration, exchange, and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be

delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Paying Agent/Registrar, or sent by the United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 of principal amount for any one (1) maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

### **Record Date for Interest Payment**

Interest on the Bonds will be paid to the registered owner appearing on the registration and transfer books of the Paying Agent/Registrar at the close of business on the "Record Date" (the 15<sup>th</sup> calendar day of the month next preceding each interest payment date) and shall be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid, to the address of the registered owner recorded in the registration and transfer books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of non-payment of interest on a scheduled payment date and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Bond appearing in the registration and transfer books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing such notice.

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

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds, or on receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity to hold them harmless. Upon the issuance of a new bond the District may require payment of taxes, governmental charges and other expenses (including the fees and expenses of the Paying Agent/Registrar), bond printing and legal fees in connection with any such replacement.

### **Replacement of Paying Agent/Registrar**

Provision is made in the Bond Orders for replacement of the Paying Agent/Registrar by the District. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar 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.

### **Source of Payment**

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form, and manner, and at the same time as other District taxes are assessed, levied, and collected, in each year, beginning with the current year, two (2) continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, against all taxable property within the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and cost of collection. In the Bond Orders, the District covenants that said taxes are irrevocably pledged to the payment of the interest and principal of the Bonds and any parity bonds hereinafter issued. Separate unlimited tax rates are levied by the District for each of the System debt service and Road System debt service. Funds in the System Debt Service Fund cannot be used to pay debt service on the Road Bonds, or any other bonds issued for the purpose of acquiring or constructing the Road System. Funds in the Road Debt Service Fund cannot be used to pay debt service on the Outstanding Bonds, the System Bonds, or any other bonds issued for the purpose of acquiring or constructing the System. The Bonds are obligations of the District and are not the obligations of Texas; Collin County, Texas (the "County"); the City of McKinney, Texas (the "City"); or any entity other than the District.

## **Payment Record**

The District has never defaulted on the timely payment of principal of and interest on its bonded indebtedness. See “THE BONDS – Source of Payment.”

## **Authority for Issuance**

The System Bonds are the fifth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a waterworks, wastewater and storm drainage system to serve the District (the “System”). The Road Bonds are the third series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a road system to serve the District (the “Road System”). Voters in the District have authorized a total of \$183,100,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System; \$274,650,000 principal amount of unlimited tax refunding bonds for the System; \$140,160,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$210,240,000 principal amount of unlimited tax refunding bonds for the Road System; \$32,470,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing firefighting facilities to serve the District; and \$48,705,000 principal amount of unlimited tax refunding bonds for firefighting facilities to serve the District. After the issuance of the Bonds, the following amounts will remain authorized but unissued: \$119,165,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System; \$274,650,000 principal amount of unlimited tax refunding bonds for the System; \$120,290,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$210,240,000 principal amount of unlimited tax refunding bonds for the Road System; \$32,470,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing firefighting facilities to serve the District; and \$48,705,000 principal amount of unlimited tax refunding bonds for firefighting facilities to serve the District.

The System Bonds are issued pursuant to an order by the TCEQ; the Texas Constitution and general laws of Texas, including Chapters 49 and 54, Texas Water Code, as amended, and Chapter 8252, Texas Special District Local Laws Code, as amended; the System Bond Order adopted by the Board of Directors of the District (the “Board”); and an election held within the boundaries of the District on November 6, 2018.

The Road Bonds are issued pursuant to the Texas Constitution and general laws of Texas, including Chapters 49 and 54, Texas Water Code, as amended, and Chapter 8252, Texas Special District Local Laws Code, as amended; the Road Bond Order adopted by the Board; and an election held within the boundaries of the District on November 6, 2018.

## **Issuance of Additional Debt**

After the issuance of the Bonds, the following amounts will remain authorized but unissued: \$119,165,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System; \$274,650,000 principal amount of unlimited tax refunding bonds for the System; \$120,290,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$210,240,000 principal amount of unlimited tax refunding bonds for the Road System; \$32,470,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing firefighting facilities to serve the District; and \$48,705,000 principal amount of unlimited tax refunding bonds for firefighting facilities to serve the District. Additional bonds may be authorized by the voters in the District and the Board.

Pursuant to the Consent Agreement (herein defined), as amended, the District and McKinney Municipal Utility District No. 1 (“MUD 1”) shall not issue more than an aggregate \$318,000,000 principal amount of all bonds, plus a 3% annual increase of the amount of authorized but unissued bonds each July 1 (excluding any refunding bonds), unless specifically approved by the City. Pursuant to the third amendment to the Consent Agreement, an additional \$30,000,000 was added to the bond limit on July 1, 2023. After the issuance of the Bonds, the District and MUD 1 will have approximately \$208,798,493 remaining under such cap (inflation adjusted). See “CONSENT AGREEMENT WITH THE CITY.”

Following issuance of the System Bonds, the District will owe the Developer (herein defined) approximately \$14,970,701 for the reimbursable expenditures that the Developer has advanced to date for the purpose of acquiring or constructing the System (including Master District (herein defined) items). Following issuance of the Road Bonds, the District will owe the Developer approximately \$66,188,847 for the reimbursable expenditures that the Developer has advanced to date for the purpose of acquiring or constructing the Road System (including Master District items). See “THE SYSTEM” and “DEVELOPMENT WITHIN THE DISTRICT.”

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the Engineer (herein defined), following the issuance of the Bonds, the District will have adequate authorized but unissued bonds to repay the Developer the remaining amounts owed for the existing District facilities, including the System, and to finance the Road System and extension thereof to serve the remaining undeveloped land within the District. See “DEVELOPMENT WITHIN THE DISTRICT,” “THE SYSTEM,” and “INVESTMENT CONSIDERATIONS – Future Debt.”



### **Registered Owners' Remedies**

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners (herein defined) have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not 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. See "INVESTMENT CONSIDERATIONS – Limitation to Registered Owners' Remedies."

### **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 Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

### **Consolidation**

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash and the utility system) and liabilities (such as the Bonds), with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

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

Section 49.186 of the Texas Water Code is applicable to the District and provides:

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

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

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

### **BOOK-ENTRY-ONLY SYSTEM**

*This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by 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 for the Bonds (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 takes no responsibility for the accuracy or completeness thereof.*

*The District and the Financial Advisor cannot and do not give any assurance that: (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to Direct and Indirect Participants (herein defined), (2) Direct and Indirect 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 United States Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with Direct and Indirect Participants are on file with DTC.*

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One (1) fully registered Bond certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (the "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 (the "Indirect Participants," and together with the Direct Participants, the "Direct and Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC rules applicable to its Direct and Indirect Participants are on file with the SEC. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

The information in the section concerning DTC and the Book-Entry-Only System has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

***Use of Certain Terms in Other Sections of This Official Statement***

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

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## USE AND DISTRIBUTION OF SYSTEM BOND PROCEEDS

Proceeds from the sale of the System Bonds will be used to redeem the BAN, the proceeds of which were used to reimburse the Developer for a portion of the improvements and related costs shown below. Additionally, proceeds of the sale of the System Bonds will be used to reimburse the Developer for the improvements and related costs that were not reimbursed by the BAN and to pay: developer interest; BAN interest; six (6) months of capitalized interest; and other certain costs associated with the issuance of the System Bonds and the BAN, as shown below.

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

<u><b>Construction Costs</b></u>	<u><b>District's Share</b></u>
A. Developer Contribution Items	
1. Trinity Falls Planning Unit 3 Phase 3D – Mass Grading	\$ 94,115
2. Trinity Falls Planning Unit 8 Phase 1 – C&G	75,227
3. Trinity Falls Planning Unit 8 Phase 2 – C&G	130,057
4. Trinity Falls Planning Unit 7 Phase 8 – C&G	80,878
5. Trinity Falls Planning Unit 7 Phase 8 – W, WW, & D	1,836,694
6. Trinity Falls Planning Unit 6 Phase 1 – W, WW, & D	4,062,491
7. Engineering Fees for Previously Approved Projects	57,221
8. Engineering, Testing, Permitting (Items Nos. 4-6)	865,979
Total Developer Contribution Items	<u>\$ 7,202,662</u>
B. District Items	
1. Trinity Falls PU 7 Phase 1 Relocation of Fire Hydrants	\$ 5,980
2. City Inspection Fees	202,559
3. Master District Connection Charges	8,350,452
Total District Items	<u>\$ 8,558,991</u>
TOTAL CONSTRUCTION COSTS	<u>\$ 15,761,653</u>
<u><b>Non-Construction Costs</b></u>	
A. Legal Fees	\$ 488,400
B. Fiscal Agent Fees	391,300
C. Interest	
1. Developer Interest	2,147,232
2. Capitalized Interest	508,178
3. BAN Interest	379,517
D. Bond Discount	656,859
E. Bond Issuance Expenses	44,588
F. BAN Issuance Expenses	327,996
G. Bond Application Report Costs	81,920
H. Operation Expenses	679,711
I. Attorney General Fee (0.10% or \$9,500 Maximum)	9,500
J. TCEQ Bond Issuance Fee (0.25%)	54,800
K. Contingency (a)	388,345
TOTAL NON-CONSTRUCTION COSTS	<u>\$ 6,158,347</u>
<b>TOTAL SYSTEM BOND ISSUE REQUIREMENT</b>	<u><b>\$ 21,920,000</b></u>

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(a) Represents the difference between the estimated and actual bond discount, capitalized interest, and BAN interest on the Bonds.

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The Engineer has advised the District that the proceeds of the sale of the System Bonds should be sufficient to pay the costs of the above-described facilities; however, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

*[Remainder of Page Intentionally Left Blank]*

### USE AND DISTRIBUTION OF ROAD BOND PROCEEDS

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

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

<b><u>Construction Costs</u></b>	<b><u>District's Share</u></b>
A. Developer Contribution Items	
1. Trinity Falls Planning Unit 3 Phase 2	\$ 189,911
2. Trinity Falls Planning Unit 3 Mass Grading	806,676
3. Engineering (7.3% of Item 1)	13,933
4. City of McKinney Inspection Fees	369,357
5. District ROW Land Costs	902,442
6. Master District Roadway Connection Charges	<u>1,217,666</u>
TOTAL CONSTRUCTION COSTS	<u>\$ 3,499,985</u>
 <b><u>Non-Construction Costs</u></b>	
A. Legal Fees	\$ 95,300
B. Fiscal Agent Fees	95,300
C. Interest	
1. Developer Interest	745,874
2. Capitalized Interest	108,494
D. Bond Discount	142,885
E. Bond Issuance Expenses	42,641
F. Bond Engineering Report	19,060
G. Attorney General Fee (0.10% or \$9,500 Maximum)	4,765
F. Contingency (a)	<u>10,696</u>
TOTAL NON-CONSTRUCTION COSTS	<u>\$ 1,265,015</u>
<b>TOTAL ROAD BOND ISSUE REQUIREMENT</b>	<b><u>\$ 4,765,000</u></b>

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(a) Represents the difference between the estimated and actual bond discount and capitalized interest on the Bonds.

The Engineer has advised the District that the proceeds of the sale of the Road Bonds should be sufficient to pay the costs of the above-described facilities. In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

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## THE DISTRICT

### General

The District was created pursuant to an Act effective September 1, 2007, 80<sup>th</sup> Legislature, Regular Session, House Bill 3979 (codified at Texas Special District Local Laws Code Chapter 8252). The rights, powers, privileges, authority, and functions of the District are established by the general laws of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ.

The District is empowered, among other things, to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District is also empowered to finance certain road improvements that must meet criteria of the County and the City. The District may also provide solid waste collection and disposal service and operate, maintain, and construct recreational facilities. The District may operate and maintain a fire department, independently or with one (1) or more other conservation and reclamation districts, if approved by the district's voters and the TCEQ. The District has obtained approval of its voters and the TCEQ to operate a fire department and has contracted with the City to construct and operate a fire station in Trinity Falls.

### Description

The District, a political subdivision of Texas, is located in the County. The District is located entirely within the extraterritorial jurisdiction of the City, about five (5) miles north of the City. The District is west of US 75 near the intersection of US 75 and FM 543. The District is part the master-planned community known as "Trinity Falls," which is made up of approximately 2,000 acres. The District is composed of approximately 955 acres within Trinity Falls.

### Management of the District

#### *- Board of Directors -*

The District is governed by a board, consisting of five (5) directors, which has control over and management and supervision of all affairs of the District. Directors serve staggered four (4)-year terms, with elections held in May of each even numbered year. All of the directors reside in the District. The present members and officers of the Board are listed below:

Name	Position	Term Expires May
Russell Thomsen	President	2028
Douglas White	Vice President	2026
Frank Vaccaro	Secretary	2026
Mathew Sickel	Assistant Secretary	2026
William Buniak	Assistant Secretary	2028

#### *- Consultants -*

**Tax Assessor/Collector:** The District's tax assessor and collector is Utility Tax Service, LLC (the "Tax Assessor/Collector"). The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Collin Central Appraisal District (the "Appraisal District") and bills and collects such levy from taxpayers in the District.

**Bookkeeper:** The District's bookkeeper is Dye & Toverly, LLC.

**Auditor:** As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. A copy of the District's financial statements audited by McCall Gibson Swedlund Barfoot Ellis, PLLC (the "Auditor") for the fiscal year ended March 31, 2025, is included as "APPENDIX A."

**Engineer:** The consulting engineer retained by the District in connection with the design and construction of the District's facilities is Westwood Professional Services, Inc. (the "Engineer").

**Bond & General Counsel:** The District has engaged Sanford Kuhl Hagan Kugle Parker Kahn LLP as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees of Bond Counsel are contingent upon the sale and delivery of the Bonds. Sanford Kuhl Hagan Kugle Parker Kahn LLP also serves as the District's general counsel.

**Disclosure Counsel:** The District has engaged Orrick, Herrington & Sutcliffe LLP as disclosure counsel ("Disclosure Counsel") in connection with the issuance of the Bonds. The fees of Disclosure Counsel are contingent upon the sale and delivery of the Bonds.

**Financial Advisor:** The District has engaged Robert W. Baird & Co. Incorporated as financial advisor (the “Financial Advisor”) to the District. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor has participated in the preparation of this Official Statement; however, the Financial Advisor is not obligated to undertake, and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement that has been supplied or provided by third parties.

#### **DEVELOPMENT AGREEMENT WITH CITY**

The City provides water supply and wastewater services to the District, pursuant to that certain 2022 Amended and Restated Development Agreement between the Developer and the City, effective May 17, 2021 (the “Development Agreement”). Certain provisions of the Development Agreement concerning the provision of water and/or sewer service to the property within the District have been assigned from the Developer to the District.

Pursuant to the Development Agreement, the City shall have and exercise exclusive jurisdiction over the subdivision and platting of the property within the District and the design, construction, installation, and inspection of water, sewer, drainage, roadway, and other public infrastructure (the “Public Infrastructure”) to serve the property within the District. The Developer and/or District are responsible for designing, acquiring, and constructing for the benefit of, and for ultimate conveyance to the City, the water and sewer Public Infrastructure. The City agrees to provide water supply services and wastewater treatment services to the District. The District, at its sole expense, shall provide, or cause to be provided, police and fire services, within the District. EMS service shall be provided by the City to the property within the District.

#### **Police and Fire Services**

Prior to the date upon which any developer, owner, or builder submits an application for the issuance of a certificate of occupancy for the 934<sup>th</sup> Dwelling Unit (as defined in the Development Agreement), the District, at its sole expense, shall contract with the City or the County for additional law enforcement officers (i.e., in addition to the law enforcement services provided by the County) as provided below.

Number of Dwelling Unit Certificates of Occupancy	Total Additional Law Enforcement Officers
934 – 1,565	2
1,566 – 2,239	3
2,240 – 2,933	4
2,934 – 3,617	5
3,618 – greater	6

The District and MUD 1 have entered into a contract with the County to provide additional law enforcement. The City has completed the construction and equipping of the Fire Station Facility (as defined in the Development Agreement) to serve the District and other surrounding areas. The Developer shared in the soft costs and capital costs of the Fire Station Facility’s improvements and equipment (the “Developer’s Share”) in the amount of \$7,650,000. In addition to the obligation to pay the Developer’s Share above, the District and MUD 1 have paid an amount equal to 70% of one year’s aggregate cost of the employee compensation and training costs for 18 newly hired personnel necessitated by the opening of the Fire Station Facility, based upon the annual, budgeted costs of a firefighter position (and training). Thereafter, and on an annual basis and beginning on the first anniversary of the first day of operations at the Fire Station Facility, the Developer, the District, or MUD 1 shall make payments to the City for a percentage of all personnel, equipment, building maintenance, and other costs to provide Fire Services, save and except the costs of providing EMS services from the Fire Station Facility, based upon the geographic areas served by the Fire Station Facility, which is currently 41.08%.

#### **The Public Infrastructure**

The Development Agreement provides that the Public Infrastructure will be designed and constructed in accordance with the requirements and criteria of the TCEQ, the City, and all other federal, state, and local governmental authorities having jurisdiction over the construction of the Public Infrastructure. The City shall provide retail water and sewer service to the property within the District. Retail water and sewer customers within the District shall pay the applicable water and sewer rates for customers outside the corporate limits of the City.

**Water Public Infrastructure:** At no cost to the Developer or the District, the City shall (1) not sooner than the date of the request for the issuance of a building permit for the 1,800<sup>th</sup> Dwelling Unit or later than the issuance of a building permit for the 2,200<sup>th</sup> Dwelling Unit, design, acquire easements for, construct, cause to be dedicated to and accepted by the City, and make operational, the “Bloomdale Pump Station” and the water lines required to deliver an adequate supply of water from the Bloomdale Pump Station to the north side of Bloomdale Road as shown on the City’s Water Master Plan; (2) use its best efforts to enter into necessary contracts and agreements to deliver adequate water supply to the City system to the

extent necessary to provide uninterrupted, equitable and uniform retail water service to the District; and (3) design, acquire easements for, construct, cause to be dedicated to and accepted by the City, and make operational all upgrades and expansions to the City's off-property water Public Infrastructure to the extent necessary to provide uninterrupted, equitable and uniform retail water service to the District.

At no cost to the City, the Developer will direct MUD 1 and the District to cause the following to occur with respect to the water Public Infrastructure: (1) prior to the issuance of a building permit for the 450th Dwelling Unit, design, acquire easements for, construct, and tender for dedication to and acceptance by the City, the extension of the existing 36-inch water line located in Hardin Boulevard north of Wilmeth Drive (the "West Feed") to the north from its current dead end along the alignment of future Hardin Boulevard to FM 543, then east along FM 543; (2) prior to the issuance of a building permit for the 525th Dwelling Unit, design, acquire easements for, construct, and tender for dedication to and acceptance by the City, the elevated water storage facility designated as the "Trinity Elevated Storage Tank" on the City's current Water Master Plan; (3) prior to the issuance of a building permit for the 2,200th dwelling unit (and provided that the City has made the Bloomdale Pump Station operational), design, acquire easements for, construct and tender for dedication to and acceptance by the City, water distribution facilities known as the "East Water Feed"; and (4) design, acquire easements for, construct, and tender for dedication to and acceptance by the City, those additional in-District water Public Infrastructure items described on the City's Water Master Plan or as otherwise approved by the City's engineer, said additional water Public Infrastructure to be constructed prior to or at the time of need, depending on development phasing, or as may be necessitated due to concurrent construction of other improvements, such as roadways.

The City has made the Bloomfield Pump Station operational. The West Water Feed, the Trinity Elevated Storage Tank, and the East Water Feed have been completed and accepted by the City.

*Sewer Public Infrastructure:* The City shall design, acquire easements for, construct, and cause to be dedicated to and accepted by the City, all upgrades and expansions to the City's off-property sewer Public Infrastructure to the extent necessary to provide uninterrupted, equitable and uniform sanitary sewer service to the District.

