**OFFICIAL STATEMENT DATED MAY, 20, 2024**

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

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

NEW ISSUE – Book Entry Only

S&P Global Ratings (BAM Insured) ........................................................ "AA"
Moody's Investors Service, Inc. (Underlying)........................................"A3"
See "MUNICIPAL BOND INSURANCE" and "MUNICIPAL BOND RATINGS."

**DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6**
(A political subdivision of the State of Texas, located within Denton County)

**$9,240,000**
**Unlimited Tax Utility Bonds**
**Series 2024**

**Interest accrues from: Date of Delivery**

**Dated: June 1, 2024** **Due: September 1, as shown on inside cover**

The $9,240,000 Unlimited Tax Utility Bonds, Series 2024 (the "Bonds"), are solely obligations of Denton County Municipal Utility District No. 6 (the "District") and are not obligations of the State of Texas; Denton County, Texas; the City of Aubrey, Texas; or any political subdivision or entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Denton County, Texas; the City of Aubrey, Texas; nor any entity other than the District is pledged to the payment of the principal of or the interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrar, initially, BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds accrues from the initial date of delivery (on or about June 18, 2024) (the "Date of Delivery"), and is payable September 1, 2024, and on each March 1 and September 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date. The Bonds are fully registered bonds in principal denominations of $5,000 or any integral multiple thereof.

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

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

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

The Bonds constitute the fifth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing water, wastewater and drainage facilities to serve the District (the "Utility System"). The District has previously issued five series of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District (the "Road System"). When issued, the Bonds will constitute valid and legally binding obligations of the District payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See "THE BONDS – Source of Payment." Investment in the Bonds is subject to special investment considerations as described herein. Prospective purchasers should review this entire Official Statement, including particularly the section of this Official Statement entitled "INVESTMENT CONSIDERATIONS," before making an investment decision.

The Bonds are offered, when, as and if issued by the District to the winning bidder of the Bonds (the "Initial Purchaser"), subject, among other things, to the approval of the Attorney General of Texas and of Coats Rose, P.C., Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about June 18, 2024.

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

**$9,240,000 Unlimited Tax Utility Bonds, Series 2024**

**$7,715,000 Serial Bonds**

| Maturity (September 1) | Principal Amount | Interest Rate | Initial Reoffering Yield (a) | CUSIP No. 24880S (b) | Maturity (September 1) | Principal Amount | Interest Rate | Initial Reoffering Yield (a) | CUSIP No. 24880S (b) |
|---|---|---|---|---|---|---|---|---|---|
| 2025 | $ 235,000 | 4.000% | 3.550% | KC6 | 2037 (c) | $ 380,000 | 4.000% | 3.750% | KQ5 |
| 2026 | 245,000 | 4.000% | 3.450% | KD4 | 2038 (c) | 395,000 | 4.000% | 3.850% | KR3 |
| 2027 | 255,000 | 4.000% | 3.350% | KE2 | 2039 (c) | 410,000 | 4.000% | 3.900% | KS1 |
| 2028 | 265,000 | 4.000% | 3.300% | KF9 | 2042 (c) | 460,000 | 4.000% | 4.080% | KV4 |
| 2029 | 275,000 | 4.000% | 3.300% | KG7 | 2043 (c) | 480,000 | 4.000% | 4.140% | KW2 |
| 2030 | 285,000 | 4.000% | 3.350% | KH5 | 2044 (c) | 500,000 | 4.000% | 4.160% | KX0 |
| 2031 (c) | 300,000 | 4.000% | 3.350% | KJ1 | 2045 (c) | 520,000 | 4.000% | 4.200% | KY8 |
| 2032 (c) | 310,000 | 4.000% | 3.400% | KK8 | 2046 (c) | 540,000 | 4.000% | 4.220% | KZ5 |
| 2035 (c) | 350,000 | 4.000% | 3.550% | KN2 | 2047 (c) | 560,000 | 4.000% | 4.240% | LA9 |
| 2036 (c) | 365,000 | 4.000% | 3.600% | KP7 | 2048 (c) | 585,000 | 4.000% | 4.260% | LB7 |

**$1,525,000 Term Bonds**

$660,000 Term Bond Due September 1, 2034 (c)(d), Interest Rate: 4.000% (Price: $102.664) (a), CUSIP No. 24880S KM4(b)

$865,000 Term Bond Due September 1, 2041 (c)(d), Interest Rate: 4.000% (Price: $99.748) (a), CUSIP No. 24880S KU6 (b)

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

(b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.

(c) Bonds maturing on September 1, 2031, and thereafter, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on June 1, 2030, or any date thereafter at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – Optional Redemption."

(d) Subject to mandatory redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth herein under "THE BONDS – Redemption Provisions – Mandatory Redemption."

## USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under "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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## SALE AND DISTRIBUTION OF THE BONDS

### Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost, which was tendered by SAMCO (the "Initial Purchaser"). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS" on the inside cover page of this Official Statement, at a price of 98.013818% of the principal amount thereof, which resulted in a net effective interest rate of 4.136333%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

### Prices and Marketability

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

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser 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, dealer, or similar person or organization acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

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

### Securities Laws

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

## MUNICIPAL BOND INSURANCE

### Bond Insurance Policy

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

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

### Build America Mutual Assurance Company

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

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

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

*Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2024 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $483.2 million, $221.8 million and $261.4 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.buildamerica.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 "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 www.buildamerica.com/videos. (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 www.buildamerica.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.

## MUNICIPAL BOND RATINGS

The Bonds are expected to receive an insured rating of "AA" from S&P solely in reliance upon the issuance of the municipal bond insurance Policy for each series of 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 Investors Service, Inc. ("Moody's") has assigned an underlying rating of "A3" to the Bonds. An explanation of the rating 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. There is no assurance that the rating will continue for any given time or that it will not be revised downward or withdrawn entirely by Moody's, if, in its judgment, circumstances so warrant. Any such revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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

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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 to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

### THE BONDS

| | |
|---|---|
| The District | Denton County Municipal Utility District No. 6 (the "District"), a political subdivision of the State of Texas, located within Denton County, Texas. See "THE DISTRICT." |
| The Bonds | The District is issuing $9,240,000 Unlimited Tax Utility Bonds, Series 2024 (the "Bonds"). The Bonds are dated June 1, 2024, and mature on September 1 in the years and amounts set forth on the inside cover page hereof. Interest accrues from the initial date of delivery (on or about June 18, 2024) (the "Date of Delivery"), at the rates per annum set forth on the inside cover page hereof and is payable on September 1, 2024, and on each March 1 and September 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of $5,000 for any one maturity. See "THE BONDS." |
| Redemption Provisions | *Optional Redemption:* The Bonds maturing on and after September 1, 2031, are subject to redemption, in whole or from time to time in part, at the option of the District on June 1, 2030, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Redemption Provisions – Optional Redemption."<br><br>*Mandatory Redemption:* The Bonds maturing on September 1 in the years 2034 and 2041 are term bonds (the "Term Bonds') and are subject to certain mandatory sinking fund redemption provisions as set forth herein under "THE BONDS – Redemption Provisions – Mandatory Redemption." |
| Source of Payment | Principal of and interest on the Bonds is payable from the proceeds of a continuing direct annual ad valorem tax, levied upon all taxable property within the District without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Denton County, Texas; the City of Aubrey, Texas; or any other political subdivision or entity other than the District. See "THE BONDS – Source of Payment." |
| Payment Record | The District has never defaulted on the debt service payments on its Outstanding Bonds (herein defined). |
| Authority for Issuance | Voters of the District have authorized the District's issuance of $115,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater, and drainage facilities to serve the District (the "Utility System"); $64,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District (the "Road System"); $172,500,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; and $96,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System. |

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended, (ii) an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District on the date of the sale of the Bonds, (iii) an election held within the District on May 12, 2007, and (iv) an approving order of the Texas Commission on Environmental Quality ("TCEQ").

The Bonds represent the fifth series of bonds to be issued for the purpose of constructing, acquiring, improving, maintaining, and operating the Utility System. Following the issuance of the Bonds, $77,090,000 principal amount of unlimited tax bonds will remain authorized but unissued for the purpose of constructing, acquiring, improving, maintaining, and operating the Utility System. $24,710,000 principal amount of unlimited tax bonds for the purpose of constructing, acquiring, improving, maintaining, and operating the Road System remains authorized but unissued.

Use of Bond Proceeds ........................................ Proceeds from the sale of the Bonds will be used to reimburse the Developer (herein defined) for costs associated with certain improvements serving the District as set out herein under "THE BONDS – Use and Distribution of Bond Proceeds." Proceeds of the Bonds will also be used to pay developer interest and costs of issuance on the Bonds. See "THE BONDS – Use and Distribution of Bond Proceeds" for further information.

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

Outstanding Bonds ............................................ The District has previously issued the following series of unlimited tax bonds: $5,730,000 Unlimited Tax Road Bonds, Series 2019; $6,150,000 Unlimited Tax Utility Bonds, Series 2019; $3,840,000 Unlimited Tax Road Bonds, Series 2020; $5,000,000 Unlimited Tax Utility Bonds, Series 2020; $8,500,000 Unlimited Tax Road Bonds, Series 2021; $12,020,000 Unlimited Tax Utility Bonds, Series 2021; $13,045,000 Unlimited Tax Road Bonds, Series 2022; $5,500,000 Unlimited Tax Utility Bonds, Series 2023; and $8,175,000 Unlimited Tax Road Bonds, Series 2023. As of delivery of the Bonds, $65,525,000 of such previously issued bonds will remain outstanding (the "Outstanding Bonds"). See "THE BONDS – Outstanding Bonds."

Municipal Bond Insurance ............................... Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND INSURANCE."

Municipal Bond Ratings.................................... S&P Global Ratings (BAM Insured): "AA." Moody's Investors Service, Inc. (Underlying): "A3." See "MUNICIPAL BOND RATINGS."

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

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

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

**THE DISTRICT**

Description............................................................ The District was created by Act of the 79th Texas Legislature, Regular Session, H.B. 3534, on June 17, 2005, as a municipal utility district. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution. The District is subject to the continuing supervision of the TCEQ. The District consists of approximately 2,440 total acres. See "THE DISTRICT."

Location ........ The District is located approximately 7 miles east of the City of Aubrey, Texas, in Denton County, Texas. The District is located entirely within the extraterritorial jurisdiction of the City of Aubrey, Texas.

Developer and Principal Landowner ........ Sandbrock Investments Inc., a Texas corporation ("Sandbrock"), is the principal landowner in the District and owns approximately 1,627.87 acres of land within the District. Sandbrock sells the land to Horizon/Deer Creek Development Corp., a Texas corporation (the "Developer"), for future single-family residential development on an as needed basis. Sandbrock and the Developer are under common ownership and management. The Developer was created in 2016 for the sole purpose of developing Sandbrock Ranch and has no plans to develop any additional property outside of the District. As of March 15, 2024, the Developer continues to own approximately 771.995 acres of land within the District. See "PRINCIPAL LANDOWNER/DEVELOPER."

Development within the District ........ The District is being developed as Sandbrock Ranch, a single-family residential community. Currently, development in the District includes 1,806 single-family residential lots developed on approximately 554.08 acres as Sandbrock Ranch, Phases 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12. Additionally, 352 single-family lots are under development on approximately 99.4 acres as Sandbrock Ranch, Phase 13 and Sandbrock Ranch, Phase 15. In addition, the District contains an amenity center on approximately 14.58 acres, a wastewater treatment plant (the "WWTP") on approximately 40.00 acres, an elementary school on approximately 14.96 acres, approximately 1,010.85 undeveloped but developable acres, and approximately 706 undevelopable acres.

As of March 15, 2024, the District consisted of approximately 1,435 completed homes (1,413 occupied, 15 unoccupied, and 7 model homes), approximately 143 homes under construction, and 228 vacant developed lots. See "DEVELOPMENT OF THE DISTRICT – Status of Development within the District."

Homebuilders ........ Homebuilders currently active within the District include Highland Homes, David Weekley Homes, and Coventry Homes. Homes in the District range in price from approximately $468,000 to approximately $975,000 and in size from approximately 1,962 square feet to approximately 4,467 square feet. See "DEVELOPMENT OF THE DISTRICT – Homebuilders within the District."

**INVESTMENT CONSIDERATIONS**

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

## SELECTED FINANCIAL INFORMATION

## (UNAUDITED)

| | | |
|---|---|---|
| 2023 Assessed Taxable Valuation | $ 594,646,563 | (a) |
| 2024 Preliminary Assessed Taxable Valuation | $ 782,287,735 | (b) |
| Estimated Taxable Valuation as of March 15, 2024 | $ 813,286,071 | (c) |
| Direct Debt | | |
| The Outstanding Bonds (as of delivery of the Bonds) | $ 65,525,000 | |
| The Bonds | $ 9,240,000 | |
| Total | $ 74,765,000 | |
| Estimated Overlapping Debt | $ 44,858,299 | (d) |
| Total Direct and Estimated Overlapping Debt | $ 119,623,299 | (d) |
| Direct Debt Ratios: | | |
| As a Percentage of 2023 Assessed Taxable Valuation | 12.57 % | |
| As a Percentage of 2024 Preliminary Assessed Taxable Valuation | 9.56 % | |
| As a Percentage of Estimated Taxable Valuation as of March 15, 2024 | 9.19 % | |
| Direct and Estimated Overlapping Debt Ratios: | | |
| As a Percentage of 2023 Assessed Taxable Valuation | 20.12 % | |
| As a Percentage of 2024 Preliminary Assessed Taxable Valuation | 15.29 % | |
| As a Percentage of Estimated Taxable Valuation as of March 15, 2024 | 14.71 % | |
| Utility System Debt Service Fund Balance (as of April 15, 2024) | $ 2,066,787 | (e) |
| Road System Debt Service Fund Balance (as of April 15, 2024) | $ 2,557,367 | (f) |
| Utility System Capital Projects Fund (as of April 15, 2024) | $ 303,524 | |
| Road System Capital Projects Fund (as of April 15, 2024) | $ 550,525 | |
| General Operating Fund Balance (as of April 15, 2024) | $ 2,459,509 | |
| 2023 Tax Rate | | |
| Utility System Debt Service | $ 0.2800 | (g) |
| Road System Debt Service | $ 0.4100 | (g) |
| Maintenance and Operations | $ 0.2600 | (g) |
| Total | $ 0.9500 | (g) |
| Average Annual Debt Service Requirement (2025–2048) | $ 4,439,744 | (h) |
| Maximum Annual Debt Service Requirement (2040) | $ 4,786,906 | (h) |
| Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2025–2048): | | |
| Based on 2023 Assessed Taxable Valuation at 95% Tax Collections | $0.79 | |
| Based on 2024 Preliminary Assessed Taxable Valuation at 95% Tax Collections | $0.60 | |
| Based on Estimated Taxable Valuation as of March 15, 2024, at 95% Tax Collections | $0.58 | |
| Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2040): | | |
| Based on 2023 Assessed Taxable Valuation at 95% Tax Collections | $0.85 | |
| Based on 2024 Preliminary Assessed Taxable Valuation at 95% Tax Collections | $0.65 | |
| Based on Estimated Taxable Valuation as of March 15, 2024, at 95% Tax Collections | $0.62 | |
| Single-Family Homes (including 143 homes under construction) as of March 15, 2024 | 1,578 | (i) |

(a) Represents the assessed valuation of all taxable property in the District as of January 1, 2023 as provided by the Denton Central Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. This amount represents the preliminary determination of the assessed valuation of all taxable property within the District as of January 1, 2024. No taxes will be levied upon this value, which is subject to protest by landowners. The value will be certified by the Denton County Appraisal review Board (the "Appraisal Review Board") and taxes will be levied on the certified value. See "TAX DATA" and "TAXING PROCEDURES."