At no cost to the City, the Developer will direct MUD 1 or the District to cause the following to occur with respect to the sewer Public Infrastructure: (1) prior to the issuance of the first building permit for any Dwelling Unit, design, acquire easements for, construct, and tender for dedication to and acceptance by the City, the sewer facility designated as "Future Line # 16" on the City's current Wastewater Master Plan (the "Off-Site Sewer Line") from the south boundary of the property to the existing trunk sewer located near the confluence of East Fork Trinity River and Honey Creek; and (2) design, acquire easements for, construct, and tender for dedication to and acceptance by the City in accordance with the Subdivision Ordinance, those additional sewer Public Infrastructure items required to serve the District, as typically required elsewhere in the City.

The Off-Site Sewer Line is complete and has been accepted by the City.

*Roadway Public Infrastructure:* Building permits shall be issued by the City for up to 655 Dwelling Units based on the roadway Public Infrastructure in existence as of the effective date of the Development Agreement and no additional off-property roadway Public Infrastructure shall be required prior to the 655th building permit.

Pursuant to the terms of the Development Agreement, the City has elected to contribute \$3,600,000 for the construction by the Developer of Farm-to-Market Road 543 ("FM 543")/Trinity Falls Parkway as a four-lane, divided thoroughfare. The Developer shall diligently pursue completion of FM 543/Trinity Falls Parkway in conformance with City standards prior to the issuance of the 1,100th building permit, after which any building permit issuance shall cease until completion; and upon completion and approval by the City of FM 543/Trinity Falls Parkway, building permits for up to an aggregate total of 1,760 Dwelling Units may be issued. The expansion of FM 543/Trinity Falls Parkway to a four-lane divided thoroughfare was completed in November of 2020.

Additional building permits beyond 1,760 through build-out of the District shall be issued when either of the following conditions is satisfied: (1) FM 543/Trinity Falls Parkway as a four-lane, divided thoroughfare that complies with City standards has been completed and approved and at least two lanes of Melissa Road that comply with City of Melissa standards have been completed and approved; or (2) FM 543/Trinity Falls Parkway as a four-lane, divided thoroughfare that complies with City standards has been completed and approved and at least two lanes of Hardin Boulevard that comply with City standards have been completed and approved. The construction of two lanes of Melissa Road was completed in November 2024.

### **Ownership, Operation, and Maintenance of the Public Infrastructure**

If dedicated to and accepted by the City, the City shall at all times maintain the Public Infrastructure, or cause such Public Infrastructure to be maintained, in good condition and working order in compliance with all applicable laws and ordinances and all applicable regulations, rules, policies, standards, and orders of any governmental entity with jurisdiction over same. To the extent the City accepts and utilizes the water and sewer Public Infrastructure, the City shall operate the water and sewer Public Infrastructure serving the District and will use the Public Infrastructure to provide service to all customers

within the District. To the extent none of the City, the County, or Texas accepts roadway Public Infrastructure within the District, then such roadway Public Infrastructure shall be maintained to standard City maintenance standards by the District. To the extent roadway Public Infrastructure outside the District is not accepted by the applicable jurisdiction therefor, the District shall have the right, but not the obligation, to maintain such roadway Public Infrastructure. To the extent none of the City, the County, or Texas accepts drainage Public Infrastructure within the District, such drainage Public Infrastructure shall be maintained by the District.

#### **CONSENT AGREEMENT WITH THE CITY**

Concerning the Creation and Operation of McKinney Municipal Utility District No. 2 of Collin County, as amended by that certain First Amendment to 2012 Agreement Concerning Creation and Operation of McKinney Municipal Utility District No. 2 of Collin County dated July 20, 2016, that certain Second Amendment to 2012 Agreement Concerning Creation and Operation of McKinney Municipal Utility District No. 2 of Collin County dated October 21, 2017, and that certain Third Amendment to 2012 Agreement Concerning Creation and Operation of McKinney Municipal Utility District No. 2 of Collin County dated October 25, 2023 (collectively, the "Consent Agreement"). In the Consent Agreement, which amends and restates a similar consent agreement with a prior owner of the property upon which the District was formed, the City consented to: the creation of the District; the District undertaking certain road projects within the District; the calling of an election to create the District and carry out its operations; and the division of the District into two separate municipal utility districts.

In addition, the City agreed that the City would not annex the District any earlier than the first to occur of: (1) completion of the "Major Items" listed below, the completion of the construction of the infrastructure to serve full development of the property and the issuance by the District of bonds to reimburse the full cost of the "Major Items" and all water, wastewater, drainage, roadway and other infrastructure improvements installed or constructed to serve the development, whether located within or outside the development; (2) April 17, 2039; or (3) the dissolution of the District (other than as a result of annexation by the City).

The "Major Items" to be completed include: (1) the purchase, construction and improvement of land, improvements and facilities necessary to: (a) provide water supply for the District for municipal, domestic, and commercial uses; (b) collect, transport, and dispose of all domestic, commercial, industrial or communal wastes from the District; (c) gather, conduct and control local storm water; and (d) undertake the road project set forth in the Consent Agreement; (2) the payment of organizational expenses, initial operating expenses, cost of insurance, interest during construction and capitalized interest; (3) the establishment, operation and maintenance of a police and fire department to perform emergency services within the District; (4) the purchase, construction and improvement of land, facilities and equipment related to recreational facilities; and (5) the refunding of any outstanding Bonds of the District for a debt service savings.

Furthermore, in consideration for the City's consent to create the District and issue unlimited tax bonds for road facilities, the District agrees that it and MUD 1 shall not issue more than an aggregate \$318,000,000 principal amount of bonds, plus a 3% annual increase on the amount of authorized but unissued bonds on each July 1, beginning July 17, 2017 (excluding refunding bonds), unless specifically approved by the City. Pursuant to the third amendment to the Consent Agreement, an additional \$30,000,000 was added to the bond limit on July 1, 2023. After the issuance of the Bonds, the District and MUD 1 will have \$208,798,493 remaining under such cap.

#### **DEVELOPER AND PRINCIPAL LANDOWNER**

##### **The Role of a Developer**

In general, the activities of a developer in a municipal utility district, such as the District, include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be constructed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, a developer, or other third parties. In certain instances, the developer will be required to pay up to 30% of the cost of constructing certain of the water, wastewater, and drainage facilities in a municipal utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of its property within a municipal utility district may have a profound effect on the security of the bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

### **Developer and Principal Landowner**

The developer and principal owner of land within the District, and the rest of Trinity Falls, is Trinity Falls Holdings LP (the "Developer"). The limited principal partner of the Developer is McKinney Project Holdings LLC, and the general partner of the Developer is Johnson Trinity Falls GP LLC, which is an affiliate of The Johnson Development Corp.

### **Development Management**

Development of Trinity Falls is managed by The Johnson Development Corp. The Johnson Development Corp. has over 40 years of real estate experience, resulting in the development of nearly 45,000 acres of multi-use commercial parks, office buildings, retail centers, residential subdivisions, master planned golf course communities, and multi-family housing.

The Johnson Development Corp. has developed master-planned communities in multiple and other markets. In addition to Trinity Falls, The Johnson Development Corp. or its principals are involved in the development of the following projects: Viridian, a 2,000-acre residential project in the City of Arlington, Texas; Sienna, a 10,000-acre, mixed-use project southwest of the City of Houston, Texas; Riverstone, a 3,700-acre, mixed-use project southwest of the City of Houston, Texas; Imperial, a 700-acre, master-planned community in the City of Sugar Land, Texas; Towne Lake and Towne Lake Hills, a 3,700-acre residential project in the City of Atlanta, Georgia area; Lake Arrowhead, a 6,000-acre residential project in the City of Atlanta, Georgia area; and Woodforest, a 3,200-acre project located north of the City of Houston, Texas.

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

### **Development Financing**

The Developer has financed the purchase and development of land within the District through a loan agreement dated July 18, 2016, with U.S. Bank National Association. As of Sept 1, 2025, approximately \$18,620,355.01 of the loan's maximum principal amount of \$35,000,000 remained outstanding. According to the Developer, it is in compliance with all material terms of such loan.

### **Lot-Sales Contracts**

The lots in Trinity Falls Planning Unit 3 ("PU3") and Planning Unit 7 ("PU7") and located within the District are being sold through lot sales contracts with Chesmar Homes, Del Webb, Dream Finder Homes (MHI), Drees Custom Homes, Highland Homes and Perry Homes. These homebuilders have contracted to purchase 493 lots within PU3 and 314 lots in PU7. The homebuilders are currently in compliance with their respective lot contracts.

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## DEVELOPMENT WITHIN THE DISTRICT

### Current Status of Development

Land within the District has been developed as the single-family subdivisions of Trinity Falls Planning Unit 3, Phases 3B, 3C, 3D, 5A, 5B East, 5B West, and 5C, Trinity Falls Planning Unit 4, Phase 1, Trinity Falls Planning Unit 6, Phase 1, Trinity Falls Planning Unit 7 Phases 1, 2, 3, 4, 5, 6, 7, and 8, and Trinity Falls Planning Unit 8, Phases 1 and 2 (aggregating approximately 417 acres and approximately 1,533 single-family lots).

As of September 1, the District consisted of approximately 1,212 completed homes, 107 homes under construction, and 214 vacant developed lots. In addition to the single-family development, approximately six (6) acres within the District have been developed to include the McKinney Fire Station No. 10 and the Children's Lighthouse (daycare), approximately 141 acres have been developed as parks, recreational and open spaces, and approximately seven (7) acres developed for commercial use. Additionally, approximately 149.70 acres are currently under development as PU 8 Phases 3, 4, and 5, PU 6 Phases 2 and 4, and PU 4 Phase 2. Of the remaining undeveloped acreage within the District, approximately 20 acres will be developed for future commercial use, approximately 94 acres remain undeveloped but developable, and approximately 120 acres are undevelopable.

The following sets out the status of development of each phase of each single-family subdivision within the District as of September 1, 2025:

	Developed Acreage (a)	Total Lots	Homes Completed	Homes Under Construction	Vacant Developed Lots
<b>Trinity Falls</b>					
<b>Planning Unit 3</b>					
Phase 3B	0.98	4	4	-	-
Phase 3C	0.43	1	1	-	-
Phase 3D	8.33	19	19	-	-
Phase 5A	21.65	103	88	-	15
Phase 5B	38.78	192	192	-	-
Phase 5C	37.20	174	174	-	-
<b>Planning Unit 4</b>					
Phase 1	67.54	191	-	45	146
<b>Planning Unit 6</b>					
Phase 1	37.79	119	22	56	41
<b>Planning Unit 7</b>					
Phase 1	24.19	72	71	-	1
Phase 2	16.42	74	72	-	2
Phase 3	24.60	86	86	-	-
Phase 4	4.45	39	39	-	-
Phase 5	2.61	38	38	-	-
Phase 6	1.62	5	5	-	-
Phase 7	23.80	73	71	1	1
Phase 8	53.29	100	97	3	-
<b>Planning Unit 8</b>					
Phase 1	28.34	126	126	-	-
Phase 2	25.31	117	107	2	8
<b>Approximate Total</b>	<b>417.33</b>	<b>1,533</b>	<b>1,212</b>	<b>107</b>	<b>214</b>
McKinney Fire Station 10	3.02				
Childrens Lighthouse	1.80				
Commercial Development	8.07				
Parks, Recreational and Open space	141.81				
Single-Family Under Development	149.70 (b)				
Future Commercial Development	20.00				
Undeveloped, but Developable	94.25				
Undevelopable	119.02				
<b>Total</b>	<b>955.00</b>				

(a) Approximate acreage.

(b) Includes approximately 14.5 acres (52 lots) as PU 8 Phase 3, approximately 21.5 acres (137 lots) as PU 8 Phase 4, approximately 5.80 acres (24 lots) as PU 8 Phase 5, approximately 22.2 acres (67 lots) as PU 6 Phase, approximately 35.5 acres (198 lots) as PU 6 Phase 4, and approximately 50.20 acres (176 lots) as PU 4 Phase 2.

**Homebuilders**

Homes in the District are being marketed as a Del Webb community (PU3) and Trinity Falls (PU7). Del Webb is the nation's leading builder of active adult communities for those 55 and older. Del Webb is a national brand of PulteGroup, Inc. (NYSE: PHM). Pulte Homes of Texas, L.P. (a subsidiary of PulteGroup, Inc.), Cadence Homes, Chesmar Homes, Dream Finder Homes, Drees Custom Homes, Highland Homes, and Perry Homes are the active homebuilders in the District.

Homes are being marketed from approximately \$350,000 to over \$1,000,000 and range in size from approximately 1,350 square feet to over 4,400 square feet.

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PHOTOGRAPHS WITHIN THE DISTRICT  
(July 2025)



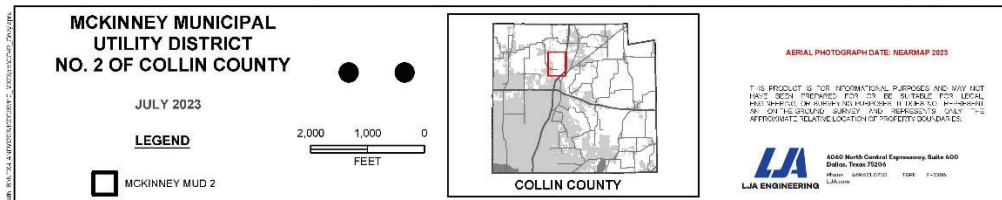
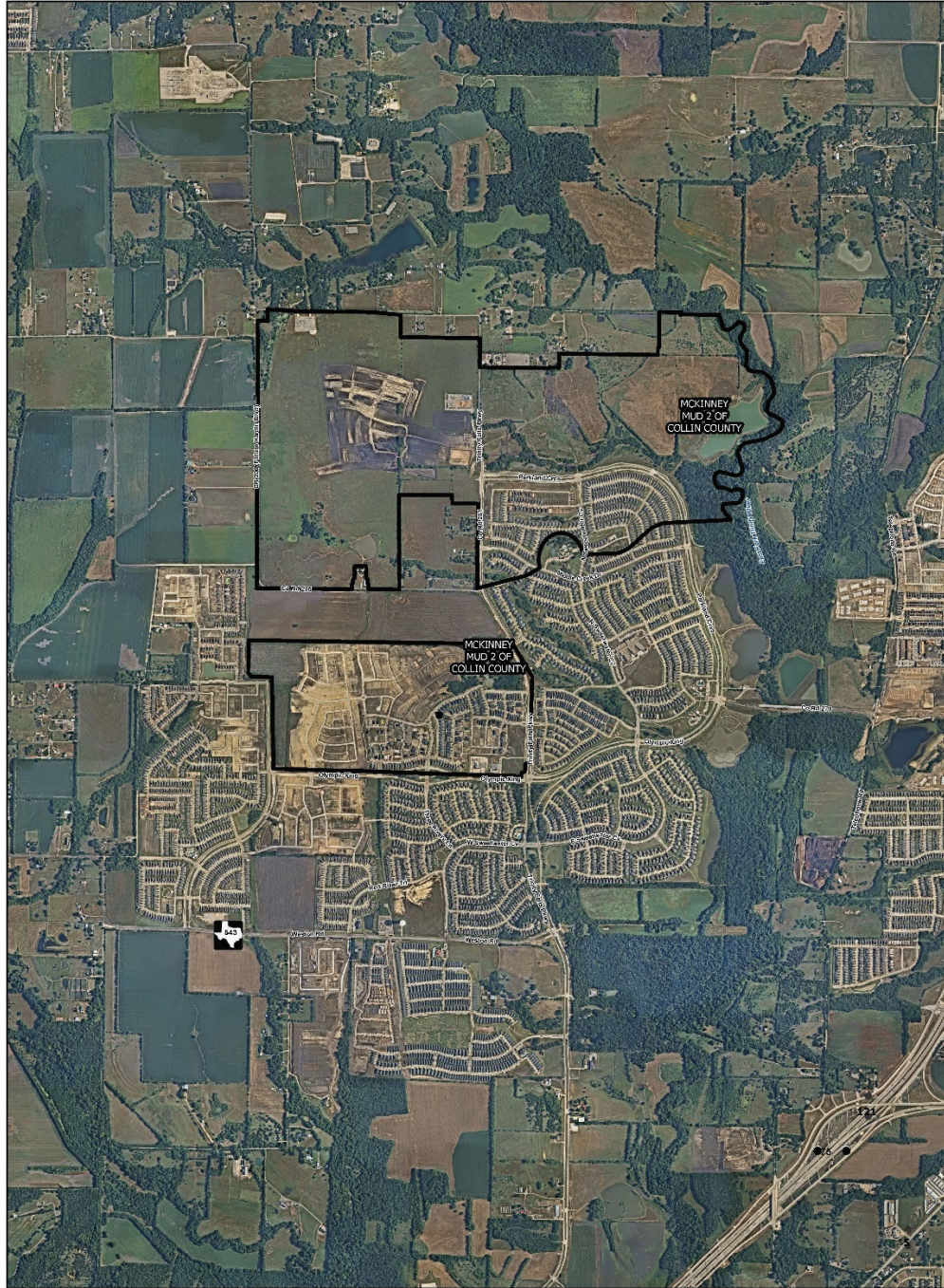


PHOTOGRAPHS WITHIN THE DISTRICT  
(July 2025)





# AERIAL PHOTOGRAPH OF THE DISTRICT





## **TAX DATA**

### **General**

Taxable property within the District is subject to the assessment, levy, and collection by the District of two (2) continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed taxable valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy, and collect ad valorem taxes, in an amount not to exceed \$1.200 per \$100 of assessed taxable valuation for maintenance and operations purposes. For the 2024 tax year, the Board levied a maintenance and operations tax rate of \$0.140 per \$100 of assessed taxable valuation, a System debt service tax rate of \$0.650 per \$100 of assessed taxable valuation, and a Road System tax rate of \$0.260. The District has authorized publication of its intent to levy a total tax rate of \$1.05 per \$100 of assessed valuation for the 2025 tax year.

### **Tax Rate Limitation**

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

### **Debt Service Tax**

The Board covenants in the Bond Order to levy and assess, for each year that all of any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal and interest on the Bonds. For the 2024 tax year, the Board levied: a System debt service tax of \$0.650 per \$100 of assessed taxable value, a Road System debt service tax of \$0.260 per \$100 of assessed taxable value, and a Maintenance and Operations tax of \$0.140. Funds in the debt service fund cannot be used to pay debt service on any bonds issued for the purpose of acquiring or constructing the Road System. Funds in the future Road System debt service fund cannot be used to pay debt service on the System Bonds, or any other bonds issued for the purpose of acquiring or constructing the System.

### **Maintenance and Operations Tax**

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operations of the District's improvements, if such maintenance and operations tax is authorized by vote of the District's electors. At an election held within the District on November 6, 2018, the Board was authorized to levy such a maintenance and operations tax in an amount not to exceed \$1.20 per of \$100 assessed taxable valuation. The District levied its first maintenance and operations tax in 2019. For the 2024 tax year, the Board levied a maintenance and operations tax rate of \$0.140 per of \$100 assessed taxable valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on: (i) the Outstanding Bonds, (ii) the Bonds, and (iii) any bonds issued in the future.

### **Tax Exemption**

As discussed in "TAXING PROCEDURES," certain property in the District may be exempt from taxation by the District. For the 2025 tax year, the District adopted a \$5,000 residential homestead exemption for individuals who are disabled or 65 years or older.

### **Additional Penalties**

The District contracts with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish an additional penalty of 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 August 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 Tax Code.