(c) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of March 15, 2024 and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2023, through March 15, 2024. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

(d) See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."

(e) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund (herein defined). Funds in the Utility System Debt Service Fund are pledged only to pay the debt service on the Bonds, the outstanding bonds for the Utility System, and any other bonds issued for the purpose of acquiring or constructing the Utility System. Funds in the Utility System Debt Service Fund are not pledged to pay debt service on bonds issued for the purpose of acquiring or constructing the Road System.
(f) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund (herein defined). Funds in the Road System Debt Service Fund are pledged only to pay the debt service on the bonds issued for the purpose of acquiring or constructing the Road System. Funds in the Road System Debt Service Fund are not pledged to pay debt service on the Bonds or any other bonds issued for the purpose of acquiring or constructing the Utility System.
(g) See "TAX DATA – Tax Rate Calculations."
(h) See "DISTRICT DEBT – Debt Service Requirement Schedule."
(i) Approximately 1,413 homes are occupied, 15 homes are unoccupied, and 7 homes are model homes.

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

**OFFICIAL STATEMENT**

**relating to**

**DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6**

(A Political Subdivision of the State of Texas, located within Denton County)

**$9,240,000**
**UNLIMITED TAX UTILITY BONDS**
**SERIES 2024**

## INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Denton County Municipal Utility District No. 6 (the "District") of its $9,240,000 Unlimited Tax Utility Bonds, Series 2024 (the "Bonds").

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended, (ii) an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District on the date of the sale of the Bonds, (iii) an election held within the District on May 12, 2007, and (iv) an approving order of the Texas Commission on Environmental Quality ("TCEQ").

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

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

## THE BONDS

### General

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

The Bonds are dated June 1, 2024. The Bonds will mature on September 1 of the years and in the principal amounts, and will bear interest from the initial date of delivery (on or about June 18, 2024), at the rates per annum, set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable September 1, 2024, and semiannually thereafter on each March 1 and September 1 until maturity or redemption.

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

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

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

**Book-Entry-Only System**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Successor Paying Agent/Registrar**

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

### Record Date

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

### Registration, Transfer and Exchange

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

### Mutilated, Lost, Stolen or Destroyed Bonds

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

### Redemption Provisions

*Optional Redemption:* The Bonds maturing on September 1, 2031, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on June 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of $5,000 within any one maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

*Mandatory Redemption:* The Bonds maturing on September 1 in the years 2034 and 2041 (the "Term Bonds") are also subject to mandatory sinking fund redemption by the District by lot or other customary method of random selection prior to scheduled maturity on September 1 in the years ("Mandatory Redemption Dates") and in the amounts set forth below at a redemption price of par plus accrued interest to the date of redemption.

**$660,000 Term Bond Maturing on September 1, 2034**

| Mandatory Redemption Date | Principal Amount |
|---|---|
| September 1, 2033 | $ 325,000 |
| September 1, 2034 (Maturity) | $ 335,000 |

**$865,000 Term Bond Maturing on September 1, 2041**

| Mandatory Redemption Date | Principal Amount |
|---|---|
| September 1, 2040 | $ 425,000 |
| September 1, 2041 (Maturity) | $ 440,000 |

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

**Outstanding Bonds**

The District has previously issued the following series of unlimited tax bonds: $5,730,000 Unlimited Tax Road Bonds, Series 2019; $6,150,000 Unlimited Tax Utility Bonds, Series 2019; $3,840,000 Unlimited Tax Road Bonds, Series 2020; $5,000,000 Unlimited Tax Utility Bonds, Series 2020; $8,500,000 Unlimited Tax Road Bonds, Series 2021; $12,020,000 Unlimited Tax Utility Bonds, Series 2021; $13,045,000 Unlimited Tax Road Bonds, Series 2022; $5,500,000 Unlimited Tax Utility Bonds, Series 2023; and 8,175,000 Unlimited Tax Road Bonds, Series 2023. As of delivery of the Bonds, $65,525,000 of such previously issued bonds will remain outstanding (the “Outstanding Bonds”).

**Authority for Issuance**

At an election held within the District on May 12, 2007, voters of the District authorized the issuance of $115,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater, and drainage facilities to serve the District (the “Utility System”); $64,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District (the “Road System”); $172,500,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; and $96,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (ii) the Bond Order, (iii) an election held within the District on May 12, 2007, and (iv) an approving order of the TCEQ.

**Source of Payment**

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

The Bonds are obligations solely of the District and are not the obligations of the State of Texas; Denton County, Texas (the “County”); the City of Aubrey, Texas (the “City”); or any entity other than the District.

**Issuance of Additional Debt**

The District may issue additional bonds with the approval of the TCEQ (with respect to the bonds for the Utility System) necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of $115,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System; $64,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; $172,500,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; and $96,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

The Bonds represent the fifth series of bonds issued by the District for the purpose of acquiring or constructing the Utility System. The District has previously issued five series of bonds for the purpose of acquiring or constructing the Road System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: $77,090,000 for the purpose of acquiring or constructing the Utility System; $24,710,000 for the purpose of acquiring or constructing the Road System; $172,500,000 for the purpose of refunding bonds issued by the District for the Utility System; and $96,000,000 for the purpose of refunding bonds issued by the District for the Road System. The District may also issue any additional bonds as may hereafter be approved by both the Board of Directors and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Order. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and, in the case of bonds for the Utility System, approved by the TCEQ).

Based on present engineering cost estimates and development plans, in the opinion of the District's Engineer, the remaining $77,090,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing the Utility System will be sufficient to fully finance utility facilities to serve the remaining undeveloped but developable land within the District. Based on present engineering cost estimates and development plans, in the opinion of the District's Engineer, the remaining $24,710,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing the Road System will be sufficient to fully finance road facilities to serve the remaining undeveloped but developable land within the District.

Following reimbursement of the proceeds of the Bonds to the Developer, the District will have fully reimbursed the Developer for the Road System and the Utility System constructed to date. However, the Developer is currently developing Sandbrock Ranch, Phases 13 and 15 and are therefore incurring additional reimbursable expenditures that the District will owe to the Developer upon the completion of development of such phases. The District plans to issue additional bonds during 2024 to finance a portion of the Road System. The amount of such bonds is unknown at this time. The District recently received an invoice from the District's operator, Mustang Special Utility District, for the completion of the wastewater treatment plant (the "WWTP") expansion. The District plans on issuing additional bonds in 2024 to fully reimburse this expense. See "INVESTMENT CONSIDERATIONS – Future Debt".

**No Arbitrage**

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

## Annexation

Chapter 42, Texas Local Government Code, provides that, within the limits described therein, the unincorporated area contiguous to the corporate limits of any municipality comprises that municipality's extraterritorial jurisdiction ("ETJ"). The size of an ETJ depends in part on the municipality's population. With certain exceptions, a municipality may annex territory only within the confines of its ETJ. When a municipality annexes additional territory, the municipality's ETJ expands in conformity with such annexation.

The District lies within the extraterritorial jurisdiction of the City. As such, under existing law, the District may be annexed for full purposes by the City without the District's consent, subject to compliance by the City with various requirements of Chapter 43 of the Texas Local Government Code, as amended. If the District is annexed, the City must assume the District's assets and obligations (including the Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

## Consolidation

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

## Funds

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

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

## Defeasance

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

There is no assurance that the current law will not be changed in a manner which would permit other investments to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as currently permitted under Texas law. There is also no assurance that any investment held for such discharge will maintain its rating.

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

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

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

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

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

**Registered Owners' Remedies**

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

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

## Use and Distribution of Bond Proceeds

Proceeds from the sale of the Bonds will be used to reimburse the Developer for costs associated with certain improvements serving the District as set out below. Proceeds of the Bonds will also be used to pay developer interest and costs of issuance on the Bonds as described below.

| **Construction Costs** | | District's Share |
|---|---|---|
| A. | Sandbrock Ranch, Phase 10 | $ 2,454,034 |
| B. | Sandbrock Ranch, Phase 10 Grading | 40,779 |
| C. | Sandbrock Ranch, Phase 11 | 1,624,267 |
| D. | Sandbrock Ranch, Phase 11 Grading | 62,124 |
| E. | Sandbrock Ranch, Phase 12 | 2,876,361 |
| G. | Engineering and Testing (8.5% of Items Nos. 1 - 5) | 599,842 |
| I. | Land Costs - ROW | 6,891 |
| | **TOTAL CONSTRUCTION COSTS** | **$ 7,664,298** |
| **Non-Construction Costs** | | |
| A. | Legal Fees | $ 241,000 |
| B. | Fiscal Agent Fees | 184,800 |
| C. | Developer Interest | 728,169 |
| D. | Bond Discount | 183,523 |
| E. | Bond Issuance Expenses | 52,193 |
| F. | Bond Engineering Report Fee | 60,000 |
| G. | Attorney General Fee | 9,240 |
| H. | TCEQ Fee | 23,100 |
| F. | Contingency | 93,676 |
| | **TOTAL NON-CONSTRUCTION COSTS** | **$ 1,575,702** |
| **TOTAL BOND ISSUE REQUIREMENT** | | **$ 9,240,000** |

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

## THE DISTRICT

### General

The District was created by Act of the 79th Texas Legislature, Regular Session, H.B. 3534, on June 17, 2005, as a municipal utility district. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas applicable to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution. The District is subject to the continuing supervision of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water; and roads located inside its boundaries. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the TCEQ and the voters of the District.

### Description

The District contains approximately 2,440 acres and is located approximately 7 miles east of the City and approximately 20 miles east of the City of Denton in the County. The District is located entirely within the extraterritorial jurisdiction of the City and within the Denton Independent School District.

### Management of the District

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

| Name | Position | Term Expires May |
|---|---|---|
| Paul Tate | President | 2026 |
| Mack Strother | Vice President | 2028 |
| Bart White | Secretary | 2028 |
| Jennifer Kaiser | Assistant Secretary | 2026 |
| Michael Nelson | Assistant Secretary | 2026 |

### Investment Policy

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

### Consultants

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

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

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

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

*Tax Assessor/Collector*: The tax assessor/collector for the District is Michelle French, the Denton County Tax Assessor/Collector (the "Tax Assessor/Collector").

*Bookkeeper*: The District's bookkeeper is L&S District Services, LLC (the "Bookkeeper").

*Auditor*: The District engaged Mark C. Eyring, CPA, PLLC to audit its financial statements for the fiscal year ended April 30, 2023. See "APPENDIX A" for a copy of the District's April 30, 2023, audited financial statements. Such firm has been engaged to audit the District's financial statements for the fiscal year ended April 30, 2024.

*Engineer*: The District's engineer is JBI Partners, Inc. (the "Engineer").

*Consulting Engineer*: The District engaged Jones-Heroy & Associates, Inc. to prepare the summary of costs for the Bonds.

*Operator*: The operation and maintenance of the water and wastewater systems serving the District are overseen by Mustang Special Utility District.

## DEVELOPMENT OF THE DISTRICT

### Status of Development within the District

The District is being developed as Sandbrock Ranch, a single-family residential community. Currently, development in the District includes 1,806 single-family residential lots developed on approximately 554.08 acres as Sandbrock Ranch, Phases 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, and 12. Additionally, 352 single-family lots are under development on approximately 99.4 acres as Sandbrock Ranch, Phase 13 and Sandbrock Ranch, Phase 15. In addition, the District contains an amenity center on approximately 14.58 acres, a wastewater treatment plant (the "WWTP") on approximately 40.00 acres, an elementary school on approximately 14.96 acres, approximately 1,010.85 undeveloped but developable acres, and approximately 706 undevelopable acres.

As of March 15, 2024, home construction activity within the District consisted of approximately 1,435 completed homes (1,413 occupied, 15 unoccupied, and 7 model homes), approximately 143 homes under construction, and 228 occupied vacant developed lots.

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

The table below summarizes the status of development and land use within the District as of March 15, 2024.

| Sandbrock Ranch | Acreage | Section Lots | Homes Completed | Homes Under Construction | Vacant Lots |
|---|---|---|---|---|---|
| Phase 1 (a) | 104.39 | 283 | 283 | - | - |
| Phase 2 | 21.06 | 111 | 111 | - | - |
| Phase 3 | 44.94 | 84 | 72 | - | 12 |
| Phase 4 | 41.02 | 103 | 103 | - | - |
| Phase 5 (b) | 68.42 | 290 | 286 | 4 | - |
| Phase 6 | 63.66 | 230 | 219 | 4 | 7 |
| Phase 7 | 23.25 | 104 | 104 | - | - |
| Phase 8 | 12.53 | 45 | 45 | - | - |
| Phase 9 | 69.36 | 167 | 133 | 16 | 18 |
| Phase 10 | 31.87 | 147 | 44 | 57 | 46 |
| Phase 11 | 37.75 | 112 | 35 | 44 | 33 |
| Phase 12 | 35.83 | 130 | 0 | 18 | 112 |
| Totals | 554.08 | 1,806 | 1,435 | 143 | 228 |
| | | | | | |
| Amenity Center | 14.58 | | | | |
| WWTP | 40.00 | | | | |
| Elementary School | 14.96 | | | | |
| Residential Under Development (c) | 99.40 | | | | |
| Undevelopable | 706.00 | | | | |
| Remaining Developable (d) | 1,010.85 | | | | |
| | | | | | |
| District Total | 2,439.87 | | | | |

(a) Phase 1 was developed as Phase 1A (200 lots on 72.58 acres) and Phase 1B (83 lots on 31.81 acres).
(b) Phase 5 was developed as Phase 5A (58 lots on 13.49 acres) and Phase 5B (232 lots on 54.93 acres).
(c) Consists of Sandbrock Ranch Phase 13 (282 lots on 82.76 acres) and Sandbrock Phase 15 (70 lots on 16.637 acres).
(d) Although there are approximately 1,010.85 acres of developable acreage remaining, approximately 934 of such acreage is not currently planned for development.

**Homebuilders within the District**

Homebuilders currently active within the District include Highland Homes, David Weekley Homes, and Coventry Homes. Homes in the District range in price from approximately $468,000 to approximately $975,000 and in size from approximately 1,962 square feet to approximately 4,467 square feet. See “DEVELOPMENT OF THE DISTRICT – Homebuilders within the District.”