## Historical Tax Collections

The following table illustrates the collection history of the District for the 2020–2025 tax years:

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Collections Current Year	Current Year Ended 9/30	Collections 7/31/2025
2020	\$ 59,779,151	\$ 1.050000	\$ 627,681	100.00%	2021	100.00%
2021	87,002,176	1.050000	913,523	100.00%	2022	100.00%
2022	142,209,374	1.050000	1,493,198	100.00%	2023	100.00%
2023	263,096,095	1.050000	2,762,509	100.00%	2024	100.00%
2024	426,114,347	1.050000	4,474,201	95.94%	2025	95.94%
2025	615,630,148	1.050000	6,464,117	–	2026	–

(a) Total tax rate per \$100 of assessed taxable valuation for each respective tax year.

## Tax Rate Distribution

The following table illustrates the components of the tax levy of the District for the 2020–2025 tax years:

	2025 (b)	2024	2023	2022	2021	2020
System Debt Service (a)	\$ 0.6700	\$ 0.6500	\$ 0.5300	\$ 0.4900	\$ 0.0700	\$ 0.0000
Road System Debt Service (a)	0.2150	0.2600	0.3450	0.0950	0.0000	0.0000
Maintenance & Operations	<u>0.1650</u>	<u>0.1400</u>	<u>0.1750</u>	<u>0.4650</u>	<u>0.9800</u>	<u>1.0500</u>
Total	\$ 1.0500	\$ 1.0500	\$ 1.0500	\$ 1.0500	\$ 1.0500	\$ 1.0500

(a) The District is authorized to levy separate taxes for payment of debt service on bonds issued by the District for the System and for payment of debt service on bonds issued by the District for the Road System; both such taxes are unlimited as to rate or amount. See “THE BONDS – Authority for Issuance.”

(b) The District has authorized publication of its intent to levy a total tax rate of \$1.05 per \$100 of assessed valuation for the 2025 tax year.

## Analysis of Tax Base

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

Type of Property	2025 Assessed Taxable Valuation (a)	2024 Assessed Taxable Valuation	2023 Assessed Taxable Valuation	2022 Assessed Taxable Valuation	2021 Assessed Taxable Valuation
Land	\$ 203,339,829	\$ 174,230,492	\$ 128,455,633	\$ 77,532,097	\$ 62,767,679
Improvements	441,065,828	271,601,717	143,758,831	70,916,448	27,885,157
Personal Property	3,396,890	2,448,275	939,608	562,521	532,511
Exemptions	<u>(32,172,399)</u>	<u>(22,166,137)</u>	<u>(10,057,977)</u>	<u>(6,801,692)</u>	<u>(4,183,171)</u>
Total	\$ 615,630,148	\$ 426,114,347	\$ 263,096,095	\$ 142,209,374	\$ 87,002,176

(a) Includes \$59,350,530 of assessed valuation assigned to properties that remain under review by the Appraisal Review Board (herein defined). Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board, upon which the District will levy its tax.

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## Principal Taxpayers

The following table illustrates the principal taxpayers and their respective types of property and assessed taxable values within the District as of the Appraisal District's original certification of its appraisal rolls for the 2025 tax year. Totals may not sum due to rounding.

Taxpayer	Type of Property	2025 Assessed Taxable Value	Percent of Tax Roll
Vistas at Trinity Falls I Property LLC (a)	Land & Improvement	\$ 38,801,541	6.30%
Trinity Falls Holdings LP (a)	Land & Improvement	29,136,104	4.73%
Plute Homes of Texas LP (b)	Land & Improvement	5,724,892	0.91%
M Rea Properties-6 LLC	Land & Improvement	4,445,126	0.72%
DFH Coventry LLC	Land & Improvement	3,338,602	0.54%
Cadence Homes - Trinity Falls LLC (b)	Land & Improvement	3,136,033	0.51%
Highland Homes - Dallas LLC (b)	Land & Improvement	2,884,023	0.47%
Perry Homes, LLC (b)	Land	1,750,000	0.28%
Commons at Trinity Falls LLC (b)	Land	1,392,875	0.22%
Drees Custom Homes LP (b)	Land	1,227,600	0.20%
		<u>\$ 91,836,796</u>	<u>14.92%</u>

(a) See "DEVELOPER AND PRINCIPAL LANDOWNER."

(b) See "DEVELOPMENT WITHIN THE DISTRICT - Homebuilders"

## Tax Rate Calculations

**System Debt Service:** The tax rate calculations set forth immediately below are presented to indicate the tax rates per \$100 of assessed taxable valuation that would be required to meet certain debt service requirements on the Outstanding System Bonds and the System Bonds if no growth in the District occurs beyond the 2025 Assessed taxable valuation (\$615,630,148) or the estimated assessed taxable valuation as of July 1, 2025 (\$653,665,084). The following further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Combined Average Annual Debt Service Requirement (2026-2050) .....	\$ 4,021,457
System Tax Rate of \$0.69 on the 2025 Assessed Taxable Valuation Produces .....	\$ 4,035,456
System Tax Rate of \$0.65 on the Estimated Assessed Taxable Valuation as of July 1, 2025, Produces .....	\$ 4,036,382
Combined Maximum Annual Debt Service Requirement (2046) .....	\$ 4,347,806
System Tax Rate of \$0.75 on the 2025 Assessed Taxable Valuation Produces .....	\$ 4,386,365
System Tax Rate of \$0.71 on the Estimated Assessed Taxable Valuation as of July 1, 2025, Produces .....	\$ 4,408,971

**Road System Debt Service:** The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed taxable valuation that would be required to meet certain debt service requirements on the Outstanding Road Bonds and the Road Bonds if no growth in the District occurs beyond the 2025 Assessed taxable valuation (\$615,630,148) or the estimated assessed taxable valuation as of July 1, 2025 (\$653,665,084). The following further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Combined Average Annual Debt Service Requirement (2026-2050) .....	\$ 1,252,550
Road System Tax Rate of \$0.22 on the 2025 Assessed Taxable Valuation Produces .....	\$ 1,286,667
Road System Tax Rate of \$0.21 on the Estimated Assessed Taxable Valuation as of July 1, 2025, Produces .....	\$ 1,304,062
Combined Maximum Annual Debt Service Requirement (2027) .....	\$ 1,361,819
Road System Tax Rate of \$0.24 on the 2025 Assessed Taxable Valuation Produces .....	\$ 1,403,637
Road System Tax Rate of \$0.22 on the Estimated Assessed Taxable Valuation as of July 1, 2025, Produces .....	\$ 1,366,160

**Combined Debt Service:** The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed taxable valuation that would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District occurs beyond the 2025 Assessed taxable valuation (\$615,630,148) or the estimated assessed taxable valuation as of July 1, 2025 (\$653,665,084). The following further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Estimated Average Annual Debt Service Requirement (2026–2050) .....	\$ 5,274,007
Combined Tax Rate of \$0.91 on the 2025 Assessed Taxable Valuation Produces .....	\$ 5,322,123
Combined Tax Rate of \$0.85 on the Estimated Assessed Taxable Valuation as of July 1, 2025, Produces.....	\$ 5,278,346
Estimated Maximum Annual Debt Service Requirement (2046).....	\$ 5,706,594
Combined Tax Rate of \$0.98 on the 2025 Assessed Taxable Valuation Produces .....	\$ 5,731,517
Combined Tax Rate of \$0.92 on the Estimated Assessed Taxable Valuation as of July 1, 2025, Produces.....	\$ 5,713,033

#### Estimated Overlapping Taxes

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

Set forth below is a compilation of all 2025 taxes levied by such jurisdictions per \$100 of assessed taxable valuation. The table below does not include any future debt service tax rate that may be levied as a result of the issuance of the Bonds (see “TAX DATA – Debt Service Tax”). Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

<b>Taxing Jurisdiction</b>	<b>2025 Tax Rate Per \$100 of Assessed Taxable Valuation</b>
The District (a)	\$ 1.050000
The County	0.149343
Collin County Community College District	0.081220
McKinney Independent School District	<u>1.104300</u>
Total	\$ 2.384863

- (a) The District has authorized publication of its intent to levy a total tax rate of \$1.05 per \$100 of assessed valuation for the 2025 tax year.

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## THE SYSTEM

### General

The water, wastewater, and drainage facilities, the purchase, acquisition, and construction of which have been financed by the District with the proceeds of the Bonds, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities, including among others, the TCEQ. According to the Engineer, the design of all such facilities has been approved by all governmental agencies, which have jurisdiction over the District.

### Description of the System

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

Currently all of the District's water is provided by the City. The water line that serves the District is capable of serving 3,000 equivalent single-family connections ("ESFCs").

#### *- Wastewater Treatment and Conveyance System -*

The District receives wastewater treatment capacity from the City. The sewer line that serves the District is capable of serving 4,176 ESFCs.

#### *- Storm-Water Drainage Facilities -*

Storm water in the District is generally carried from west to east from the District to several unnamed tributaries that flow directly to the East Fork of the Trinity River. The District is adjacent to the East Fork of the Trinity River and several outfalls from the District will be constructed that connect directly to it. In other areas, the existing tributaries will be used to convey flow from the District to the East Fork of the Trinity River. All drainage elements were designed according to the requirements of the City and were approved by the City prior to construction.

The District is being constructed with an underground storm water sewer system that utilizes curb inlets, area inlets, reinforced concrete pipe, concrete box culverts and existing unnamed tributaries to collect and convey flow to the Trinity River. There are currently two detention ponds that collect flow from the District and release flow into unnamed tributaries that leave the boundaries of the District before their confluence with the Trinity River. These ponds were designed according to the requirements of the City and were approved by the City prior to construction.

#### *- Floodplain -*

"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 1% 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. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded.

Approximately 31 acres in the District lie in the 100-year floodplain. No development is planned within the 100-year floodplain.

### Description of the Roads

Construction of the road improvements within the boundaries of the District has been financed with funds advanced by the Developer, to be reimbursed with bond proceeds. The roads within the District vary in width in accordance with the standards of the City and are sized according to the Developer's Development Agreement with the City.

### Master District Contract

MUD 1 has agreed to assume the responsibility of becoming the coordinating municipal utility district for provision of certain regional services to the Trinity Falls community (the "Service Area"), which consists of three municipal utility districts, including MUD 1, McKinney Municipal Utility District No. 2A of Collin County (a benign, inactive district), and the District, in its capacity as a participating municipal utility district (collectively, the "Participant Districts"). MUD 1, when acting in the capacity as the coordinating district, is considered the master district (the "Master District").

The District and the Master District have entered into the Amended and Restated Contract for Financing, Operation and Maintenance of Regional Water, Sanitary Sewer, Storm Sewer Facilities, Roads, and Fire Protection Facilities, as amended by those certain Amendments to Amended and Restated Contract for Financing, Operation and Maintenance of Regional Water, Sanitary Sewer, Storm Sewer Facilities, Roads, and Fire Protection Facilities, each dated effective September 5, 2018,



as amended (collectively, the “Master District Contract”). Under the Master District Contract, the Master District is obligated to provide the Road System, System, and fire protection facilities required by the Master District Contract, necessary to serve the Participant Districts. To provide funds necessary to acquire the needed facilities, the Participant Districts are required under the contract to pay connection charges to the Master District in amounts sufficient to enable the Master District to provide such services. The connection charge, which is subject to recalculation periodically, is determined by dividing the current estimated costs of all the aforementioned regional facilities to be constructed minus the payments which have previously been received for connections purchased, by the anticipated number of connections remaining to be purchased, within the Service Area. MUD 1, with the approval of the Master District, may construct facilities for the Master District which after completion are conveyed to the Master District as a credit against connection charges.

The total current master district connection fee of \$23,324 consists of a \$11,502 Master District System connection fee for utilities and fire protection and a \$11,822 Master District Road System connection. The funds held by the MUD 1 in its capacity as the Master District are legally separate distinct from the funds of the District in its capacity as a Participant District. Funds held by MUD 1 in its capacity as the Master District will never be available to make debt service payments on the Bonds.

### General Fund Operating Statement

The following statement sets forth in condensed form the historical results of operation of the System. Such summary has been prepared by the Financial Advisor for inclusion herein based upon information obtained from the District’s audited financial statements. Reference is made to such statements for further and more complete information. See “APPENDIX A.”

	Fiscal Year Ended March 31				
	2025	2024	2023	2022	2021
<b>REVENUES</b>					
Property Taxes	\$ 465,117	\$ 464,678	\$ 685,616	\$ 925,935	\$ 641,072
Penalties and Interest	-	-	-	-	39
Builder Contribution	340,000	1,047,500	744,500	202,940	290,080
Garbage Service	-	30,737	15,969	-	-
Franchise Fees	74,939	35,098	20,296	5,541	2,153
Miscellaneous	-	-	-	-	-
Park Fee Reimbursement	75,623				
Investment Earnings	78,549	77,178	10,227	21	-
<b>TOTAL REVENUES</b>	<b>\$ 1,034,228</b>	<b>\$ 1,655,191</b>	<b>\$ 1,476,608</b>	<b>\$ 1,147,195</b>	<b>\$ 933,344</b>
<b>EXPENDITURES</b>					
Operating and Administrative					
Professional Fees	\$ 195,492	\$ 173,057	\$ 153,211	\$ 93,321	\$ 67,075
Contracted Services	33,365	33,566	18,137	7,228	16,532
Repairs and Maintenance	534	965	740	1,000	-
Utilities	9,463	8,091	3,129	1,985	1,797
Administrative	37,131	46,796	39,968	39,980	16,274
Other	-	15,054	1,886	211	-
Intergovernmental					
Master District Fees	522,248	396,234	337,743	337,834	382,791
City Park Fee	81,120	47,229	20,839	9,710	4,094
Fire Service Contribution	745,729	628,526	1,666,676	-	-
Capital Outlay	-	-	-	-	-
Debt Service					
Bond Issuance Costs	10,840	-	-	-	-
Interest	-	-	-	-	15,000
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,635,991</b>	<b>\$ 1,349,518</b>	<b>\$ 2,242,329</b>	<b>\$ 491,269</b>	<b>\$ 503,563</b>
<b>NET REVENUE (DEFICIT)</b>	<b>\$ (601,694)</b>	<b>\$ 305,673</b>	<b>\$ (765,721)</b>	<b>\$ 655,926</b>	<b>\$ 429,781</b>

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## DISTRICT DEBT

2025 Assessed Taxable Valuation.....	\$ 615,630,148	(a)
See "TAX DATA" and "TAXING PROCEDURES."		
Estimated Assessed Taxable Valuation as of July 1, 2025.....	\$ 653,665,084	(b)
See "TAX DATA" and "TAXING PROCEDURES."		
Direct Debt:		
The Outstanding Bonds (at the Delivery of the Bonds).....	\$ 55,020,000	
The System Bonds.....	21,920,000	
The Road Bonds.....	<u>4,765,000</u>	
Total.....	\$ 81,705,000	
Estimated Overlapping Debt.....	<u>\$ 13,595,429</u>	(c)
Total Direct and Estimated Overlapping Debt.....	\$ 95,300,429	(c)
Direct Debt Ratios:		
As a Percentage of the 2025 Assessed Taxable Valuation.....	13.27	%
As a Percentage of the Estimated Assessed Taxable Valuation as of July 1, 2025.....	12.50	%
Direct and Estimated Overlapping Debt Ratios:		
As a Percentage of the 2025 Assessed Taxable Valuation.....	15.48	%
As a Percentage of the Estimated Assessed Taxable Valuation as of July 1, 2025.....	14.58	%
General Operating Fund Balance (as of September 11, 2025).....	\$ 1,139,155	
System Debt Service Fund Balance (as of September 11, 2025).....	\$ 1,139,129	(d)
System Capital Projects Fund Balance (as of September 11, 2025).....	\$ 453,003	
Road System Debt Service Fund Balance (as of September 11, 2025).....	\$ 346,154	(e)
Road System Capital Project Fund Balance (as of September 11, 2025).....	\$ 165	
2024 District Tax Rate per \$100 of Assessed Taxable Valuation:		
System Debt Service.....	\$ 0.650	
Road System Debt Service.....	\$ 0.260	
Maintenance & Operations.....	<u>\$ 0.140</u>	
Total.....	\$ 1.050	(f)
Single-Family Homes (Including 107 Under Construction) as of September 1, 2025.....	1,319	(g)

- (a) Represents the assessed valuation of all taxable property within the District as of January 1, 2025, provided by the Appraisal District. Such amount includes \$59,350,530 of assessed valuation assigned to properties that remain under review by the Appraisal Review Board. Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board, upon which the District will levy its tax.
- (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the assessed valuation of all taxable property within the District as of July 1, 2025, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2025, through July 1, 2025. No taxes will be levied against this amount.
- (c) See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."
- (d) At the delivery of the System Bonds, six (6) months of capitalized interest will be deposited into the System Debt Service Fund. Neither Texas law nor the System Bond Order requires that the District maintain any particular sum in the System Debt Service Fund. Funds in the System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Road System, including the Outstanding Road Bonds and the Road Bonds.
- (e) At the delivery of the Road Bonds, six (6) months of capitalized interest will be deposited into the Road System Debt Service Fund. Neither Texas law nor the Road Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued by the District for the System, including the Outstanding System Bonds and the System Bonds.
- (f) The District has authorized publication of its intent to levy a total tax rate of \$1.05 per \$100 of assessed valuation for the 2025 tax year.
- (g) See "DEVELOPMENT WITHIN THE DISTRICT – Current Status of Development."

**DISTRICT DEBT  
(CONTINUED)**

**System Debt Service Calculations**

Combined Average Annual Debt Service Requirement on the Outstanding System Bonds and the System Bonds (2026–2050).....	\$ 4,021,457
Combined Maximum Annual Debt Service Requirement on the Outstanding System Bonds and the System Bonds (2046).....	\$ 4,347,806
System Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay the Estimated Combined Average Annual Debt Service Requirement on the Outstanding System Bonds and the System Bonds (2026–2050) at 95% Collections:	
Based on the 2025 Assessed Taxable Valuation (\$615,630,148) .....	\$ 0.69
Based on the Estimated Assessed Taxable Valuation as of July 1, 2025 (\$653,665,084) .....	\$ 0.65
System Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay the Estimated Combined Maximum Annual Debt Service Requirement on the Outstanding System Bonds and the System Bonds (2046) at 95% Collections:	
Based on the 2025 Assessed Taxable Valuation (\$615,630,148) .....	\$ 0.75
Based on the Estimated Assessed Taxable Valuation as of July 1, 2025 (\$653,665,084) .....	\$ 0.71

**Road System Debt Service Calculations**

Combined Average Annual Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2026–2050).....	\$ 1,252,550
Combined Maximum Annual Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2027) .....	\$ 1,361,819
Road System Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay the Estimated Combined Average Annual Debt Service Requirement on the Road Bonds and the Outstanding Road Bonds (2026–2050) at 95% Collections:	
Based on the 2025 Assessed Taxable Valuation (\$615,630,148) .....	\$ 0.22
Based on the Estimated Assessed Taxable Valuation as of July 1, 2025 (\$653,665,084) .....	\$ 0.21
Road System Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay the Estimated Combined Maximum Annual Debt Service Requirement on the Road Bonds And the Outstanding Road Bonds (2027) at 95% Collections:	
Based on the 2025 Assessed Taxable Valuation (\$615,630,148) .....	\$ 0.24
Based on the Estimated Assessed Taxable Valuation as of July 1, 2025 (\$653,665,084) .....	\$ 0.22

**Combined Debt Service Calculations**

Combined Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2026–2050).....	\$ 5,274,007
Combined Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2046).....	\$ 5,706,594
Combined Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay the Estimated Combined Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2026–2050) at 95% Collections:	
Based on the 2025 Assessed Taxable Valuation (\$615,630,148) .....	\$ 0.91
Based on the Estimated Assessed Taxable Valuation as of July 1, 2025 (\$653,665,084) .....	\$ 0.85
Combined Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay the Estimated Combined Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2046) at 95% Collections:	
Based on the 2025 Assessed Taxable Valuation (\$615,630,148) .....	\$ 0.98
Based on the Estimated Assessed Taxable Valuation as of July 1, 2025 (\$653,665,084) .....	\$ 0.92

## Pro-Forma Debt Service Requirements

### - System Debt Service -

The following sets forth the debt service requirements on the Outstanding System Bonds and the principal and interest requirements on the System Bonds. Totals may not sum due to rounding.