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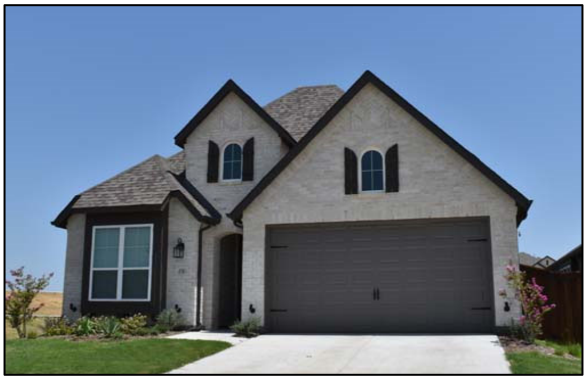
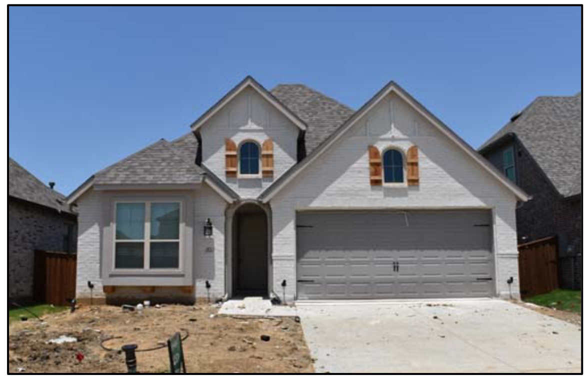
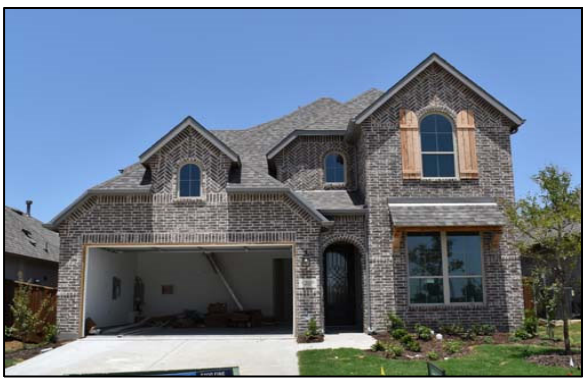
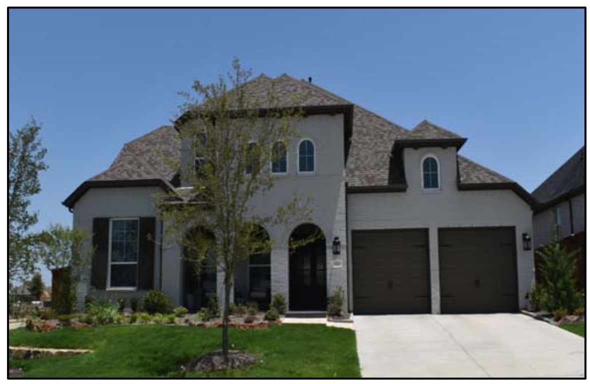
**PHOTOGRAPHS TAKEN IN THE DISTRICT**

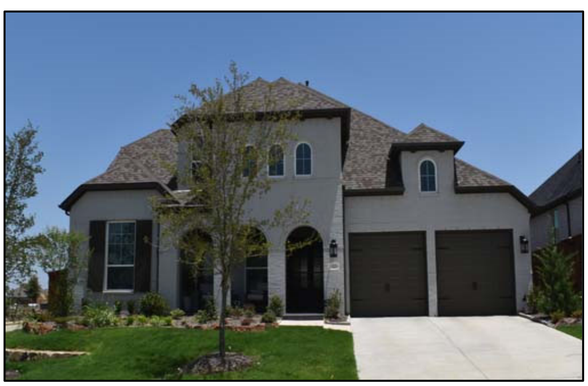
**(July 2023)**





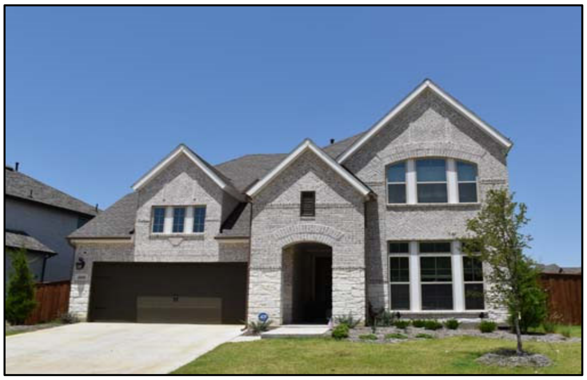


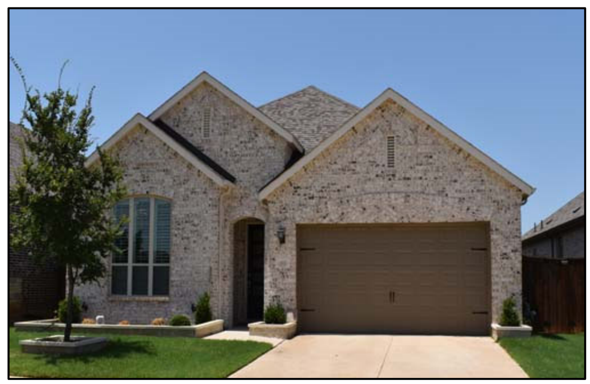


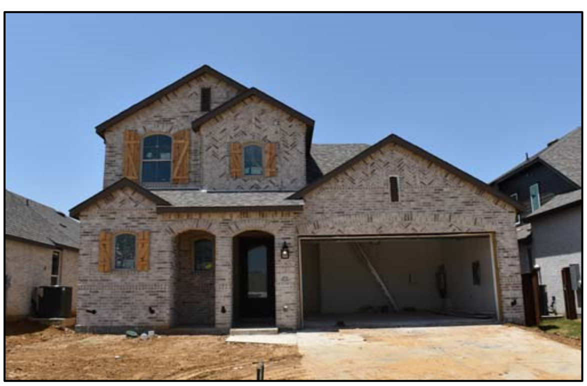


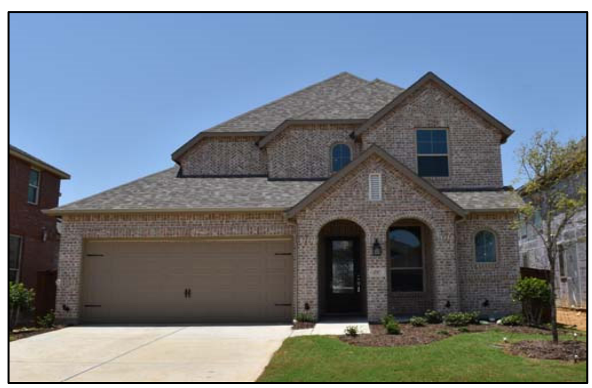
**PHOTOGRAPHS TAKEN IN THE DISTRICT**

**(July 2023)**









## PRINCIPAL LANDOWNER/DEVELOPER

### Role of the Developer

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

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

Neither the Developer (herein defined), nor any affiliate entities, are obligated to pay principal of or interest on the Bonds. Furthermore, neither the Developer, nor any affiliate entities, have a binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developer or affiliate entities should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the District's boundaries.

### Developer and Principal Landowner

Sandbrock Investments Inc., a Texas corporation ("Sandbrock" or the "Principal Landowner"), is the principal landowner in the District and owns approximately 1,627.87 acres of land within the District. Sandbrock sells land to Horizon/Deer Creek Development Corp., a Texas corporation (the "Developer"), for future single-family residential development on an as needed basis. Sandbrock and the Developer are under common ownership and management by Rod Sanders and Jean Ann Brock. According to the Developer, the Developer's primary assets consist of its land in the District and receivables due from the District.

The Developer was created in 2016 for the sole purpose of developing Sandbrock Ranch and has no plans to develop any additional property outside of the District. As of March 15, 2024, the Developer continues to own approximately 771.995 acres of land within the District. See "DEVELOPMENT OF THE DISTRICT – Status of Development within the District."