Calendar Year	Outstanding System Debt Service (a)	The System Bonds			Total Debt Service
		Principal	Interest	Debt Service	
2026	\$ 2,803,819	\$ 370,000	\$ 796,146	\$ 1,166,146	\$ 3,969,964
2027	2,794,019	485,000	992,306	1,477,306	4,271,325
2028	2,771,394	510,000	960,781	1,470,781	4,242,175
2029	2,761,469	535,000	927,631	1,462,631	4,224,100
2030	2,751,294	560,000	892,856	1,452,856	4,204,150
2031	2,740,294	590,000	856,456	1,446,456	4,186,750
2032	2,742,844	615,000	818,106	1,433,106	4,175,950
2033	2,741,044	650,000	778,131	1,428,131	4,169,175
2034	2,752,344	680,000	735,881	1,415,881	4,168,225
2035	2,765,713	715,000	708,681	1,423,681	4,189,394
2036	2,775,306	750,000	680,081	1,430,081	4,205,388
2037	2,781,431	790,000	649,144	1,439,144	4,220,575
2038	2,788,588	830,000	616,556	1,446,556	4,235,144
2039	2,796,931	870,000	582,319	1,452,319	4,249,250
2040	2,801,963	915,000	545,344	1,460,344	4,262,306
2041	2,817,888	960,000	504,169	1,464,169	4,282,056
2042	2,824,925	1,005,000	460,969	1,465,969	4,290,894
2043	2,826,719	1,055,000	415,744	1,470,744	4,297,463
2044	2,834,669	1,110,000	366,950	1,476,950	4,311,619
2045	2,848,350	1,165,000	317,000	1,482,000	4,330,350
2046	2,852,406	1,225,000	270,400	1,495,400	4,347,806
2047	2,611,956	1,285,000	221,400	1,506,400	4,118,356
2048	1,827,619	1,350,000	170,000	1,520,000	3,347,619
2049	1,160,994	1,415,000	116,000	1,531,000	2,691,994
2050	-	1,485,000	59,400	1,544,400	1,544,400
Total	<u>\$ 64,173,975</u>	<u>\$ 21,920,000</u>	<u>\$ 14,442,452</u>	<u>\$ 36,362,452</u>	<u>\$ 100,536,427</u>

(a) Outstanding System debt as of delivery of the System Bonds.

Combined Average Annual Requirement on the Outstanding System Bonds and the System Bonds (2026–2050).....	\$ 4,021,457
Combined Maximum Annual Requirement on the Outstanding System Bonds and the System Bonds (2046).....	\$ 4,347,806

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- Road Debt Service -

The following sets forth the debt service requirements on the Outstanding Road Bonds and the principal and interest requirements on the Road Bonds. Totals may not sum due to rounding.

Calendar Year	Outstanding Road Debt Service (a)	The Road Bonds			Total Debt Service
		Principal	Interest	Debt Service	
2026	\$1,053,756	\$ 80,000	\$ 169,974	\$ 249,974	\$ 1,303,730
2027	1,045,031	105,000	211,788	316,788	1,361,819
2028	1,040,356	110,000	204,963	314,963	1,355,319
2029	1,035,156	115,000	197,813	312,813	1,347,969
2030	1,023,731	120,000	190,338	310,338	1,334,069
2031	1,022,131	125,000	182,538	307,538	1,329,669
2032	1,014,031	135,000	174,413	309,413	1,323,444
2033	1,004,756	140,000	169,013	309,013	1,313,769
2034	1,009,556	145,000	163,413	308,413	1,317,969
2035	1,013,356	155,000	157,613	312,613	1,325,969
2036	1,014,506	165,000	151,413	316,413	1,330,919
2037	1,014,581	170,000	144,813	314,813	1,329,394
2038	1,018,581	180,000	138,013	318,013	1,336,594
2039	1,016,294	190,000	130,813	320,813	1,337,106
2040	1,021,594	200,000	123,213	323,213	1,344,806
2041	1,020,319	210,000	115,213	325,213	1,345,531
2042	1,017,694	220,000	106,550	326,550	1,344,244
2043	1,023,719	230,000	97,475	327,475	1,351,194
2044	1,023,356	240,000	87,700	327,700	1,351,056
2045	1,026,444	255,000	77,200	332,200	1,358,644
2046	1,027,744	265,000	66,044	331,044	1,358,788
2047	1,027,256	280,000	54,450	334,450	1,361,706
2048	835,000	295,000	41,850	336,850	1,171,850
2049	-	310,000	28,575	338,575	338,575
2050	-	325,000	14,625	339,625	339,625
Total	\$ 23,348,950	\$ 4,765,000	\$ 3,199,805	\$ 7,964,805	\$ 31,313,755

(a) Outstanding Road debt as of delivery of the Road Bonds.

Combined Average Annual Requirement on the Road Bonds and the Outstanding Road Bonds (2026-2050) .....	\$ 1,252,550
Combined Maximum Annual Requirement on the Road Bonds and the Outstanding Road Bonds (2027) .....	\$ 1,361,819

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*- Combined Debt Service -*

The following sets forth the debt service requirements on the Outstanding Bonds and the principal and interest requirements on the Bonds. Totals may not sum due to rounding.

Calendar Year	Outstanding Debt Service	The Bonds			Total Debt Service
		Principal	Interest	Debt Service	
2026	\$ 3,857,575	\$ 450,000	\$ 966,119	\$ 1,416,119	\$ 5,273,694
2027	3,839,050	590,000	1,204,094	1,794,094	5,633,144
2028	3,811,750	620,000	1,165,744	1,785,744	5,597,494
2029	3,796,625	650,000	1,125,444	1,775,444	5,572,069
2030	3,775,025	680,000	1,083,194	1,763,194	5,538,219
2031	3,762,425	715,000	1,038,994	1,753,994	5,516,419
2032	3,756,875	750,000	992,519	1,742,519	5,499,394
2033	3,745,800	790,000	947,144	1,737,144	5,482,944
2034	3,761,900	825,000	899,294	1,724,294	5,486,194
2035	3,779,069	870,000	866,294	1,736,294	5,515,363
2036	3,789,813	915,000	831,494	1,746,494	5,536,306
2037	3,796,013	960,000	793,956	1,753,956	5,549,969
2038	3,807,169	1,010,000	754,569	1,764,569	5,571,738
2039	3,813,225	1,060,000	713,131	1,773,131	5,586,356
2040	3,823,556	1,115,000	668,556	1,783,556	5,607,113
2041	3,838,206	1,170,000	619,381	1,789,381	5,627,588
2042	3,842,619	1,225,000	567,519	1,792,519	5,635,138
2043	3,850,438	1,285,000	513,219	1,798,219	5,648,656
2044	3,858,025	1,350,000	454,650	1,804,650	5,662,675
2045	3,874,794	1,420,000	394,200	1,814,200	5,688,994
2046	3,880,150	1,490,000	336,444	1,826,444	5,706,594
2047	3,639,213	1,565,000	275,850	1,840,850	5,480,063
2048	2,662,619	1,645,000	211,850	1,856,850	4,519,469
2049	1,160,994	1,725,000	144,575	1,869,575	3,030,569
2050	3,857,575	1,810,000	74,025	1,884,025	1,884,025
Total	\$ 87,522,925	\$ 26,685,000	\$ 17,642,257	\$ 44,327,257	\$ 131,850,182

(a) Outstanding debt as of delivery of the Bonds.

Combined Average Annual Requirement on the Outstanding Bonds and the Bonds (2026–2050).....	\$ 5,274,007
Combined Maximum Annual Requirement on the Outstanding Bonds and the Bonds (2046).....	\$ 5,706,594

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### Estimated Direct and Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt as of 8/31/2025	Overlapping	
		Percent	Amount
The County	\$ 982,755,000	0.25 %	\$ 2,409,369
Collin County Community College District	438,250,000	0.27 %	1,193,146
McKinney Independent School District	431,975,000	2.31 %	9,992,914
Total Estimated Overlapping Debt .....			\$ 13,595,429
The District .....			<u>\$ 81,705,000</u> (a)
Total Direct & Estimated Overlapping Debt .....			\$ 95,300,429 (a)

(a) Includes the Bonds.

### Debt Ratios

	Percentage of the 2025 Assessed Taxable Valuation	Percentage of the Estimated Assessed Taxable Valuation as of July 1, 2025
Direct Debt (a)	13.27%	12.50%
Direct and Estimated Overlapping Debt (a)	15.48%	14.58%

(a) Includes the Bonds.

## TAXING PROCEDURES

### Authority to Levy Taxes

The Board is authorized to levy two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, against all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS – 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 Payment." Under Texas law, the Board is also authorized to levy and collect an annual ad valorem tax for the maintenance and operations of the District and its water and wastewater system and for the payment of certain contractual obligations if authorized by its voters. See "TAX DATA – Tax Rate Limitation."

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

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

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of 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 the responsibility for reviewing and equalizing the values established by the appraisal district. The Appraisal District has the responsibility for appraising property for all taxing units within the County, including the District. Such appraisal values are subject to review and change by the Collin County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll as approved by the Appraisal Review

Board must be used by the District in establishing its tax roll and tax rate. Under certain circumstances, taxpayers and taxing units may appeal orders of the Appraisal Review Board by timely filing a petition of review in Texas District Court, where the value of the property will be determined.

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

**General:** Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election, which the District would be required to call upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. 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 at no cost to the veteran. This exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. The surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption is transferrable to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

**Residential Homestead Exemptions:** The Property Tax Code authorizes the governing body of each political subdivision in Texas to exempt up to 20% of the appraised value of residential homesteads, but not less than \$5,000, if any exemption is granted, from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has never adopted a general homestead exemption.

**Freeport Goods and Goods-in-Transit Exemption:** A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit Exemption" may apply, for 2012 and subsequent tax years, to certain tangible personal property that is acquired in or imported into Texas for assembling, storing, manufacturing, or fabrication purposes which is destined to be forwarded to another location in Texas not later than 175 days after acquisition or importation, so long as the location where said goods are detained is not directly or indirectly owned by the owner of the goods. The District has taken no action to allow taxation or exemptions of goods-in-transit, but may choose to take actions to allow such exemptions in the future. A taxpayer may not claim both a Freeport Goods Exemption and a Goods-in-Transit Exemption on the same property.

## **Valuation of Property for Taxation**

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property. The plan must provide for appraisal of all real property in the Appraisal District as 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 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% damaged by a disaster and located within an area declared to be a disaster area by the Governor of Texas (the "Governor"). 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 orders of the Appraisal Review Board by filing a timely petition of review in Texas 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 an appraisal district to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda, which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals which are higher than renditions and appraisals of property not previously on an appraisal roll.

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

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

### *Special Taxing Units*

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

### *Developed Districts*

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

### *Developing Districts*

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

### *The District*

For the 2025 tax year, the District made the determination of its status as a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

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

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

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

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance and operations 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 6% of the amount of the tax for the first calendar month it is delinquent, plus 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 12% regardless of the number of months the tax has been delinquent and incurs an additional 20% penalty for collection costs. A delinquent tax on personal property incurs an additional 20% penalty, 60 days after the date the taxes become delinquent (April 1). For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of 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, may be rejected.



Property owners affected by a disaster may pay property taxes in four (4) equal installments following the disaster. In addition, certain classes of disabled veterans may receive a deferral or abatement of delinquent taxes without penalty during the time they own or occupy the property as their residential homestead.

#### **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 Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units (see "TAX DATA – Estimated Overlapping Taxes"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceeding which restrict the collection of taxpayer debts. See "INVESTMENT CONSIDERATIONS – General" and "Tax Collections and Foreclosure Remedies."

### **INVESTMENT CONSIDERATIONS**

#### **General**

The Bonds are obligations of the District and are not obligations of Texas; the County; the City; or any entity other than the District and will be secured by two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District (See "THE BONDS – Source of Payment"). The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by the 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 continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "INVESTMENT CONSIDERATIONS– Limitation to Registered Owners' Remedies."

#### **Factors Affecting Taxable Values and Tax Payments**

**Economic Factors:** The rate of development within the District is directly related to the vitality of the residential housing industry in the County. New residential housing construction can be significantly affected by factors such as general economic activity, interest rates, credit availability, energy costs, construction costs, the level of unemployment and consumer demand. Decreased levels of such construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District. See "DEVELOPMENT WITHIN THE DISTRICT."

**Location and Access:** The District is located entirely within the City's extraterritorial jurisdiction, about five (5) miles north of the City. The District is west of US 75 near the intersection of US 75 and FM 543. See "THE DISTRICT."

**Competition:** The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. Many of the other developments are generally accessible by the same commuter routes and served by the same employment centers, school districts and retail establishments causing the developments to compete with one (1) another for the same pool of buyers at similar price points and amenity levels.

The competitive position of the Developer in the sale of land, and the sale or leasing of residences is affected by most of the factors discussed in this section. Such a competitive position is directly related to 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 Developer will be implemented or, if implemented, will be successful.

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

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

**Impact on District Tax Rates:** Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2025 Assessed taxable valuation of property located within the District is \$615,630,148 and the estimated assessed taxable valuation of property located within the District as of July 1, 2025, is \$653,665,084. See "TAX DATA."

After issuance of the System Bonds, the Combined maximum annual debt service requirement on the Outstanding System Bonds and the System Bonds will be \$4,347,806 (2046) and the Combined average annual debt service requirement on the Outstanding System Bonds and the System Bonds will be \$4,021,457 (2026–2050).

Assuming no increase to, nor decrease from, the 2025 Assessed taxable valuation, a tax rate of \$0.75 per \$100 of assessed taxable valuation at a 95% tax collection rate would be necessary to pay the Combined maximum annual debt service requirement on the Outstanding System Bonds and the System Bonds, and a tax rate of \$0.71 per \$100 of assessed taxable valuation at a 95% tax collection rate would be necessary to pay the Combined average annual debt service requirement on the Outstanding System Bonds and the System Bonds.

Assuming no increase to, nor decrease from, the estimated assessed taxable valuation as of July 1, 2025, a tax rate of \$0.71 per \$100 of assessed taxable valuation at a 95% tax collection rate would be necessary to pay the Combined maximum annual debt service requirement on the Outstanding System Bonds and the System Bonds, and a tax rate of \$0.65 per \$100 of assessed taxable valuation at a 95% tax collection rate would be necessary to pay the Combined average annual debt service requirement on the Outstanding System Bonds and the System Bonds.

After issuance of the Road Bonds, the Combined maximum annual debt service requirement on the Outstanding Road Bonds and the Road Bonds will be \$1,361,819 (2027) and the Combined average annual debt service requirement on the Outstanding Road Bonds and the Road Bonds will be \$1,252,550 (2026–2050).

Assuming no increase to, nor decrease from, the 2025 Assessed taxable valuation, a tax rate of \$0.24 per \$100 of assessed taxable valuation at a 95% tax collection rate would be necessary to pay the Combined maximum annual debt service requirement on the Outstanding Road Bonds and the Road Bonds, and a tax rate of \$0.22 per \$100 of assessed taxable valuation at a 95% tax collection rate would be necessary to pay the Combined average annual debt service requirement on the Outstanding Road Bonds and the Road Bonds.

Assuming no increase to, nor decrease from, the estimated assessed taxable valuation as of July 1, 2025, a tax rate of \$0.22 per \$100 of assessed taxable valuation at a 95% tax collection rate would be necessary to pay the Combined maximum annual debt service requirement on the Outstanding Road Bonds and the Road Bonds, and a tax rate of \$0.21 per \$100 of assessed taxable valuation at a 95% tax collection rate would be necessary to pay the Combined average annual debt service requirement on the Outstanding Road Bonds and the Road Bonds.

### **Tax Collections and Foreclosure Remedies**

The District has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. See "TAXING PROCEDURES."

### **Limitation to Registered Owners' Remedies**

In the event of default in the payment of principal of or interest on the Bonds, the registered owners of the Bonds (the "Registered Owners") have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Orders do not specifically provide for remedies to protect and enforce the interest 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.

## **Bankruptcy Limitation to Registered Owners' Rights**

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. 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 U.S. Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. 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 (1) is generally 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 has negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under Texas law, a municipal utility district, such as the District, must obtain the approval of the TCEQ as a condition to seeking relief under the U.S. 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.

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

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the U.S. 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 a registered owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the registered owner's claim against a district.

A municipal utility district cannot be placed into bankruptcy involuntarily.

## **Changes in Tax Legislation**

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

## **2025 Legislative Session**

The 89th Regular Legislative Session convened on January 14, 2025, and concluded on June 2, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the 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 Legislature may enact laws that materially change current laws affecting ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which could adversely affect the marketability or market value of the Bonds. On June 23, 2025, the Governor called a special session which began on July 21, 2025, and ended on August 15, 2025. No legislation was passed during the first special session. The Governor immediately called a second special session which began on August 15, 2025 and concluded on September 4, 2025. No legislation affecting property taxes was passed during the second special session, and no third special session has been called at this time. The District can make no representations or predictions regarding any actions the Texas Legislature may take or the effect of any such actions.

## **Marketability**

The District has no agreement with any purchaser of the Bonds 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 more generally bought, sold, or traded in the secondary market.

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

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

### **Future Debt**

The System Bonds are the fifth series of unlimited tax bonds issued by the District for the purpose of acquiring the System. The Road Bonds are the third series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing the Road System. Voters in the District have authorized a total of \$183,100,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System; \$274,650,000 principal amount of unlimited tax refunding bonds for the System; \$140,160,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$210,240,000 principal amount of unlimited tax refunding bonds for the Road System; \$32,470,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing firefighting facilities to serve the District; and \$48,705,000 principal amount of unlimited tax refunding bonds for firefighting facilities to serve the District. After the issuance of the Bonds, the following amounts will remain authorized but unissued: \$119,165,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System; \$274,650,000 principal amount of unlimited tax refunding bonds for the System; \$120,290,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$210,240,000 principal amount of unlimited tax refunding bonds for the Road System; \$32,470,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing firefighting facilities to serve the District; and \$48,705,000 principal amount of unlimited tax refunding bonds for firefighting facilities to serve the District.

The Bonds, when issued, will constitute legal, valid, and binding obligations of the District, payable from the proceeds of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District. The District also has the right to issue certain other additional bonds, special projects bonds, and other obligations, as described in the Bond Order. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. Pursuant to the Consent Agreement, the District and MUD 1 shall not issue more than an aggregate of \$318,000,000 principal amount of bonds, plus a 3% annual increase on the amount of authorized but unissued bonds on each July 1 (excluding any refunding bonds), unless specifically approved by the City. Pursuant to the third amendment to the consent Agreement, an additional \$30,000,000 was added to the bond limit on July 1, 2023. After the issuance of the Bonds, the District and MUD 2 will have approximately \$208,798,493 remaining under such cap (inflation adjusted). See "CONSENT AGREEMENT WITH THE CITY."

Following issuance of the System Bonds, the District will owe the Developer approximately \$14,970,701 for the reimbursable expenditures that the Developer has advanced to date for the purpose of acquiring or constructing the System (including Master District items). Following issuance of the Road Bonds, the District will owe the Developer approximately \$66,188,847 for the reimbursable expenditures that the Developer has advanced to date for the purpose of acquiring or constructing the Road System (including Master District items). See "THE SYSTEM" and "DEVELOPMENT WITHIN THE DISTRICT."