### Developer Financing

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

### Lot-Sales Contracts

The Developer has entered into lot sales contracts with each of Highland Homes, David Weekley Homes, and Coventry Homes. The contracts for the sale of lots between the Developer and the builders require that earnest money be deposited with a title company, typically 10% of the total price of the completed lots. The sales contracts establish certain required lot purchases quarterly, with the earnest money deposit being returned to the builders upon purchase of the last lots under each contract. The Developer's sole remedy for builders not purchasing lots in accordance with the contracts is cancellation of the contract and retention of the remaining earnest money on deposit, currently, approximately $1,671,284.

According to the Developer, each of the builders is in compliance with their respective lot sale contracts. As of March 15, 2024, the total number of lots contracted and purchased by each builder is listed below:

| Builder | Total Lots Contracted | Total Lots Purchased |
|---|---|---|
| David Weekley Homes | 81 | 31 |
| Highland Homes | 393 | 195 |
| Coventry Homes | 80 | 38 |
| Totals | 554 | 246 |

## 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 previously issued unlimited tax bonds for the Utility System and will be financed with 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, the County, the City, and Mustang Special Utility District ("Mustang"). According to the Engineer, the design of all such facilities has been approved by all governmental agencies with jurisdiction over the District and the TCEQ.

### Description of the System

*- Water Supply and Wastewater Treatment -*

The District lies within the service area of Certificate of Convenience and Necessity number 11856 held by Mustang. Mustang is the provider of retail water supply service to the users within the District.

The area within the District lies wholly within the sewer Certificate of Convenience and Necessity number 20930 held by Mustang. Mustang is the provider of retail wastewater service to the users within the District.

On September 8, 2016, the District entered into an agreement with Mustang (the "Agreement") to provide capacity to service 2,800 equivalent single-family connections ("esfcs") within the District. It is expected that the Agreement will be revised to accommodate future development as needed. Under the terms of the Agreement, the District constructs the internal water supply and wastewater treatment facilities necessary to service customers within the District's boundaries. Upon completion of such facilities, the facilities are conveyed to Mustang. In consideration of the District's construction and conveying such facilities, Mustang assumes all operation and maintenance responsibilities for the water and wastewater treatment systems.

The District is currently being served by the WWTP. Mustang is responsible for the design, construction, operation, and maintenance of the permanent WWTP, in multiple phases, to serve the entire area within the District. The first phase of the WWTP had capacity of 200,000 gallons per day ("gpd"). Mustang recently completed the construction of the first phase expansion of the WWTP, which added an additional 600,000 gpd for a total capacity of 800,000 gpd. The District has agreed to pay the construction costs of the WWTP in phases, and Mustang, in turn, has agreed to waive all wastewater connection fees for the District's customers. Currently, the WWTP has capacity to serve 4,000 esfcs, which is sufficient to serve the 1,806 esfcs within the District.

*- Drainage -*

The District naturally drains to the north to the Little Elm Creek. Stormwater runoff drains into a system of underground storm sewers into detention ponds, and outfalls at various points, which ultimately drains into Little Elm Creek.

*- Roads -*

Construction of the District's Road System is subject to certain regulation by the County. The roads in the District are constructed with reinforced concrete pavement with curbs on cement or lime stabilized subgrade. Remaining streets provide local interior service within the District. The Road System also includes, or will include, streetlights and franchise utilities (power, phone and cable). Public utilities such as water, wastewater and storm drainage are typically located within street right of ways. The Road System is maintained by the District.

### 100-Year Flood Plain

Approximately 32.6 acres within the District lie within the FEMA 100-year flood plain. None of such acreage will be used for development.

### Atlas 14

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in 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.

### Historical Operations of the System

The following is a summary of the District's Operating Fund. The figures for the fiscal years ending April 30 in the years 2019 through 2023, were obtained from the District's annual financial report, reference to which is hereby made. See "APPENDIX A." The figures for this 11-month period ending March 31, 2024 are unaudited and obtained from the District's bookkeeper. The District is required by statute to have a certified public accountant prepare and file an annual audit of its financial records with the TCEQ.

| | Fiscal Year Ending April 30 | | | | | |
|---|---|---|---|---|---|---|
| | 2024(a) | 2023 | 2022 | 2021 | 2020 | 2019 |
| REVENUES: | | | | | | |
| Property Taxes | $ 1,529,280 | $ 864,957 | $ 731,267 | $ 473,262 | $ 216,914 | $ 145,948 |
| Sewer Connection Fees | 714,000 | 576,000 | 966,000 | 1,056,000 | 171,000 | 876,000 |
| Interest On Deposits | 48,837 | 16,434 | 30,285 | 17,872 | 11,852 | 698 |
| Other | 51,261 | 44,404 | – | – | – | – |
| TOTAL REVENUES | $ 2,343,378 | $ 1,501,795 | $ 1,727,552 | $ 1,547,134 | $ 399,766 | $ 1,022,646 |
| EXPENDITURES: | | | | | | |
| Professional Fees | $ 115,691 | $ 140,276 | $ 108,369 | $ 113,722 | $ 33,173 | $ 82,509 |
| Contract Services | 8,906 | 9,339 | 9,393 | 9,562 | 5,607 | 3,955 |
| Repairs & Maintenance | 237,745 | 283,216 | 228,255 | – | – | – |
| Security Service | 190,833 | 97,682 | – | – | – | – |
| Administrative Expenditures | 17,531 | 14,397 | 12,700 | 10,475 | 12,744 | 5,408 |
| Capital Outlay | 686,385 | 576,000 | 966,000 | 1,056,000 | 171,000 | 876,000 |
| TOTAL EXPENDITURES | $ 1,257,092 | $ 1,120,910 | $ 1,324,717 | $ 1,189,759 | $ 222,524 | $ 967,872 |
| Excess (Deficiency) of Revenues Over Expenditures | $ 1,086,286 | $ 380,885 | $ 402,835 | $ 357,375 | $ 177,242 | $ 54,774 |

(a) Unaudited as of March 31, 2024.

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**DISTRICT DEBT**

| | | |
|---|---|---|
| 2023 Assessed Taxable Valuation | $ 594,646,563 | (a) |
| 2024 Preliminary Assessed Taxable Valuation | $ 782,287,735 | (b) |
| Estimated Taxable Valuation as of March 15, 2024 | $ 813,286,071 | (c) |
| Direct Debt | | |
| The Outstanding Bonds (as of delivery of the Bonds) | $ 65,525,000 | |
| The Bonds | $ 9,240,000 | |
| Total | $ 74,765,000 | |
| Estimated Overlapping Debt | $ 44,858,299 | (d) |
| Total Direct and Estimated Overlapping Debt | $ 119,623,299 | (d) |
| Direct Debt Ratios: | | |
| As a Percentage of 2023 Assessed Taxable Valuation | 12.57 | % |
| As a Percentage of 2024 Preliminary Assessed Taxable Valuation | 9.56 | % |
| As a Percentage of Estimated Taxable Valuation as of March 15, 2024 | 9.19 | % |
| Direct and Estimated Overlapping Debt Ratios: | | |
| As a Percentage of 2023 Assessed Taxable Valuation | 20.12 | % |
| As a Percentage of 2024 Preliminary Assessed Taxable Valuation | 15.29 | % |
| As a Percentage of Estimated Taxable Valuation as of March 15, 2024 | 14.71 | % |
| Utility System Debt Service Fund Balance (as of April 15, 2024) | $ 2,066,787 | (e) |
| Road System Debt Service Fund Balance (as of April 15, 2024) | $ 2,557,367 | (f) |
| Utility System Capital Projects Fund (as of April 15, 2024) | $ 303,524 | |
| Road System Capital Projects Fund (as of April 15, 2024) | $ 550,525 | |
| General Operating Fund Balance (as of April 15, 2024) | $ 2,422,267 | |
| 2023 Tax Rate | | |
| Utility System Debt Service | $ 0.2800 | (g) |
| Road System Debt Service | $ 0.4100 | (g) |
| Maintenance and Operations | $ 0.2600 | (g) |
| Total | $ 0.9500 | (g) |
| Average Annual Debt Service Requirement (2025–2048) | $ 4,439,744 | (h) |
| Maximum Annual Debt Service Requirement (2040) | $ 4,786,906 | (h) |
| Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2025–2048): | | |
| Based on 2023 Assessed Taxable Valuation at 95% Tax Collections | $0.79 | |
| Based on 2024 Preliminary Assessed Taxable Valuation at 95% Tax Collections | $0.60 | |
| Based on Estimated Taxable Valuation as of March 15, 2024, at 95% Tax Collections | $0.58 | |
| Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2040): | | |
| Based on 2023 Assessed Taxable Valuation at 95% Tax Collections | $0.85 | |
| Based on 2024 Preliminary Assessed Taxable Valuation at 95% Tax Collections | $0.65 | |
| Based on Estimated Taxable Valuation as of March 15, 2024, at 95% Tax Collections | $0.62 | |