### **Approval of the Bonds**

As required by law, engineering plans, specifications, and estimates of construction costs for the facilities and services to be purchased or constructed by the District with the proceeds of the System Bonds have been approved, subject to certain conditions, by the TCEQ. See "USE AND DISTRIBUTION OF SYSTEM BOND PROCEEDS." The issuance of the Road Bonds does not require TCEQ approval, and, therefore no engineering report or bond application has been submitted to the TCEQ and neither the Road Bonds, the project, nor the feasibility of the District will be reviewed, considered or approved by the TCEQ with respect to the Road Bonds. In addition, the Attorney General of Texas must approve the legality of the System Bonds and the Road Bonds prior to their delivery. Neither the TCEQ nor the Attorney General of Texas passes upon or guarantees the safety of the Bonds as an investment, nor have such authorities passed upon the adequacy or accuracy of the information contained in this Official Statement.

### **Consolidation**

Under Texas law, the District may be consolidated with other municipal utility districts, with the assets and liabilities of the consolidated districts belonging to the consolidated district. No representation is made that the District will ever consolidate with one (1) or more other districts, although no consolidation is presently contemplated by the District.

### **Tax Collection Limitations**

The District's ability to make debt service payments may be adversely affected by difficulties in collecting ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the



liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures; (b) a bankruptcy court's stay of tax collection proceedings against a taxpayer; (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property; or (d) the taxpayer's right to redeem the property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. See "TAXING PROCEDURES."

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

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

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

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

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

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than 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 utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

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

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

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

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

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

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

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

### **National Weather Service Atlas 14 Rainfall Study**

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States (“Atlas 14”). Floodplain boundaries within the District may be redrawn based on the



Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

### **Specific Flood Type Risks**

The District may be subject to the following flood risks:

#### *Ponding (or Pluvial) Flood*

Ponding, or pluvial, flooding occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can exceed the drainage capacity of a drainage system, which may result in water within the drainage system becoming trapped and diverted onto streets and nearby property until it is able to reach a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, levee, or reservoir.

#### *Riverine (or Fluvial) Flood*

Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou, or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet-flow over land. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash flooding can also occur even if no rain has fallen, for instance, after a levee, dam, or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee, or reservoir also may result in flooding in areas adjacent to rivers, bayous, or drainage systems downstream.

### **Bond Insurance Risk Factors**

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

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

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

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

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

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

## **LEGAL MATTERS**

### **Legal Opinions**

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 Texas payable from the proceeds of two (2) separate continuing direct annual ad valorem taxes, without legal limitation as to rate or amount, levied against 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, as defined in Section 61 of the Internal Revenue Code of 1986, as amended (the "Code") of the holders for federal tax purposes under existing law, statutes, regulations, published rulings, and court decisions and interest on the Bonds is not subject to the federal alternative minimum tax.

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

The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold, and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

### **No-Litigation Certificate**

The District will furnish to the initial purchaser of the System Bonds (the "System Bond Initial Purchaser") and the initial purchaser of the Road Bonds (the "Road Bond Initial Purchaser," and together with the System Bond Initial Purchaser, the "Initial Purchasers") a certificate, dated as of the Date of Delivery of the Bonds, executed by both the Board President or Board Vice President and Board Secretary or Board Assistant Secretary, to the effect that no litigation of any nature has been filed or is to their knowledge then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution, or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

### **No Material Adverse Change**

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

## **TAX MATTERS**

The delivery of Bonds is subject to an opinion of Bond Counsel to the effect that, assuming continuing compliance by the District with the provisions of the Bond Order subsequent to the issuance of the Bonds pursuant to Section 103 of the Code, and existing regulations, published rulings and court decision procedures, interest on the bonds (i) will be excludable from the income, as defined in Section 61 of the Code, of the owners thereof for federal income tax purposes and (ii) is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended) for the purpose of determining the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. The statutes, regulations, published rulings, and court decisions on which such opinion is based are subject to change.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions, and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any

actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events, or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state, or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations, or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or Beneficial Owners to incur significant expense.

### **Possible Tax Legislation**

If enacted, potential tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or state income taxation, or otherwise prevent the Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Bonds. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations, or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

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

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is entitled to be excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public. Bonds purchased, whether at original issuance or otherwise, for an amount higher than their

principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

### **NOT Qualified Tax-Exempt Obligations**

The District has NOT designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code due to the fact that the reasonably anticipated amount of tax-exempt obligations which will be issued by the District during the calendar year 2025, including the Bonds, will exceed \$10,000,000.

### **CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Order, the District has made the following covenants for the benefit of the holders of the Bonds. The District is required to observe these covenants for so long as it remains obligated to pay the Bonds. Pursuant to these covenants, the District will be obligated to provide certain updated financial information and operating data annually, as well as timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB") or any successor to its function as a repository, through its Electronic Municipal Market Access ("EMMA") system, available at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Annual Reports**

The District will provide certain updated financial information and operating data to the EMMA annually.

The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "DISTRICT DEBT," "TAX DATA," and "APPENDIX A." The District will update and provide this information within six (6) months after the end of each of its fiscal years.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the SEC Rule 15c2-12 of the Securities Exchange Act (the "Rule"). The updated information will include audited financial statements if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in "APPENDIX A" or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

### **Material 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 (10) 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 IRS 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, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule, the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, or the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect bondholders, 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, any of which reflect financial difficulties. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into

in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which an official statement has been provided to the MSRB consistent with 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 make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described under “CONTINUING DISCLOSURE OF INFORMATION – Annual Reports.”

### **Availability of Information**

The District has agreed to provide the foregoing notices to the MSRB. The District is required to file its continuing disclosure information using EMMA, which is the format currently prescribed by the MSRB and has been established by the MSRB to make such continuing disclosure information available to investors free of charge. Investors may access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Limitations and Amendments**

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

The Developer has agreed to provide to the District the information that the District has agreed to provide with respect to the Developer. The Developer has also agreed with the District that it will not assign any of its rights to receive payment from the District out of proceeds of the Bonds (except as collateral), unless the assignee assumes the Developer's agreement to provide such information, but the Developer may sell its property within the District without any such assumption. The District's ability to provide information about the Developer or others, as well as the accuracy and completeness of such information, is completely dependent on such persons' compliance with their contractual agreements with the District.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District or Developer, but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Beneficial Owners. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Initial Purchasers from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described under “CONTINUING DISCLOSURE OF INFORMATION – 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 has entered into continuing disclosure agreements in connection with the issuance of the Outstanding Bonds and the Road Bonds. Due to an administrative oversight, notices of the incurrence of a financial obligation for the District's \$5,934,000 Bond Anticipation Note, Series 2021 issued on December 16, 2021, were not filed in a timely manner. Such notices were filed on EMMA, including the notice of failure to file, on October 17, 2022. All related information and notices have been filed as of this date. Except as mentioned above, in the last five (5) years the District has complied in all material respects with such agreements and the Rule.

## **OFFICIAL STATEMENT**

### **Preparation**

The information in this Official Statement has been obtained from sources as set forth herein under the following captions: information found under the sections captioned “THE DISTRICT” and “THE SYSTEM” has been provided by the Engineer; information found under the sections captioned “DEVELOPER AND PRINCIPAL LANDOWNER” and “DEVELOPMENT WITHIN THE DISTRICT” has been provided by the Developer; information found under the section captioned “TAX DATA”



has been provided by the Tax Assessor/Collector and the Appraisal District; and information found under the sections captioned "THE BONDS," "DEVELOPMENT AGREEMENT WITH CITY," "CONSENT AGREEMENT WITH THE CITY," "STRATEGIC PARTNERSHIP AGREEMENT WITH CITY," "CONTINUING DISCLOSURE OF INFORMATION," "TAXING PROCEDURES," "LEGAL MATTERS," and "TAX MATTERS" has been provided by Bond Counsel.

### **Experts**

In approving this Official Statement, the District has relied upon the following experts in addition to the Financial Advisor.

*The Engineer:* The information contained in this Official Statement relating to engineering matters and to the description of the System and, in particular, the information included in the sections entitled "THE DISTRICT" and "THE SYSTEM," has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

*Tax Assessor/Collector and Appraisal District:* The information contained in this Official Statement relating to principal taxpayers and tax collection rates and the certified assessed taxable valuation of property in the District and, in particular such information contained in the sections captioned "TAX DATA," has been provided by the Tax Assessor/Collector and the Appraisal District, in reliance upon their authority as experts in the fields of property appraisal and tax assessment.

### **Auditor**

The District's financial statements for the year ended March 31, 2025, were audited by the Auditor and have been included herein as "APPENDIX A." The Auditor has consented to the publication of such financial statements in this Official Statement.

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

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

### **Updating of Official Statement**

If, subsequent to the date of this 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 this Official Statement to be materially misleading, and unless the Initial Purchasers elect 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 this Official Statement satisfactory to the Initial Purchasers; provided, however, that the obligation of the District to so amend or supplement this 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 (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

This Official Statement was approved by the Board of Directors of McKinney Municipal Utility District No. 2 of Collin County, as of the date shown on the cover.

/s/ Russell Thomsen  
President, Board of Directors  
McKinney Municipal Utility District No. 2 of Collin County

ATTEST:

/s/ Frank Vaccaro  
Secretary, Board of Directors  
McKinney Municipal Utility District No. 2 of Collin County



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

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2  
OF COLLIN COUNTY**

**COLLIN COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**MARCH 31, 2025**

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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  
McKinney Municipal Utility  
District No. 2 of Collin County  
Collin County, Texas

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of McKinney Municipal Utility District No. 2 of Collin County (the "District") as of and for the year ended March 31, 2025, 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 March 31, 2025, 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.

### **Change in Accounting Principle**

As discussed in Note 18 to the financial statements, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, resulting in restatement of the District's government-wide financial statements as of and for the fiscal year ended March 31, 2024. Our opinions are not modified with respect to this matter.

### **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



Board of Directors  
McKinney Municipal Utility  
District No. 2 of Collin County

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.

### **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, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, 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

August 19, 2025

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2  
OF COLLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2025**

Management's discussion and analysis of McKinney Municipal Utility District No. 2 of Collin County's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended March 31, 2025. 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 Fund 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 like 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 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 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, customer service 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.

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2  
OF COLLIN COUNTY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2025**

**FUND FINANCIAL STATEMENTS (Continued)**

Governmental funds are reported in each of the financial statements. The focus in the fund financial 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 Fund 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. The budgetary comparison schedule is included as RSI for the General Fund.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, liabilities exceeded assets by \$49,426,281 as of March 31, 2025.

A portion of the District’s net position reflects its net investment in capital assets (land, roads, Master District connection fees as well as water, wastewater and drainage facilities less any debt used to acquire those assets that is still outstanding).

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

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2**  
**OF COLLIN COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED MARCH 31, 2025**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

	Summary of Changes in the Statement of Net Position		
	2025	(Restated) 2024	Change Positive (Negative)
Current and Other Assets	\$ 7,759,558	\$ 5,011,771	\$ 2,747,787
Capital Assets (Net of Accumulated Depreciation)	52,045,822	61,223,010	(9,177,188)
Total Assets	\$ 59,805,380	\$ 66,234,781	\$ (6,429,401)
Due to Developers	\$ 36,999,915	\$ 27,600,606	\$ (9,399,309)
Bonds Payable	56,225,084	40,267,131	(15,957,953)
Other Liabilities	16,006,662	9,733,783	(6,272,879)
Total Liabilities	\$ 109,231,661	\$ 77,601,520	\$ (31,630,141)
Net Position:			
Net Investment in Capital Assets	\$ (53,766,737)	\$ (14,454,599)	\$ (39,312,138)
Restricted	3,677,863	2,448,378	1,229,485
Unrestricted	662,593	639,482	23,111
Total Net Position	\$ (49,426,281)	\$ (11,366,739)	\$ (38,059,542)

The following table provides a summary of the District's operations for the years ended March 31, 2025, and March 31, 2024.

	Summary of Changes in the Statement of Activities		
	2025	(Restated) 2024	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 4,321,495	\$ 2,763,723	\$ 1,557,772
Builder Contributions	340,000	1,047,500	(707,500)
Other Revenues	415,656	256,923	158,733
Total Revenues	\$ 5,077,151	\$ 4,068,146	\$ 1,009,005
Expenses for Services	43,136,693	14,856,976	(28,279,717)
Change in Net Position	\$ (38,059,542)	\$ (10,788,830)	\$ (27,270,712)
Net Position, Beginning of Year	(11,366,739)	(577,909)	(10,788,830)
Net Position, End of Year	\$ (49,426,281)	\$ (11,366,739)	\$ (38,059,542)

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2  
OF COLLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2025**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS**

The District's combined fund balances as of March 31, 2025, were \$8,151,056, a decrease of \$12,883,994 from the prior year.

The General Fund fund balance decreased by \$601,694, primarily due to operating costs and capital costs exceeding revenues.

The Debt Service Fund fund balance increased by \$871,594, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance decreased by \$13,153,894, primarily due to a developer reimbursement and Bond Anticipation Note, Series 2023 retirement.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did amend the budget during the fiscal year. Actual revenues were \$590,986 less than budgeted and actual expenditures were \$176,576 more than budgeted expenditures. This resulted in a negative budget variance of \$767,562. See the budget to actual comparison for further information.

**CAPITAL ASSETS**

Capital assets as of March 31, 2025, total \$52,045,822 (net of accumulated depreciation) and include land, roads, Master District connection fees, as well as the water, wastewater and drainage systems.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2025	(Restated) 2024	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 2,734,038	\$ 2,734,038	\$
Construction in Progress	25,175	118,100	(92,925)
Capital Assets, Net of Accumulated Depreciation:			
Drainage System	3,051,583	12,201,915	(9,150,332)
Roads	8,138,005	22,090,811	(13,952,806)
Master District Connection Fees	19,120,751	10,820,433	8,300,318
Water and Sanitary Infrastructure	18,976,270	13,257,713	5,718,557
Total Net Capital Assets	<u>\$ 52,045,822</u>	<u>\$ 61,223,010</u>	<u>\$ (9,177,188)</u>

Additional information on the District's capital assets can be found in Note 6 of this report.



**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2**  
**OF COLLIN COUNTY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED MARCH 31, 2025**

**CAPITAL ASSETS (Continued)**

The District conveys completed water, wastewater, drainage and paving facilities to the City of McKinney, Texas for ownership and maintenance of the facilities to service the residents of the District. The District is entitled to significant residual interest in the facilities conveyed and continues to record these facilities as District assets and records depreciation on these facilities in accordance with GASB Statement No. 94.

The District conveys to the Master District all roads and storm drainage facilities located within the District and assign any contract rights and warranties related to the roads to the Master District for operation and maintenance.

**LONG-TERM DEBT ACTIVITY**

At the end of the current fiscal year, the District had total long-term bond debt payable of \$56,000,000. The changes in the debt position of the District during the fiscal year ended March 31, 2025, are summarized as follows:

Bond Debt Payable, April 1, 2024	\$ 40,125,000
Add: Bond Sale - Series 2024	16,875,000
Less: Bond Principal Paid	<u>1,000,000</u>
Bond Debt Payable, March 31, 2025	<u><u>\$ 56,000,000</u></u>

At the end of the current fiscal year, the District had total Bond Anticipation Note (“BAN”) debt payable of \$14,546,000. The changes in the BAN debt position of the District during the fiscal year ended March 31, 2025, are summarized as follows:

BAN Debt Payable, April 1, 2024	\$ 8,960,000
Add: BAN Sale - Series 2025	14,546,000
Less: BAN Principal Paid	<u>8,960,000</u>
BAN Debt Payable, March 31, 2025	<u><u>\$ 14,546,000</u></u>

The Series 2021 Bonds does not carry an underlying rating and an insured rating of “AA” by virtue of bond insurance by Build America Mutual Assurance Company. The Series 2022 Bonds, Series 2022 Road Bonds and Series 2024 Bonds carry an underlying rating of “Baa3” and insured rating of “AA” from S&P Global and/or “A1” from Moody’s Investors by virtue of bond insurance by Assured Guaranty. The Series 2023 Bonds and the Series 2023 Road Bonds carry an underlying rate of “Baa3” and insured rating of “AA” by virtue of bond insurance by Build American Mutual Assurance. The above ratings reflect all changes through March 31, 2025.

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2  
OF COLLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2025**

**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 McKinney Municipal Utility District No. 2 of Collin County, c/o Sanford Kuhl Hagan Kugle Parker Kahn, LLP, 1330 Post Oak Boulevard, Suite 2650, Houston, TX 77056.

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2**  
**OF COLLIN COUNTY**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**MARCH 31, 2025**

	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>ASSETS</b>		
Cash	\$ 14,897	\$ 122,142
Investments	1,728,749	3,433,281
Receivables:		
Property Taxes	55,181	331,086
Penalty and Interest on Delinquent Taxes		
Other	58,504	
Due from Other Funds	23,305	
Due from Other Governmental Units		
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<u>\$ 1,880,636</u>	<u>\$ 3,886,509</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 27	\$ 137,066	\$	\$ 137,066
1,990,552	7,152,582		7,152,582
	386,267		386,267
		25,139	25,139
	58,504		58,504
	23,305	(23,305)	
		2,734,038	2,734,038
		25,175	25,175
		49,286,609	49,286,609
<u>\$ 1,990,579</u>	<u>\$ 7,757,724</u>	<u>\$ 52,047,656</u>	<u>\$ 59,805,380</u>

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

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2**  
**OF COLLIN COUNTY**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**MARCH 31, 2025**

	General Fund	Debt Service Fund
<b>LIABILITIES</b>		
Accounts Payable	\$ 816,790	\$ 775
Accrued Interest Payable		
Due to Other Governments	101,253	
Due to Developers		
Due to Other Funds		16,996
Due to Taxpayers		8,560
Bond Anticipation Note Payable		
Bond Anticipation Accrued Interest		
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
<b>TOTAL LIABILITIES</b>	<u>\$ 918,043</u>	<u>\$ 26,331</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	<u>\$ 55,181</u>	<u>\$ 331,086</u>
<b>FUND BALANCES</b>		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		3,529,092
Unassigned	<u>907,412</u>	
<b>TOTAL FUND BALANCES</b>	<u>\$ 907,412</u>	<u>\$ 3,529,092</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 1,880,636</u></u>	<u><u>\$ 3,886,509</u></u>
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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



Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 16,433	\$ 833,998	\$	\$ 833,998
		207,454	207,454
	101,253	300,000	401,253
		36,999,915	36,999,915
6,309	23,305	(23,305)	
	8,560		8,560
14,546,000	14,546,000		14,546,000
9,397	9,397		9,397
		980,000	980,000
		55,245,084	55,245,084
<u>\$ 14,578,139</u>	<u>\$ 15,522,513</u>	<u>\$ 93,709,148</u>	<u>\$ 109,231,661</u>
<u>\$ - 0 -</u>	<u>\$ 386,267</u>	<u>\$ (386,267)</u>	<u>\$ - 0 -</u>
\$ (12,587,560)	\$ (12,587,560)	\$ 12,587,560	\$
	3,529,092	(3,529,092)	
	907,412	(907,412)	
<u>\$ (12,587,560)</u>	<u>\$ (8,151,056)</u>	<u>\$ 8,151,056</u>	<u>\$ - 0 -</u>
<u>\$ 1,990,579</u>	<u>\$ 7,757,724</u>		
		\$ (53,766,737)	\$ (53,766,737)
		3,677,863	3,677,863
		662,593	662,593
		<u>\$ (49,426,281)</u>	<u>\$ (49,426,281)</u>

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

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2**  
**OF COLLIN COUNTY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**MARCH 31, 2025**

Total Fund Balances - Governmental Funds	\$ (8,151,056)
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Land, construction in progress and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	52,045,822
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Deferred inflows of resources related to tax revenues and uncollected penalty and interest revenues on delinquent taxes for the 2024 and prior tax levies became part of recognized revenues in the governmental activities of the District.	411,406
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The District's note payable to McKinney Municipal Utility District No. 1 is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(300,000)
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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 Developers	\$ (36,999,915)	
Accrued Interest Payable	(207,454)	
Bonds Payable	(980,000)	
Bonds Payable After One Year	(55,245,084)	(93,432,453)
Total Net Position - Governmental Activities		\$ (49,426,281)

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

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2**  
**OF COLLIN COUNTY**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT**  
**OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED MARCH 31, 2025**

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Property Taxes	\$ 465,117	\$ 3,555,133
Builder Contribution	340,000	
Park Fee Reimbursement	75,623	
Franchise Fees	74,939	
Penalty and Interest		14,916
Investment Revenues	78,549	111,748
<b>TOTAL REVENUES</b>	<u>\$ 1,034,228</u>	<u>\$ 3,681,797</u>
<b>EXPENDITURES/EXPENSES</b>		
Operating and administrative:		
Professional Fees	\$ 195,492	\$ 6,196
Contracted Services	33,365	39,964
Utilities	9,463	
Repairs and Maintenance	534	
Depreciation		
Administrative	37,131	10,634
Intergovernmental:		
Joint Facilities	522,248	
City of McKinney Park Fees	81,120	
Fire Station Operations	745,729	
Capital Outlay		
Conveyance of Assets		
Developer Interest		
Debt Service:		
Bond Principal		1,000,000
Bond Interest		2,118,806
BAN Principal		
BAN Interest		
Bond Issuance Costs	10,840	
BAN Issuance Costs		
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>\$ 1,635,922</u>	<u>\$ 3,175,600</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (601,694)</u>	<u>\$ 506,197</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Long-Term Debt Issued	\$	\$ 365,397
Bond Discount		
Bond Premium		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>\$ - 0 -</u>	<u>\$ 365,397</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (601,694)</u>	<u>\$ 871,594</u>
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES(DEFICIT)/NET POSITION -</b>		
<b>APRIL 1, 2024, AS REPORTED</b>	1,509,106	2,657,498
<b>CHANGE DUE TO NEW ACCOUNTING GUIDANCE</b>		
<b>CORRECTION OF UNAMORTIZED</b>		
<b>APRIL 1, 2024, AS RESTATED</b>	<u>1,509,106</u>	<u>2,657,498</u>
<b>FUND BALANCES (DEFICIT)/NET POSITION -</b>		
<b>MARCH 31, 2025</b>	<u><u>\$ 907,412</u></u>	<u><u>\$ 3,529,092</u></u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 4,020,250	\$ 301,245	\$ 4,321,495
	340,000		340,000
	75,623		75,623
	74,939		74,939
	14,916	17,487	32,403
42,394	232,691		232,691
<u>\$ 42,394</u>	<u>\$ 4,758,419</u>	<u>\$ 318,732</u>	<u>\$ 5,077,151</u>
\$ 127,657	\$ 329,345	\$	\$ 329,345
	73,329		73,329
	9,463		9,463
	534		534
		1,813,985	1,813,985
	47,765		47,765
	522,248		522,248
	81,120		81,120
	745,729		745,729
17,708,172	17,708,172	(17,708,172)	
		34,470,684	34,470,684
1,005,120	1,005,120		1,005,120
	1,000,000	(1,000,000)	
	2,118,806	(88,272)	2,030,534
8,960,000	8,960,000	(8,960,000)	
385,344	385,344		385,344
1,299,036	1,309,876		1,309,876
311,617	311,617		311,617
<u>\$ 29,796,946</u>	<u>\$ 34,608,468</u>	<u>\$ 8,528,225</u>	<u>\$ 43,136,693</u>
\$ (29,754,552)	\$ (29,850,049)	\$ (8,209,493)	\$ (38,059,542)
\$ 16,509,603	\$ 16,875,000	\$ (16,875,000)	\$
(256,967)	(256,967)	256,967	
348,022	348,022	(348,022)	
<u>\$ 16,600,658</u>	<u>\$ 16,966,055</u>	<u>\$ (16,966,055)</u>	<u>\$ - 0 -</u>
\$ (13,153,894)	\$ (12,883,994)	\$ 12,883,994	\$
		(38,059,542)	(38,059,542)
566,334	4,732,938	(29,215,259)	(24,482,321)
		13,257,713	13,257,713
		(142,131)	(142,131)
<u>566,334</u>	<u>4,732,938</u>	<u>(16,099,677)</u>	<u>(11,366,739)</u>
<u>\$ (12,587,560)</u>	<u>\$ (8,151,056)</u>	<u>\$ (41,275,225)</u>	<u>\$ (49,426,281)</u>

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

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2  
OF COLLIN COUNTY  
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2025**

Net Change in Fund Balances - Governmental Funds	\$ (12,883,994)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied.	301,245
Governmental funds report delinquent tax penalty and interest when collected. However, in the government-wide financial statements, revenues are recorded when penalty and interest are assessed.	17,487
Assets conveyed to other governmental entities are recorded as expenses in the Statement of Activities.	(34,470,684)
Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(1,813,985)
Governmental funds report capital costs as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital asset purchases are expensed in the Statement of Activities.	17,708,172
Governmental funds report bond premiums and bond discounts as other financing sources or uses in the year received or paid. However, in the government-wide financial statements, bond premiums and bond discounts are amortized over the life of the bonds and the current year amortized portion is added to bond interest expense.	(91,055)
Governmental funds report principal payments on long-term debt as expenditures. However, in the government-wide financial statements, principal payments decrease long-term liabilities and the Statement of Activities is not affected.	9,960,000
Governmental funds report interest payments on long-term debt as expenditures. However, in the government-wide financial statements, interest is accrued on the long-term debt through fiscal year-end.	88,272
Governmental funds report bond proceeds as other financing sources. However, in the government-wide financial statements, issued debt increases long-term liabilities in the Statement of Net Position.	(16,875,000)
Change in Net Position - Governmental Activities	<u>\$ (38,059,542)</u>

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



**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2  
OF COLLIN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2025**

**NOTE 1. CREATION OF DISTRICT**

McKinney Municipal Utility District No. 2 of Collin County, located in Collin County, Texas (the “District”), was originally organized, created and established by House Bill 3979, 80<sup>th</sup> Regular Session of the Texas Legislature, codified at Chapter 8252, Texas special district Local Laws Code, effective September 1, 2007, and operates in accordance with the Texas Water Code, Chapters 49 and 54. On May 5, 2018, the District was subsequently divided into two districts, McKinney Municipal Utility District No. 2 of Collin County and McKinney Municipal Utility No. 2A of Collin County. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to provide construction of water, sewer, and drainage within the boundaries of the District. As further discussed in Note 11, the District transfers the water, sewer, and certain drainage facilities to the City of McKinney upon completion of construction. As further discussed in Note 12, the District transfers roads and storm drainage facilities to the Master District upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The Board of Directors held its first meeting on March 5, 2010 and the first bonds were sold on October 5, 2021.

**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 elected board. GASB has established the criteria for determining if 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”).

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2**  
**OF COLLIN COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2025**

**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 assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. 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.

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2**  
**OF COLLIN COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2025**

**NOTE 2.      SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

The District has three governmental funds and considers these funds to be major funds.

General Fund - To account for resources not required to be accounted for in another fund, customer service 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.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in 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.

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2**  
**OF COLLIN COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2025**

**NOTE 2.      SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Accounting (Continued)

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of March 31, 2025, the Debt Service Fund owed the General Fund \$16,996 for maintenance tax collections and the Capital Projects Fund owed the General Fund \$6,309 for legal fees.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, 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 an expenditure 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 of \$50,000 or more and a useful life of two years or more. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Roads	30
Parks and Recreation	30
Water System	45
Wastewater System	45
Drainage System	20-45
Master District Connection	Life of Contract

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2**  
**OF COLLIN COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2025**

**NOTE 2.      SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets (Continued)

The District conveys completed water, wastewater and certain drainage facilities to the City of McKinney, Texas for ownership and maintenance of the facilities to service the residents of the District. The District is entitled to significant residual interest in the facilities conveyed and continues to record these facilities as District assets and records depreciation on these facilities in accordance with GASB Statement No. 94.

The District conveys to the Master District all roads and storm drainage facilities located within the District and assign any contract rights and warranties related to the roads to the Master District for operation and maintenance.

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 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

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are wages subject to federal income tax withholding for 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, liabilities, and deferred inflows and outflows of resources 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 Governmental Funds 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



**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2**  
**OF COLLIN COUNTY**  
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**NOTE 2.      SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus (Continued)

decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

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

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

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

*Assigned:* amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. As of March 31, 2025, the District did 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.

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2**  
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**MARCH 31, 2025**

**NOTE 3. LONG-TERM DEBT**

The District's bonds payable at March 31, 2025, consist of the following unlimited tax bonds:

	Series 2021	Series 2022	Series 2022 Road
Amount Outstanding – March 31, 2025	\$ 3,960,000	\$ 10,690,000	\$ 2,650,000
Interest Rates	2.00% - 4.50%	4.00% - 5.00%	4.00% - 6.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2025/2046	September 1, 2025/2047	September 1, 2025/2047
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2027*	September 1, 2028*	September 1 2028*
	Series 2023	Series 2023 Road	Series 2024
Amount Outstanding – March 31, 2025	\$ 9,745,000	\$ 12,080,000	\$ 16,875,000
Interest Rates	4.00% - 6.50%	4.00% - 6.50%	4.00% - 6.00%
Maturity Dates – Beginning/Ending	September 1, 2025/2048	September 1, 2025/2048	September 1, 2025/2049
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2029*	September 1, 2029*	September 1, 2030*

\* Or any date thereafter, callable at par plus accrued interest to the date fixed for redemption, in whole or in part, at the option of the District. The Series 2021 term bonds maturing on September 1, 2028, September 1, 2035, September 1, 2037, September 1, 2039 and September 1, 2046 are scheduled for mandatory redemption beginning September 1, 2027, September 1, 2034, September 1, 2036, September 1, 2038 and September 1, 2040, respectively. The Series 2022 term bonds maturing on September 1, 2032, September 1, 2036, September 1, 2038, September 1, 2041, September 1, 2044 and September 1, 2047 are scheduled for mandatory redemption beginning September 1, 2031, September 1, 2035, September 1, 2037, September 1, 2039, September 1, 2042 and September 1, 2045, respectively. The Series 2022 Road term bonds maturing on September 1, 2031, September 1, 2034, September 1, 2037, September 1, 2042 and September 1, 2047 are scheduled for mandatory redemption beginning September 1, 2030, September 1, 2032 and September 1, 2035, September 1, 2038, September 1, 2043, respectively. The Series 2023 term bonds maturing on September 1, 2033, September 1, 2035, September 1, 2037, September 1, 2039, September 1, 2042, September 1, 2045 and September 1, 2048 are scheduled for mandatory redemption beginning September 1, 2032, September 1, 2034, September 1, 2036, September 1, 2038, September 1, 2040, September 1, 2043 and September 1, 2046, respectively. The Series 2023 Road term bonds maturing on September 1, 2034, September 1, 2036, September 1, 2038, September 1, 2042 and September 1, 2048 are scheduled for mandatory redemption beginning September 1, 2033, September 1, 2035, September 1, 2037, September 1, 2039 and September 1, 2043, respectively. The Series 2024 term bonds maturing on September 1, 2039 are scheduled for mandatory redemption beginning September 1, 2038.

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2**  
**OF COLLIN COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2025**

**NOTE 3. LONG-TERM DEBT (Continued)**

The following is a summary of transactions regarding the changes in long-term liabilities for the year ended March 31, 2025:

	(Restated) April 1, 2024	Additions	Retirements	March 31, 2025
Bonds Payable	\$ 40,125,000	\$ 16,875,000	\$ 1,000,000	\$ 56,000,000
Unamortized Discounts	(590,183)	(256,967)	(29,980)	(817,170)
Unamortized Premiums	732,314	348,022	38,082	1,042,254
Bonds Payable, Net	<u>\$ 40,267,131</u>	<u>\$ 16,966,055</u>	<u>\$ 1,008,102</u>	<u>\$ 56,225,084</u>
Amount Due Within One Year				\$ 980,000
Amount Due After One Year				<u>55,245,084</u>
Bonds Payable, Net				<u>\$ 56,225,084</u>

As of March 31, 2025, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2026	\$ 980,000	\$ 2,461,013	\$ 3,441,013
2027	1,425,000	2,390,813	3,815,813
2028	1,490,000	2,305,401	3,795,401
2029	1,550,000	2,216,688	3,766,688
2030	1,625,000	2,125,825	3,750,825
2031-2035	9,280,000	9,314,050	18,594,050
2036-2040	11,555,000	7,195,033	18,750,033
2041-2045	14,405,000	4,503,459	18,908,459
2046-2050	13,690,000	1,235,367	14,925,367
	<u>\$ 56,000,000</u>	<u>\$ 33,747,649</u>	<u>\$ 89,747,649</u>

As of March 31, 2025, the District had authorized but unissued bonds in the amount of \$141,085,000 for the purposes of acquiring, constructing and improving the water, sanitary, sewer, and drainage systems within the District and \$125,055,000 for road improvements; \$32,470,000 for fire protection facilities and \$274,650,000 for the refunding bonds for water, sewer, and drainage facilities; \$210,240,000 for refunding bonds for road improvements, and \$48,705,000 for the refunding bonds for fire protection services.

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2**  
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**MARCH 31, 2025**

**NOTE 3. LONG-TERM DEBT (Continued)**

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

During the year ended March 31, 2025, the District levied an ad valorem debt service tax at the rate of \$0.64 per \$100 of assessed valuation, which resulted in a tax levy of \$2,719,010 on the adjusted taxable valuation of \$426,106,347 for the 2024 tax year. The District levied an ad valorem road debt service tax at the rate of \$0.26 per \$100 of assessed valuation, which resulted in a tax levy of \$1,104,598 on the adjusted taxable valuation of \$426,106,347 for the 2024 tax year. The bond resolutions require that the District 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 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 RESOLUTIONS AND LEGAL REQUIREMENTS**

The bond resolutions state that any profits realized from or interest accruing on investments shall belong to the fund from which the monies for such investments were taken; provided, however, that at the discretion of the Board of Directors, the profits realized from and interest accruing on investments made from any fund may be transferred to the Debt Service Fund.

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 each five year anniversary of each use.

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 each five-year anniversary of each use.

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2**  
**OF COLLIN COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2025**

**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 \$137,066 and the bank balance was \$168,937.

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 March 31, 2025, as listed below:

	<u>Cash</u>
GENERAL FUND	\$ 14,897
DEBT SERVICE FUND	122,142
CAPITAL PROJECTS FUND	<u>27</u>
TOTAL DEPOSITS	<u>\$ 137,066</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.



**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2**  
**OF COLLIN COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2025**

**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 also invest in Texas Cooperative Liquid Assets Securities System ("Texas CLASS"). Texas CLASS is a public funds investment pool which has operated since 1996. The pool seeks to provide safety, liquidity, convenience and competitive rates of return for Texas public sector investors such as municipal utility districts. Public Trust Advisors, LLC serves as the pool's administrator and investment advisor. UMB Bank, N.A. serves as custodian for the pool. Texas CLASS meets the criteria established in GASB Statement No. 79 and measures portfolio assets at amortized cost. As a result, the District also measures its investments in Texas CLASS at amortized costs for financial reporting purposes. There are no limitations or restrictions on withdrawals from Texas CLASS.

As of March 31, 2025, 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	\$ 1,728,749	\$ 1,728,749
<u>DEBT SERVICE FUND</u>		
Texas CLASS	3,433,281	3,433,281
<u>CAPITAL PROJECTS FUND</u>		
Texas CLASS	<u>1,990,552</u>	<u>1,990,552</u>
TOTAL INVESTMENTS	<u>\$ 7,152,582</u>	<u>\$ 7,152,582</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At March 31, 2025, the District's investments in Texas CLASS were 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 investments in Texas CLASS to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value

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**OF COLLIN COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2025**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Restrictions

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

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2025:

	(Restated) April 1, 2024	Increases	Decreases	March 31, 2025
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 2,734,038	\$	\$	\$ 2,734,038
Construction in Progress	118,100	17,007,125	17,100,050	25,175
<b>Total Capital Assets Not Being Depreciated</b>	<u>\$ 2,852,138</u>	<u>\$ 17,007,125</u>	<u>\$ 17,100,050</u>	<u>\$ 2,759,213</u>
<b>Capital Assets Subject to Depreciation</b>				
Drainage System	\$ 12,857,119	\$	\$ 9,381,143	\$ 3,475,976
Roads	23,901,513	89,627	14,384,026	9,607,114
Master District Connection Fees	11,370,225	8,806,556		20,176,781
Water and Sanitary Infrastructure	13,823,705	6,077,601		19,901,306
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 61,952,562</u>	<u>\$ 14,973,784</u>	<u>\$ 23,765,169</u>	<u>\$ 53,161,177</u>
<b>Accumulated Depreciation</b>				
Drainage System	\$ 655,204	\$ 218,854	\$ 449,665	\$ 424,393
Roads	1,810,702	729,849	1,071,442	1,469,109
Master District Connection Fees	549,792	506,238		1,056,030
Water and Sanitary Infrastructure	565,992	359,044		925,036
<b>Total Accumulated Depreciation</b>	<u>\$ 3,581,690</u>	<u>\$ 1,813,985</u>	<u>\$ 1,521,107</u>	<u>\$ 3,874,568</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 58,370,872</u>	<u>\$ 13,159,799</u>	<u>\$ 22,244,062</u>	<u>\$ 49,286,609</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 61,223,010</u>	<u>\$ 30,166,924</u>	<u>\$ 39,344,112</u>	<u>\$ 52,045,822</u>

The District conveys completed water, wastewater, drainage and paving facilities to the City of McKinney, Texas for ownership and maintenance of the facilities to service the residents of the District. The District is entitled to significant residual interest in the facilities conveyed and continues to record these facilities as District assets and records depreciation on these facilities in accordance with GASB Statement No. 94.

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2**  
**OF COLLIN COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2025**

**NOTE 6. CAPITAL ASSETS (Continued)**

The District conveys to the Master District all roads and storm drainage facilities located within the District and assign any contract rights and warranties related to the roads to the Master District for operation and maintenance.

**NOTE 7. MAINTENANCE TAX**

On November 6, 2018, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.20 per \$100 of assessed valuation of taxable property within the District. During the year ended March 31, 2025, the District levied an ad valorem maintenance tax at the rate of \$0.15 per \$100 of assessed valuation, which resulted in a tax levy of \$637,268 on the adjusted taxable valuation of \$426,106,347 for the 2024 tax year. This maintenance tax is deposited to the General Fund and used to pay expenditures of operating the District's waterworks and sanitary sewer systems.