---

(a) Represents the assessed valuation of all taxable property in the District as of January 1, 2023, as provided by the Denton Central Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. This amount represents the preliminary determination of the assessed valuation of all taxable property within the District as of January 1, 2024. No taxes will be levied upon this value, which is subject to protest by landowners. The value will be certified by the Denton County Appraisal review Board (the "Appraisal Review Board") and taxes will be levied on the certified value. See "TAX DATA" and "TAXING PROCEDURES."

(c) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of March 15, 2024, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2023, through March 15, 2024. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

(d) See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."

(e) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund (herein defined). Funds in the Utility System Debt Service Fund are pledged only to pay the debt service on the Bonds, the outstanding bonds for the Utility System, and any other bonds issued for the purpose of acquiring or constructing the Utility System. Funds in the

Utility System Debt Service Fund are not pledged to pay debt service on bonds issued for the purpose of acquiring or constructing the Road System, including the Bonds.

(f) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund (herein defined). Funds in the Road System Debt Service Fund are pledged only to pay the debt service on the bonds issued for the purpose of acquiring or constructing the Road System. Funds in the Road System Debt Service Fund are not pledged to pay debt service on the Bonds or any other bonds issued for the purpose of acquiring or constructing the Utility System.

(g) See "TAX DATA – Tax Rate Calculations."

(h) %. See "DISTRICT DEBT – Debt Service Requirement Schedule."

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**Debt Service Requirement Schedule**

The following schedule 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.

| | | The Bonds | | | |
|---|---|---|---|---|---|
| Calendar Year | Outstanding Debt Service | Principal | Interest | Debt Service | Total Debt Service |
| 2024 | $ 2,841,447 | $ – | $ 74,947 | $ – | $ 2,916,394 |
| 2025 | 4,137,194 | 235,000 | 369,600 | 610,573 | 4,741,794 |
| 2026 | 4,120,644 | 245,000 | 360,200 | 613,000 | 4,725,844 |
| 2027 | 4,103,494 | 255,000 | 350,400 | 613,000 | 4,708,894 |
| 2028 | 4,110,769 | 265,000 | 340,200 | 612,600 | 4,715,969 |
| 2029 | 4,104,644 | 275,000 | 329,600 | 611,800 | 4,709,244 |
| 2030 | 4,116,744 | 285,000 | 318,600 | 610,600 | 4,720,344 |
| 2031 | 4,128,144 | 300,000 | 307,200 | 609,000 | 4,735,344 |
| 2032 | 4,135,644 | 310,000 | 295,200 | 612,000 | 4,740,844 |
| 2033 | 4,145,156 | 325,000 | 282,800 | 609,400 | 4,752,956 |
| 2034 | 4,152,181 | 335,000 | 269,800 | 611,400 | 4,756,981 |
| 2035 | 4,163,719 | 350,000 | 256,400 | 612,800 | 4,770,119 |
| 2036 | 4,168,088 | 365,000 | 242,400 | 608,600 | 4,775,488 |
| 2037 | 4,174,363 | 380,000 | 227,800 | 609,000 | 4,782,163 |
| 2038 | 4,175,188 | 395,000 | 212,600 | 608,800 | 4,782,788 |
| 2039 | 4,177,625 | 410,000 | 196,800 | 608,000 | 4,784,425 |
| 2040 | 4,181,506 | 425,000 | 180,400 | 611,600 | 4,786,906 |
| 2041 | 4,179,406 | 440,000 | 163,400 | 609,400 | 4,782,806 |
| 2042 | 4,180,006 | 460,000 | 145,800 | 611,600 | 4,785,806 |
| 2043 | 4,176,294 | 480,000 | 127,400 | 613,000 | 4,783,694 |
| 2044 | 4,178,056 | 500,000 | 108,200 | 608,600 | 4,786,256 |
| 2045 | 3,513,956 | 520,000 | 88,200 | 608,600 | 4,122,156 |
| 2046 | 3,033,181 | 540,000 | 67,400 | 612,800 | 3,640,581 |
| 2047 | 1,878,056 | 560,000 | 45,800 | 611,000 | 2,483,856 |
| 2048 | 570,206 | 585,000 | 23,400 | 608,400 | 1,178,606 |
| Total | $ 94,845,709 | $ 9,240,000 | $ 5,384,547 | $ 14,624,547 | $109,470,256 |

Average Annual Debt Service Requirements on the Bonds
and the Outstanding Bonds (2025–2048)....................$ 4,439,744

Maximum Annual Debt Service Requirements on the Bonds
and the Outstanding Bonds (2040)....................$ 4,786,906

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### Direct and Estimated Overlapping Debt Statement

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

| Taxing Jurisdiction | Outstanding Debt January 31, 2024 | Overlapping Percent | Overlapping Amount |
|---|---|---|---|
| Denton County | $ 625,655,000 | 0.34 % | $ 2,099,475 |
| Denton Independent School District | 2,150,181,665 | 1.99 % | 42,758,825 |
| Total Estimated Overlapping Debt | | | $ 44,858,299 |
| Direct Debt (a) | | | $ 74,765,000 |
| Total Direct and Estimated Overlapping Debt (a) | | | $119,623,299 |

(a) Includes the Bonds and the Outstanding Bonds.

### Debt Ratios

Direct Debt Ratios (a):

| | | |
|---|---|---|
| As a Percentage of 2023 Assessed Taxable Valuation | 12.57 | % |
| As a Percentage of 2024 Preliminary Assessed Taxable Valuation | 9.56 | % |
| As a Percentage of Estimated Taxable Valuation as of March 15, 2024 | 9.19 | % |

Direct and Estimated Overlapping Debt Ratios (a):

| | | |
|---|---|---|
| As a Percentage of 2023 Assessed Taxable Valuation | 20.12 | % |
| As a Percentage of 2024 Preliminary Assessed Taxable Valuation | 15.29 | % |
| As a Percentage of Estimated Taxable Valuation as of March 15, 2024 | 14.71 | % |

(a) Includes the Bonds and the Outstanding Bonds.

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## TAXING PROCEDURES

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

### Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue, 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 above under "THE BONDS - Source of Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and for the payment of certain contractual obligations. The District levied a total tax of $0.9500 per $100 of assessed valuation for the 2023 tax year composed of a maintenance and operations tax rate of $0.2600, a Utility System debt service tax rate of $0.2800, and a Road System debt service tax rate of $0.4100. See "TAX DATA- Tax Rate Limitation."

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

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

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

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

**Property Subject to Taxation by the District**

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

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

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

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

**Valuation of Property for Taxation**

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

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

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

**Tax Abatement**

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

**Reappraisal of Property after Disaster**

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

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

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

**Notice and Hearing Procedures**

The Property Tax Code establishes procedures for providing notice and the opportunity for a hearing for taxpayers in the event of certain proposed tax increases and provides for taxpayers referenda which could result in the repeal of certain tax increases. The District is required to publish a notice of a public hearing regarding the tax rate proposed to be levied in the current year and comparing the proposed tax rate to the tax rate set in the preceding year. See "Rollback of Operation and Maintenance Tax Rate" below.

**District and Taxpayer Remedies**

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

**Rollback of Operation and Maintenance Tax Rate**

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per $100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described 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, 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 1.08 times the previous year's operation and maintenance tax rate.

*Developed Districts*

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

*Developing Districts*

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

*The District*

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board on an annual basis. For the 2023 tax year, the District was classified as a Developing District by the Board. 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.

**Levy and Collection of Taxes**

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

Taxes are due September 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person at least sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas Law is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in equal installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes within the District in the preceding 24 months.

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

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

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

## TAX DATA

**General**

Taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds, the Outstanding Bonds, and any future tax-supported bonds which may be issued from time to time as authorized. Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, at a rate not to exceed $1.00 per $100 of assessed valuation, for operation and maintenance purposes. The District levied a total tax of $0.95 per $100 of assessed valuation for the 2023 tax year composed of a maintenance and operations tax rate of $0.26, a Utility System debt service tax rate of $0.28, and a Road System debt service tax rate of $0.4100.

**Tax Rate Limitation**

Debt Service:............................................................................ Unlimited (no legal limit as to rate or amount).
Maintenance and Operation: ............................................ $1.00 per $100 assessed taxable valuation.

**Debt Service Taxes**

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. In 2023, the District levied a Utility System debt service tax of $0.2800 per $100 of assessed valuation, and a Road System debt service tax of $0.4100 per $100 of assessed valuation.

**Maintenance Taxes**

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. The Board is authorized by the District's voters to levy such maintenance tax in an amount not to exceed $1.00 per $100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. In 2023, the District levied a maintenance tax of $0.2600 per $100 of assessed valuation. See "Tax Rate Distribution" below.

**Additional Penalties**

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

**Historical Tax Collections**

The following table illustrates the collection history of the District for the 2018-2023 tax years:

| Tax Year | Certified Taxable Value | Tax Rate | Adjusted Tax Levy | Collections Current Year | Current Year Ending 09/30 | Collections 3/31/2024 |
|---|---|---|---|---|---|---|
| 2018 (a) | $ 14,594,752 | $ 1.000 | $ 145,948 | 100.00% | 2019 | 100.00% |
| 2019 | 64,172,346 | 1.000 | 641,723 | 99.98% | 2020 | 100.00% |
| 2020 | 138,276,424 | 1.000 | 1,382,764 | 99.42% | 2021 | 100.00% |
| 2021 | 249,795,310 | 1.000 | 2,497,953 | 99.96% | 2022 | 100.00% |
| 2022 | 413,937,611 | 1.000 | 4,139,376 | 99.85% | 2023 | 100.00% |
| 2023 | 594,646,563 | 0.950 | 5,649,142 | 98.59%(b) | 2024 | 98.59%(b) |

(a) The District levied its first tax rate for the 2018 tax year.
(b) In process of collections.

### Tax Rate Distribution

The following table sets out the components of the District's tax levy for each of the 2019–2023 tax years.

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Utility System Debt Service | $0.2800 | $0.4200 | $0.4000 | $0.3100 | $0.3400 |
| Road System Debt Service | 0.4100 | 0.3700 | 0.3100 | 0.3600 | 0.3200 |
| Maintenance & Operation | 0.2600 | 0.2100 | 0.2900 | 0.3300 | 0.3400 |
| Total | $0.9500 | $1.0000 | $1.0000 | 1.0000 | $1.0000 |

### Analysis of Tax Base

The following represents the types of property comprising the District assessed taxable value for the years 2019-2023.

| Type of Property | 2023 Assessed Taxable Valuation | 2022 Assessed Taxable Valuation | 2021 Assessed Taxable Valuation | 2020 Assessed Taxable Valuation | 2019 Assessed Taxable Valuation |
|---|---|---|---|---|---|
| Land | $254,015,307 | $174,394,170 | $120,222,580 | $ 68,712,141 | $ 50,850,913 |
| Improvements | 452,126,209 | 285,381,495 | 147,946,949 | 86,515,360 | 28,910,158 |
| Personal Property | 2,793,944 | 3,232,648 | 2,668,513 | 2,385,389 | 2,309,948 |
| Exemptions (a) | (114,288,897) | (49,070,702) | (21,042,732) | (19,336,466) | (17,898,673) |
| Total | $594,646,563 | $413,937,611 | $249,795,310 | $138,276,424 | $ 64,172,346 |

(a) This is comprised of the exemptions, homestead cap, and agricultural exemptions. See "TAXING PROCEDURES – Property Subject to Taxation by the District" and "TAX DATA – Exemptions and Special Valuations."

### Exemptions and Special Valuations

As discussed in the section entitled "TAXING PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation. To date, the District has not granted a general residential homestead exemption, nor an exemption for persons 65 years of age or older or certain disabled persons. According to the Appraisal District, as of January 1, 2023, approximately 1,552 acres of land within the District were designated for agricultural use, inventory, open space, or timberland. The majority of such land is owned by the Developer or its affiliate entities. The market value of the land according to the Appraisal District as of January 1, 2023 is $34,421,302.

### Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2023:

| Taxpayer | Type of Property | Assessed Valuation 2023 Tax Roll | Percent of District 2023 Value |
|---|---|---|---|
| Horizon/Deer Creek Development Corp. (a) | Land & Improvements | $35,191,231 | 5.92% |
| Highland Homes Dallas LLC (b) | Land & Improvements | 13,379,466 | 2.25% |
| Weekly Homes LLC (b) | Land & Improvements | 3,543,882 | 0.60% |
| Sandbrock Investments Inc. (a) | Land & Improvements | 2,171,138 | 0.37% |
| Atmos Energy Mid-Tex Pipeline Co | Land & Improvements | 1,893,130 | 0.32% |
| Homeowner | Personal Property | 796,134 | 0.13% |
| Homeowner | Personal Property | 785,455 | 0.13% |
| DFH Coventry LLC (b) | Land & Improvements | 780,237 | 0.13% |
| Homeowner | Personal Property | 780,000 | 0.13% |
| Homeowner | Personal Property | 777,063 | 0.13% |
| | | $60,097,736 | 10.11% |

(a) See "PRINCIPAL LANDOWNER/DEVELOPER."
(b) See "DEVELOPMENT OF THE DISTRICT – Homebuilders within the District."

## Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of assessed taxable valuation that would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District's tax base occurs beyond the 2023 Assessed Taxable Valuation ($594,646,563), the 2024 Preliminary Assessed Taxable Valuation ($782,287,735), or the Estimated Taxable Valuation as of March 15, 2024 (813,286,071). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

| | |
|---|---|
| Average Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2025–2048) | $ 4,439,744 |
| Debt Service Tax Rate of $0.79 on the 2023 Assessed Taxable Valuation produces | $ 4,462,822 |
| Debt Service Tax Rate of $0.60 on the 2024 Preliminary Assessed Taxable Valuation produces | $ 4,459,040 |
| Debt Service Tax Rate of $0.58 on the Estimated Valuation as of March 15, 2024, produces | $ 4,481,206 |
| Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2040) | $ 4,786,906 |
| Debt Service Tax Rate of $0.85 on the 2023 Assessed Taxable Valuation produces | $ 4,801,771 |
| Debt Service Tax Rate of $0.65 on the 2024 Preliminary Assessed Taxable Valuation produces | $ 4,830,627 |
| Debt Service Tax Rate of $0.62 on the Estimated Valuation as of March 15, 2024, produces | $ 4,790,255 |

## Estimated Overlapping Taxes

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

Set forth below is an estimation of all 2