**NOTE 8. DUE TO DEVELOPER**

The District has entered into financing agreements with its developer for the financing of the construction of water, sewer, and drainage facilities and road improvements. Under the agreements, the developer will advance funds for the construction of facilities to serve the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

The District's developer has also advanced funds to the District for operating expenses. Changes in the estimated amounts due to developer during the year are as follows:

Due to developer, beginning of year	\$ 27,600,606
Additions	13,840,533
Reimbursements	<u>(4,441,224)</u>
Due to developer, end of year	<u>\$ 36,999,915</u>

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2**  
**OF COLLIN COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2025**

**NOTE 9. BUILDER CONTRIBUTION AGREEMENTS**

In lieu of constructing, financing, operating and /or maintaining the improvements necessary to serve the lots purchased or contracted for by builders within the District, the builders have entered into agreements to make contributions to the District to assist in its purpose of designing, constructing, operating and maintaining road facilities and infrastructure. According to the phase of development within the District, the fee ranges from \$1,000 to \$2,000 per lot. Subsequent to year end, in May 2025, the District increased the building contribution to \$4,000 per lot

**NOTE 10. TRANSFERS TO OTHER GOVERNMENTS**

In accordance with an agreement between the District and the City of McKinney (the “City”), the District transfers all of its water, sewer and certain drainage facilities to the City (see Note 11). The District is entitled to significant residual interest in the facilities conveyed and continues to record these facilities as District assets and records depreciation on these facilities in accordance with GASB Statement No. 94.

On February 24, 2025, the District conveyed to the Master District all roads and storm drainage facilities located within the District and assign any contract rights and warranties related to the roads to MUD 1 for operation and maintenance.

**NOTE 11. DEVELOPMENT AGREEMENT WITH THE CITY OF MCKINNEY**

On May 17, 2021, the developer, on behalf of the District, entered into a development agreement with the City of McKinney (the “City”) for construction and extension of water distribution lines, sanitary sewer collection systems, and drainage facilities to serve the District. As the system is acquired or constructed, the District shall transfer the system to the City but will reserve a security interest in the system and provide service to all users in the District. The term of the agreement is 15 years.

Water and sewer rates charged by the City to users in the District and the Master District service area, shall be the same rates charged to similar users served by the City. All revenue derived from these charges belongs to the City.

The District agrees to pay the City an annual park fee equal to two cents (\$0.02) per \$100 valuation on land and improvements to supplement the City’s park and recreational facilities. During the current fiscal year, the District paid \$81,120 for the annual park fee.

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2  
OF COLLIN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2025**

**NOTE 12. AGREEMENTS WITH MCKINNEY MUNICIPAL DISTRICT  
NO. 1 OF COLLIN COUNTY**

Master District Agreement

The District has entered into contracts with McKinney Municipal Utility District No. 1 of Collin County (“Master District” and “MUD 1”) for the financing, operation, and maintenance of regional water, sewer, drainage, roads, and fire protection facilities (the “Master District Contract”) to serve the Trinity Falls master-planned community (the “Master District Service Area”). As discussed in Note 13, the contracts with the Master District were amended as a result of the Joint Facilities Agreement executed by the District and MUD 1.

Capital Recovery Fees to Finance Cost of Construction

The Master District will finance the cost of the regional facilities in the Master District Service Area by imposing a capital recovery fee to participating districts, such fee will be calculated from time to time on the basis of the then estimated total cost of constructing the regional facilities minus the payments which have been previously received for connections purchased, and dividing the result by the number of estimated total connections to be constructed within the Master District Service Area minus the number of connections previously purchased from the Master District. The capital recovery fee will include separate components for the regional water system, regional sanitary sewer system, regional storm sewer system, regional road system and regional fire department station. The Master District may periodically recompute the capital recovery fee based on changes in various costs.

During the current year, the District paid \$8,806,556 in connection fees to the Master District for its share of regional facilities.

Fire Protection Facilities and Equipment

The District is part of a fire plan with the Master District whereby the City of McKinney will own, operate and maintain certain fire protection facilities and equipment, and employs and trains certain fire protection personnel, to provide fire protection services to the District and the Master District. During the current year, the District paid \$745,729 to the City for firefighting services.

Conveyance of Existing Facilities and Assignment of Contracts

On February 24, 2025, MUD 2 conveyed to the Master District all roads and storm drainage facilities located within MUD 2 and assign any contract rights and warranties related to the roads to the Master District.

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2**  
**OF COLLIN COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2025**

**NOTE 12.     AGREEMENTS WITH MCKINNEY MUNICIPAL DISTRICT**  
**NO. 1 OF COLLIN COUNTY (Continued)**

Note Payable

On July 1, 2019, the District and the Master District entered into an agreement pursuant to which the Master District advanced \$300,000 to the District to assist with financing their share of contributions owed to the City for fire protection. The District paid interest of 5% per annum prior an amendment to the loan agreement. Starting in fiscal year end 2022, no further interest payments are to be made, provided the District can repay the loan prior to March 1, 2026. The District's obligation to reimburse the Master District in the amount of \$300,000 is recognized as a note payable to the *Statement of Net Position*.

**NOTE 13.     JOINT FACILITIES AGREEMENT**

On March 29, 2023, the District and MUD 1 entered into a Joint Facilities Agreement for the funding of (1) certain expenses of the park and recreational facilities within the districts ("Joint Park Facilities Costs"), (2) certain expenses of the regional road facilities within the districts ("Joint Road Facilities Costs"), (3) certain expenses for providing peace officer and patrol services within the districts ("Joint Patrol Services Costs"), and (4) other general expenses (including, but not limited to, legal fees, engineering fees, auditor fees, and insurance) that jointly benefit both districts ("Joint General Costs"). Effective April 1, 2023, the Master District Contract is amended so that the Joint Facilities Agreement controls the payment of joint facilities costs related to parks, roads, patrol services, and general costs

Joint Park Facilities Costs

The District and MUD 1 agree to pay for the operation and maintenance of Joint Park Facilities Costs based on the total number of active connections in each district. The total number of active connections will be determined on March 1, June 1, September 1, and December 1 of each year. Each district agrees that the capital portion of Joint Park Facilities Costs (including capital equipment and capital improvements) within the districts will be based on the estimated number of total connections in the District at full build-out. The estimated number of total connections in each district at full buildout will be determined March 1 and September 1 of each year. The allocation of costs will be adjusted accordingly and remain in effect until the next re-allocation date.



**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2**  
**OF COLLIN COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2025**

**NOTE 13. JOINT FACILITIES AGREEMENT (Continued)**

Joint Road Facilities Costs

The District and MUD 1 agree to pay for the operation and maintenance of Joint Road Facilities Costs based on the total number of active connections in each district. The total number of active connections will be determined on March 1, June 1, September 1, and December 1 of each year. Each district agrees that the capital portion of Joint Road Facilities Costs within the districts will be based on the estimated number of total connections in the District at full build-out. The estimated number of total connections in each district at full build-out will be determined March 1 and September 1 of each year. The allocation of costs will be adjusted accordingly and remain in effect until the next reallocation date.

Joint Patrol Services Costs

The District and MUD 1 agree to pay for Joint Patrol Services Costs based on the total number of active connections in each district. The total number of active connections will be determined on March 1, June 1, September 1, and December 1 of each year. The allocation of costs will be adjusted accordingly and remain in effect until the next re-allocation date.

Joint General Costs

The District and MUD 1 agree to pay for Joint General Costs based on the estimated number of total connections in the District at full build-out. The estimated number of total connections in each district at full build-out will be determined March 1 and September 1 of each year. The allocation of costs will be adjusted accordingly and remain in effect until the next re-allocation date.

MUD 1 will pay 100% of all joint facilities and related costs and bill the District monthly for its prorated share of costs as noted above. During the current year, the District recognized \$522,248 in expenditure for its pro-rata share of joint facilities costs.

**NOTE 14. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three fiscal years.

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2**  
**OF COLLIN COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2025**

**NOTE 15. BOND ANTICIPATION NOTES AND DEFICIT FUND BALANCE**

The District had an outstanding Bond Anticipation Note (“BAN”), Series 2023, in the amount of \$8,960,000 that was repaid on September 18, 2024, with proceeds from the issuance of the District’s Series 2024 Unlimited Tax Bonds.

On March 25, 2025, the District closed on the sale of its \$14,546,000 Series 2025 BAN. Proceeds that were used to reimburse developers for a portion of the costs of water, sewer, and drainage facilities serving Trinity Falls Planning Unit 3, 6, 7, and 8. Proceeds from the 2025 BAN sale were also used to fund costs associated with engineering, materials testing and BAN issuance costs.

Governmental accounting requires the liability for the BAN payable to be recorded in the Capital Projects Fund and the uses of the BAN proceeds as current expenditures of the Capital Projects Fund since the District did not issue bonds to pay off the BAN prior to the report date. The District anticipates the Capital Projects Fund deficit fund balance will be alleviated with proceeds of the District’s upcoming bond sale.

**NOTE 16. BOND SALE**

On September 18, 2024, the District issued its \$16,875,000 Unlimited Tax Bonds, Series 2024. Proceeds of the bond sale will be used to redeem the Series 2023 Bond Anticipation Note and proceeds were used to reimburse the Developer for the improvements and costs related to Trinity Falls Planning Unit 3, Phase 5C for water, wastewater and drainage, Trinity Falls Planning Unit 3 Mass Grading, Trinity Falls Planning Unit 7, Phases 3 and 7 for water wastewater and drainage, Trinity Falls Planning Unit 8, Phase 2 for water, wastewater and drainage, Trinity Falls Planning Unit 7 and 8, 2 collectors for water, wastewater and drainage, Trinity Falls Planning Unit 8, Phase 1 for water, wastewater and drainage, inspection fees and related engineering. In addition, a portion of the proceeds were used to pay developer interest, bond issuance costs and to fund six months of capitalized interest.

**NOTE 17. USE OF SURPLUS FUNDS**

On April 8, 2024, the Commission approved the use of surplus Capital Projects Fund monies in the amount of \$559,772. The District used surplus funds totaling \$456,104 for Master District connection charges and \$89,627 to reimburse the developer for construction costs related to Trinity Falls Parkway, FM 543 N-S.

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2**  
**OF COLLIN COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2025**

**NOTE 18. PRIOR PERIOD ADJUSTMENT**

In accordance with the requirements of Governmental Accounting Standards Board Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, which the District was required to implement in the current fiscal year, certain assets recorded as a transfer of assets in prior years are now required to be classified as capital assets of the District. These assets will be depreciated over the estimated useful lives of the assets. The impact of this change in accounting principle resulted in an increase to prior period net position of \$13,257,713.

The District also adjusted prior period long-term liabilities by recording unamortized discounts and premiums. The impact of this correction resulted in a decreased to prior period net position of \$142,131.

**NOTE 19. PENDING APPLICATIONS TO THE COMMISSION**

In February 2025, the District submitted an application to the Commission requesting approval to issue water, wastewater and drainage bonds in the amount of \$21,920,000. The bonds are expected to sell in October 2025.

Subsequent to year end, on June 17, 2025, the District submitted an application to the Commission requesting the use of surplus funds from the District's Series 2024 bonds in the amount of \$1,600,000 to be paid to the Developer for Master District Connection charges. Such application was approved by the Commission on August 12, 2025.

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2  
OF COLLIN COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION**

**MARCH 31, 2025**

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2**  
**OF COLLIN COUNTY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2025**

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 439,420	\$ 625,314	\$ 465,117	\$ (160,197)
Builder Contributions	892,500	892,500	340,000	(552,500)
Park Fee Reimbursement	21,000	21,000	75,623	54,623
Franchise Fees	30,000	30,000	74,939	44,939
Investment Revenues	<u>56,400</u>	<u>56,400</u>	<u>78,549</u>	<u>22,149</u>
<b>TOTAL REVENUES</b>	<u>\$ 1,439,320</u>	<u>\$ 1,625,214</u>	<u>\$ 1,034,228</u>	<u>\$ (590,986)</u>
<b>EXPENDITURES</b>				
Operating and administrative:				
Professional Fees	\$ 179,000	\$ 179,000	\$ 195,492	\$ (16,492)
Contracted Services	36,000	36,000	33,365	2,635
Utilities	6,900	6,900	9,463	(2,563)
Repairs and Maintenance	900	900	534	366
Administrative	70,722	70,722	37,131	33,591
Intergovernmental:				
Joint Facilities	450,789	450,789	522,248	(71,459)
City of McKinney Park Fees	45,110	45,110	81,120	(36,010)
Fire Station Operations	669,925	669,925	745,729	(75,804)
Bond Issuance Costs	<u></u>	<u></u>	<u>10,840</u>	<u>(10,840)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,459,346</u>	<u>\$ 1,459,346</u>	<u>\$ 1,635,922</u>	<u>\$ (176,576)</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ (20,026)	\$ 165,868	\$ (601,694)	\$ (767,562)
<b>FUND BALANCE - APRIL 1, 2024</b>	<u>1,509,106</u>	<u>1,509,106</u>	<u>1,509,106</u>	<u></u>
<b>FUND BALANCE - MARCH 31, 2025</b>	<u>\$ 1,489,080</u>	<u>\$ 1,674,974</u>	<u>\$ 907,412</u>	<u>\$ (767,562)</u>

See accompanying independent auditor's report.

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2  
OF COLLIN COUNTY**

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

**MARCH 31, 2025**



**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2  
OF COLLIN COUNTY  
SERVICES AND RATES  
FOR THE YEAR ENDED MARCH 31, 2025**

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

<u>      </u>	Retail Water	<u>      </u>	Wholesale Water	<u>  X  </u>	Drainage
<u>      </u>	Retail Wastewater	<u>      </u>	Wholesale Wastewater	<u>      </u>	Irrigation
<u>      </u>	Parks/Recreation	<u>  X  </u>	Fire Protection	<u>      </u>	Security
<u>  X  </u>	Solid Waste/Garbage	<u>      </u>	Flood Control	<u>  X  </u>	Roads
<u>  X  </u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u>  X  </u>	Other (specify): Water and wastewater services are provided by the City of McKinney				

**2. RETAIL SERVICE PROVIDERS (NOT APPLICABLE)**

**3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (NOT APPLICABLE)**

**4. STANDBY FEES (authorized only under TWC Section 49.231):**

Does the District have Debt Service standby fees? Yes        No   X  

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes   X   No       

County in which District is located:

Collin County, Texas

Is the District located within a city?

Entirely        Partly        Not at all   X  

Is the District located within a city's extra territorial jurisdiction (ETJ)?

Entirely   X   Partly        Not at all       

See accompanying independent auditor's report.

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2  
OF COLLIN COUNTY  
SERVICES AND RATES  
FOR THE YEAR ENDED MARCH 31, 2025**

**5. LOCATION OF DISTRICT (Continued):**

ETJ in which District is located:

City of McKinney, Texas.

Are Board Members appointed by an office outside the District?

Yes      \_\_\_\_\_      No        X  

See accompanying independent auditor's report.

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2**  
**OF COLLIN COUNTY**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED MARCH 31, 2025**

PROFESSIONAL FEES:	
Auditing	\$ 20,000
Engineering	92,731
Legal	<u>82,761</u>
TOTAL PROFESSIONAL FEES	<u>\$ 195,492</u>
CONTRACTED SERVICES:	
Bookkeeping	<u>\$ 33,365</u>
UTILITIES	<u>\$ 9,463</u>
REPAIRS AND MAINTENANCE	<u>\$ 534</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 20,774
Insurance	4,069
Office Supplies and Postage	18
Payroll Taxes	1,686
Travel and Meetings	4,106
Registration/Membership Fees	3,445
Website Expenses	2,933
Other	<u>100</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 37,131</u>
MASTER DISTRICT FEES	<u>\$ 522,248</u>
FIRE STATION OPERATIONS	<u>\$ 745,729</u>
CITY PARK FEES	<u>\$ 81,120</u>
DEBT SERVICE:	
Bond Issuance Costs	<u>\$ 10,840</u>
TOTAL EXPENDITURES	<u><u>\$ 1,635,922</u></u>

See accompanying independent auditor's report.

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2  
OF COLLIN COUNTY  
INVESTMENTS  
MARCH 31, 2025**

<u>Funds</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	XXXX0001	Varies	Daily	\$ 1,728,749	\$ - 0 -
<u>DEBT SERVICE FUND</u>					
Texas CLASS	XXXX0002	Varies	Daily	\$ 977,286	\$
Texas CLASS	XXXX0004	Varies	Daily	2,455,995	
TOTAL DEBT SERVICE FUND				\$ 3,433,281	\$ - 0 -
<u>CAPITAL PROJECTS FUND</u>					
Texas CLASS	XXXX0003	Varies	Daily	\$ 1,649	\$ - 0 -
Texas CLASS	XXXX0005	Varies	Daily	1,988,903	
TOTAL CAPITAL PROJECTS FUND				\$ 1,990,552	\$ - 0 -
TOTAL - ALL FUNDS				\$ 7,152,582	\$ - 0 -

See accompanying independent auditor's report.

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2  
OF COLLIN COUNTY  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED MARCH 31, 2025**

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>		<u>Road Debt Service Taxes</u>	
TAXES RECEIVABLE -						
APRIL 1, 2024	\$ 14,171		\$ 42,915		\$ 27,936	
Adjustments to Beginning						
Balance	<u>(131,141)</u>	\$ (116,970)	<u>(6,963)</u>	\$ 35,952	<u>(1,277)</u>	\$ 26,659
Original 2024 Tax Levy	\$ 633,693		\$2,703,757		\$1,098,401	
Adjustment to 2024 Tax Levy	<u>3,575</u>	<u>637,268</u>	<u>15,253</u>	<u>2,719,010</u>	<u>6,197</u>	<u>1,104,598</u>
TOTAL TO BE						
ACCOUNTED FOR		\$ 520,298		\$2,754,962		\$1,131,257
TAX COLLECTIONS:						
Prior Years	\$ (116,970)		\$ 35,952		\$ 26,659	
Current Year	<u>582,087</u>	<u>465,117</u>	<u>2,483,571</u>	<u>2,519,523</u>	<u>1,008,951</u>	<u>1,035,610</u>
TAXES RECEIVABLE -						
MARCH 31, 2025		<u>\$ 55,181</u>		<u>\$ 235,439</u>		<u>\$ 95,647</u>
TAXES RECEIVABLE BY						
YEAR:						
2024		<u>\$ 55,181</u>		<u>\$ 235,439</u>		<u>\$ 95,647</u>

See accompanying independent auditor's report.

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2  
OF COLLIN COUNTY  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED MARCH 31, 2025**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
PROPERTY VALUATIONS:				
Land	\$ 174,230,492	\$ 135,390,003	\$ 84,330,837	\$ 69,316,278
Improvements	271,601,717	150,340,244	71,817,842	28,224,889
Personal Property	2,440,275	939,608	562,521	532,511
Exemptions	<u>(22,166,137)</u>	<u>(23,448,694)</u>	<u>(14,375,873)</u>	<u>(4,547,197)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 426,106,347</u>	<u>\$ 263,221,161</u>	<u>\$ 142,335,327</u>	<u>\$ 93,526,481</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.64	\$ 0.530	\$ 0.490	\$ 0.07
Road Debt Service	0.26	0.345	0.095	0.00
Maintenance**	<u>0.15</u>	<u>0.175</u>	<u>0.465</u>	<u>0.98</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 1.05</u>	<u>\$ 1.050</u>	<u>\$ 1.050</u>	<u>\$ 1.05</u>
ADJUSTED TAX LEVY*	<u>\$ 4,460,876</u>	<u>\$ 2,763,822</u>	<u>\$ 1,494,521</u>	<u>\$ 982,028</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>93.49 %</u>	<u>100.00 %</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 \$1.20 per \$100 of assessed valuation approved by voters on November 6, 2018.

See accompanying independent auditor's report.



**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2**  
**OF COLLIN COUNTY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MARCH 31, 2025**

S E R I E S - 2 0 2 1				
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2026	\$ 130,000	\$ 97,838	\$	227,838
2027	135,000	91,875		226,875
2028	140,000	85,688		225,688
2029	140,000	79,388		219,388
2030	145,000	74,425		219,425
2031	150,000	71,113		221,113
2032	155,000	68,063		223,063
2033	160,000	64,913		224,913
2034	165,000	61,663		226,663
2035	170,000	58,313		228,313
2036	175,000	54,863		229,863
2037	180,000	51,200		231,200
2038	185,000	47,322		232,322
2039	190,000	43,219		233,219
2040	195,000	38,887		233,887
2041	200,000	34,318		234,318
2042	210,000	29,449		239,449
2043	215,000	24,402		239,402
2044	220,000	19,237		239,237
2045	225,000	13,952		238,952
2046	235,000	8,490		243,490
2047	240,000	2,850		242,850
2048				
2049				
2050				
	<u>\$ 3,960,000</u>	<u>\$ 1,121,468</u>	<u>\$</u>	<u>5,081,468</u>

See accompanying independent auditor's report.

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2**  
**OF COLLIN COUNTY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MARCH 31, 2025**

S E R I E S - 2 0 2 2			
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2026	\$ 260,000	\$ 483,800	\$ 743,800
2027	270,000	470,550	740,550
2028	285,000	456,675	741,675
2029	300,000	442,050	742,050
2030	315,000	426,675	741,675
2031	330,000	410,550	740,550
2032	345,000	395,400	740,400
2033	365,000	381,200	746,200
2034	380,000	366,300	746,300
2035	400,000	350,700	750,700
2036	420,000	333,775	753,775
2037	440,000	315,500	755,500
2038	465,000	295,688	760,688
2039	485,000	274,312	759,312
2040	510,000	251,925	761,925
2041	535,000	228,413	763,413
2042	565,000	203,662	768,662
2043	590,000	176,938	766,938
2044	620,000	148,200	768,200
2045	650,000	118,037	768,037
2046	685,000	86,331	771,331
2047	720,000	52,963	772,963
2048	755,000	17,931	772,931
2049			
2050			
	<u>\$ 10,690,000</u>	<u>\$ 6,687,575</u>	<u>\$ 17,377,575</u>

See accompanying independent auditor's report.

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2**  
**OF COLLIN COUNTY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MARCH 31, 2025**

S E R I E S - 2 0 2 2 R O A D				
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2026	\$ 65,000	\$ 120,950	\$	185,950
2027	65,000	117,050		182,050
2028	70,000	113,000		183,000
2029	75,000	109,025		184,025
2030	80,000	105,150		185,150
2031	80,000	101,550		181,550
2032	85,000	98,250		183,250
2033	90,000	94,750		184,750
2034	95,000	91,050		186,050
2035	100,000	87,150		187,150
2036	105,000	82,788		187,788
2037	110,000	77,950		187,950
2038	115,000	72,887		187,887
2039	120,000	67,600		187,600
2040	125,000	62,088		187,088
2041	135,000	56,237		191,237
2042	140,000	50,050		190,050
2043	145,000	43,638		188,638
2044	155,000	36,693		191,693
2045	160,000	29,213		189,213
2046	170,000	21,375		191,375
2047	180,000	13,062		193,062
2048	185,000	4,394		189,394
2049				
2050				
	<u>\$ 2,650,000</u>	<u>\$ 1,655,900</u>	<u>\$</u>	<u>4,305,900</u>

See accompanying independent auditor's report.

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2**  
**OF COLLIN COUNTY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MARCH 31, 2025**

S E R I E S - 2 0 2 3				
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2026	\$ 235,000	\$ 453,450	\$	688,450
2027	245,000	437,850		682,850
2028	255,000	421,600		676,600
2029	265,000	404,700		669,700
2030	280,000	386,987		666,987
2031	290,000	369,188		659,188
2032	305,000	352,862		657,862
2033	320,000	338,838		658,838
2034	330,000	325,837		655,837
2035	345,000	312,122		657,122
2036	365,000	297,478		662,478
2037	380,000	281,875		661,875
2038	395,000	265,406		660,406
2039	415,000	247,934		662,934
2040	435,000	229,340		664,340
2041	450,000	209,700		659,700
2042	470,000	189,000		659,000
2043	495,000	167,288		662,288
2044	515,000	144,563		659,563
2045	540,000	120,825		660,825
2046	565,000	95,962		660,962
2047	590,000	69,975		659,975
2048	615,000	42,863		657,863
2049	645,000	14,513		659,513
2050				
	<u>\$ 9,745,000</u>	<u>\$ 6,180,156</u>	<u>\$</u>	<u>15,925,156</u>

See accompanying independent auditor's report.

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2  
OF COLLIN COUNTY  
LONG-TERM DEBT SERVICE REQUIREMENTS  
MARCH 31, 2025**

S E R I E S - 2 0 2 3 R O A D			
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2026	\$ 290,000	\$ 574,181	\$ 864,181
2027	305,000	554,844	859,844
2028	315,000	534,694	849,694
2029	330,000	513,731	843,731
2030	345,000	491,794	836,794
2031	360,000	468,881	828,881
2032	380,000	444,831	824,831
2033	395,000	419,644	814,644
2034	410,000	398,606	808,606
2035	430,000	381,806	811,806
2036	450,000	363,644	813,644
2037	470,000	344,094	814,094
2038	490,000	323,694	813,694
2039	515,000	302,338	817,338
2040	535,000	279,356	814,356
2041	560,000	254,719	814,719
2042	585,000	228,956	813,956
2043	610,000	202,068	812,068
2044	640,000	174,344	814,344
2045	670,000	145,687	815,687
2046	700,000	115,719	815,719
2047	730,000	84,438	814,438
2048	765,000	51,734	816,734
2049	800,000	17,500	817,500
2050			
	<u>\$ 12,080,000</u>	<u>\$ 7,671,303</u>	<u>\$ 19,751,303</u>

See accompanying independent auditor's report.

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2**  
**OF COLLIN COUNTY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MARCH 31, 2025**

S E R I E S - 2 0 2 4			
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2026	\$	\$ 730,794	\$ 730,794
2027	405,000	718,644	1,123,644
2028	425,000	693,744	1,118,744
2029	440,000	667,794	1,107,794
2030	460,000	640,794	1,100,794
2031	485,000	612,444	1,097,444
2032	505,000	582,744	1,087,744
2033	530,000	556,994	1,086,994
2034	550,000	535,394	1,085,394
2035	575,000	512,894	1,087,894
2036	600,000	489,394	1,089,394
2037	630,000	464,794	1,094,794
2038	655,000	439,094	1,094,094
2039	685,000	412,294	1,097,294
2040	715,000	384,294	1,099,294
2041	750,000	354,994	1,104,994
2042	785,000	324,294	1,109,294
2043	820,000	292,194	1,112,194
2044	855,000	258,694	1,113,694
2045	895,000	223,694	1,118,694
2046	935,000	187,094	1,122,094
2047	975,000	148,894	1,123,894
2048	1,020,000	108,994	1,128,994
2049	1,065,000	67,294	1,132,294
2050	1,115,000	22,991	1,137,991
	<u>\$ 16,875,000</u>	<u>\$ 10,431,247</u>	<u>\$ 27,306,247</u>

See accompanying independent auditor's report.



**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2**  
**OF COLLIN COUNTY**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MARCH 31, 2025**

ANNUAL REQUIREMENTS  
FOR ALL SERIES

Due During Fiscal Years Ending March 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2026	\$ 980,000	\$ 2,461,013	\$ 3,441,013
2027	1,425,000	2,390,813	3,815,813
2028	1,490,000	2,305,401	3,795,401
2029	1,550,000	2,216,688	3,766,688
2030	1,625,000	2,125,825	3,750,825
2031	1,695,000	2,033,726	3,728,726
2032	1,775,000	1,942,150	3,717,150
2033	1,860,000	1,856,339	3,716,339
2034	1,930,000	1,778,850	3,708,850
2035	2,020,000	1,702,985	3,722,985
2036	2,115,000	1,621,942	3,736,942
2037	2,210,000	1,535,413	3,745,413
2038	2,305,000	1,444,091	3,749,091
2039	2,410,000	1,347,697	3,757,697
2040	2,515,000	1,245,890	3,760,890
2041	2,630,000	1,138,381	3,768,381
2042	2,755,000	1,025,411	3,780,411
2043	2,875,000	906,528	3,781,528
2044	3,005,000	781,731	3,786,731
2045	3,140,000	651,408	3,791,408
2046	3,290,000	514,971	3,804,971
2047	3,435,000	372,182	3,807,182
2048	3,340,000	225,916	3,565,916
2049	2,510,000	99,307	2,609,307
2050	1,115,000	22,991	1,137,991
	<u>\$ 56,000,000</u>	<u>\$ 33,747,649</u>	<u>\$ 89,747,649</u>

See accompanying independent auditor's report.

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2  
OF COLLIN COUNTY  
CHANGE IN LONG-TERM BOND DEBT  
FOR THE YEAR ENDED MARCH 31, 2025**

Description	Original Bonds Issued	Bonds Outstanding April 1, 2024
McKinney Municipal Utility District No. 2 of Collin County Unlimited Tax Bonds - Series 2021	\$ 4,205,000	\$ 4,085,000
McKinney Municipal Utility District No. 2 of Collin County Unlimited Tax Bonds - Series 2022	10,935,000	10,935,000
McKinney Municipal Utility District No. 2 of Collin County Unlimited Tax Road Bonds - Series 2022	2,710,000	2,710,000
McKinney Municipal Utility District No. 2 of Collin County Unlimited Tax Bonds - Series 2023	10,000,000	10,000,000
McKinney Municipal Utility District No. 2 of Collin County Unlimited Tax Road Bonds - Series 2023	12,395,000	12,395,000
McKinney Municipal Utility District No. 2 of Collin County Unlimited Tax Bonds - Series 2024	<u>16,875,000</u>	<u>                    </u>
TOTAL	<u>\$ 57,120,000</u>	<u>\$ 40,125,000</u>
	WSD Bonds	Fire Protection Bonds
Bond Authority:		
Amount Authorized by Voters	\$ 183,100,000	\$ 32,470,000
Amount Issued	<u>42,015,000</u>	<u>                    </u>
Remaining to be Issued	<u>\$ 141,085,000</u>	<u>\$ 32,470,000</u>
Debt Service Fund cash, investments and cash with paying agent balances as of March 31, 2025:		<u>\$ 3,555,423</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 3,589,906</u>

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

See accompanying independent auditor's report.

Current Year Transactions			Bonds Outstanding March 31, 2025	Paying Agent
Bonds Sold	Retirements			
	Principal	Interest		
\$	\$ 125,000	\$ 103,575	\$ 3,960,000	Regions Bank Dallas, TX
	245,000	496,425	10,690,000	Regions Bank Dallas, TX
	60,000	124,700	2,650,000	Regions Bank Dallas, TX
	255,000	469,375	9,745,000	BOKF, N.A. Houston, TX
	315,000	593,844	12,080,000	BOKF, N.A. Houston, TX
<u>16,875,000</u>		<u>330,887</u>	<u>16,875,000</u>	BOKF, N.A. Houston, TX
<u>\$ 16,875,000</u>	<u>\$ 1,000,000</u>	<u>\$ 2,118,806</u>	<u>\$ 56,000,000</u>	
Road Bonds	WSD Refunding Bonds	Fire Protection Refunding Bonds	Road Refunding Bonds	
\$ 140,160,000	\$ 274,650,000	\$ 48,705,000	\$ 210,240,000	
<u>15,105,000</u>				
\$ 125,055,000	\$ 274,650,000	\$ 48,705,000	\$ 210,240,000	

See accompanying independent auditor's report.

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2**  
**OF COLLIN COUNTY**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND - FIVE YEARS**

	Amounts		
	2025	2024	2023
<b>REVENUES</b>			
Property Taxes	\$ 465,117	\$ 464,678	\$ 685,616
Garbage service		35,098	15,969
Builder Contributions	340,000	1,047,500	744,500
Park Fee Reimbursement	75,623		
Franchise Fees	74,939	30,737	20,296
Investment Revenues	78,549	77,178	10,227
<b>TOTAL REVENUES</b>	<u>\$ 1,034,228</u>	<u>\$ 1,655,191</u>	<u>\$ 1,476,608</u>
<b>EXPENDITURES</b>			
Operating and administrative:			
Professional Fees	195,492	173,057	153,211
Contracted Services	33,365	33,566	18,137
Utilities	9,463	8,091	3,129
Repairs and Maintenance	534	965	740
Administrative	37,131	46,796	39,968
Other		15,054	1,886
Intergovernmental:			
Joint Facilities	522,248	396,234	337,743
City of McKinney Park Fees	81,120	47,229	20,839
Fire Station Operations	745,729	628,526	1,666,676
Debt Service:			
Bond Interest			
Bond Issuance Costs	10,840		
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,635,922</u>	<u>\$ 1,349,518</u>	<u>\$ 2,242,329</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (601,694)</u>	<u>\$ 305,673</u>	<u>\$ (765,721)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer Advances	\$ - 0 -	\$ - 0 -	\$ 583,794
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (601,694)</u>	<u>\$ 305,673</u>	<u>\$ (181,927)</u>
<b>BEGINNING FUND BALANCE</b>	<u>1,509,106</u>	<u>1,203,433</u>	<u>1,385,360</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 907,412</u>	<u>\$ 1,509,106</u>	<u>\$ 1,203,433</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2022	2021	2025	2024	2023	2022	2021
\$ 925,935	\$ 641,072	\$ 45.0 %	28.0 %	46.4 %	80.7 %	68.7 %
12,758			2.1	1.1	1.1	
202,940	290,080	32.9	63.3	50.4	17.7	31.1
		7.3				
5,541	2,153	7.2	1.9	1.4	0.5	0.2
21		7.6	4.7	0.7		
<u>\$ 1,147,195</u>	<u>\$ 933,344</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
93,321	67,075	18.9 %	10.5 %	10.4 %	8.1 %	7.2 %
7,228	16,532	3.2	2.0	1.2	0.6	1.8
1,985	1,797	0.9	0.5	0.2	0.2	0.2
1,000		0.1	0.1	0.1	0.1	
39,980	16,274	3.6	2.8	2.7	3.5	1.7
211			0.9	0.1		
337,834	382,791	50.5	23.9	22.9	29.4	41.0
9,710	4,094	7.8	2.9	1.4	0.8	0.4
		72.1	38.0	112.9		
	15,000					1.6
		1.0				
<u>\$ 491,269</u>	<u>\$ 503,563</u>	<u>157.1 %</u>	<u>81.6 %</u>	<u>151.9 %</u>	<u>42.7 %</u>	<u>53.9 %</u>
<u>\$ 655,926</u>	<u>\$ 429,781</u>	<u>(57.1) %</u>	<u>18.4 %</u>	<u>(51.9) %</u>	<u>57.3 %</u>	<u>46.1 %</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ 655,926	\$ 429,781					
729,434	299,653					
<u>\$ 1,385,360</u>	<u>\$ 729,434</u>					

See accompanying independent auditor's report.

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2  
OF COLLIN COUNTY  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2025	2024	2023
<b>REVENUES</b>			
Property Taxes	\$ 3,555,133	\$ 2,255,244	\$ 812,748
Penalty and Interest		14,206	5,356
Investment Revenues	111,748	77,900	13,578
Miscellaneous Revenues	<u>14,916</u>	<u>1,685</u>	<u>2,763</u>
<b>TOTAL REVENUES</b>	<u>\$ 3,681,797</u>	<u>\$ 2,349,035</u>	<u>\$ 834,445</u>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 53,631	\$ 37,627	\$ 19,852
Debt Service Principal	1,000,000	120,000	
Debt Service Interest and Fees	2,121,969	1,206,307	296,067
Bond Issuance Costs			<u>9,500</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 3,175,600</u>	<u>\$ 1,363,934</u>	<u>\$ 325,419</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 506,197</u>	<u>\$ 985,101</u>	<u>\$ 509,026</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Long-Term Debt Issued	<u>\$ 365,397</u>	<u>\$ 517,719</u>	<u>\$ 523,563</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 871,594	\$ 1,502,820	\$ 1,032,589
<b>BEGINNING FUND BALANCE</b>	<u>2,657,498</u>	<u>1,154,678</u>	<u>122,089</u>
<b>ENDING FUND BALANCE</b>	<u><u>\$ 3,529,092</u></u>	<u><u>\$ 2,657,498</u></u>	<u><u>\$ 1,154,678</u></u>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

See accompanying independent auditor's report.



		Percentage of Total Revenues				
2022	2021	2025	2024	2023	2022	2021
\$ 63,562	\$	96.6 %	96.0 %	97.5 %	89.9 %	%
7,122			0.6	0.6	10.1	
11		3.0	3.3	1.6		
		0.4	0.1	0.3		
\$ 70,695	\$ - 0 -	100.0 %	100.0 %	100.0 %	100.0 %	%
\$ 15,058	\$	1.5 %	1.6 %	2.4 %	21.3 %	%
		27.2	5.1			
45,336		57.6	51.4	35.5	64.1	
				1.1		
\$ 60,394	\$ - 0 -	86.3 %	58.1 %	39.0 %	85.4 %	%
\$ 10,301	\$ - 0 -	13.7 %	41.9 %	61.0 %	14.6 %	N/A %
\$ 111,788	\$ - 0 -					
\$ 122,089	\$					
- 0 -						
\$ 122,089	\$ - 0 -					
N/A	N/A					
N/A	N/A					

See accompanying independent auditor's report.

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2  
OF COLLIN COUNTY  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
MARCH 31, 2025**

District Mailing Address - McKinney Municipal Utility District No. 2  
of Collin County  
c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP  
1330 Post Oak Boulevard, Suite 2650  
Houston, TX 77056

District Telephone Number - (713) 850-9000

<b>Board Members</b>	<b>Term of Office (Elected or Appointed)</b>	<b>Fees of office for the year ended March 31, 2025</b>	<b>Expense reimbursements for the year ended March 31, 2025</b>	<b>Title</b>
Russell Thomsen	05/24 05/28 (Elected)	\$ 6,188	\$ 1,986	President
Douglas White	05/24 05/28 (Appointed)	\$ 4,420	\$ 629	Vice President
Frank Vaccaro	05/22 05/26 (Elected)	\$ 3,536	\$ 651	Secretary
William Buniak	05/24 05/28 (Appointed)	\$ 3,536	\$ 642	Assistant Secretary
Matthew Sickel	03/25 05/26 (Appointed)	\$ 221	\$ -0-	Assistant Secretary
Robert Philo	05/22 03/25 (Elected)	\$ 2,873	\$ 198	Former Secretary

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

Submission date of most recent District Registration Form: March 31, 2025

See accompanying independent auditor's report.

**MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 2  
OF COLLIN COUNTY  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
MARCH 31, 2025**

	<u>Date Hired</u>	<u>Fees for the year ended March 31, 2025</u>	<u>Title</u>
<b>Consultants:</b>			
Sanford Kuhl Hagan Kugle Parker Kahn LLP	04/1/12	\$ 83,079 \$ 554,863	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	10/3/24	\$ -0- \$ 13,500	Auditor Bond Related
Dye & Tovery, Inc.	5/24/23	\$ 34,383	Bookkeeper
Westwood Professional Services	3/13/25	\$ 7,260	Engineer
R. W. Baird & Co. Incorporated	1/26/15	\$ 474,767	Financial Advisor
Utility Tax Services, LLC	05/27/14	\$ 20,392	Tax Assessor/ Collector
Ted A. Cox, PC	03/02/22	\$ 4,921	Delinquent Tax
LJA Engineering	12/21/22	\$ 92,671	Former Engineer
McGrath & Co., PLLC	07/01/23	\$ 20,000 \$ 10,000	Former Auditor Bond Related

See accompanying independent auditor's report.

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



## MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

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

MEMBER: [NAME OF MEMBER]

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

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

Risk Premium: \$ \_\_\_\_\_

Member Surplus Contribution: \$ \_\_\_\_\_

Total Insurance Payment: \$ \_\_\_\_\_

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

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

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

Email:

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

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN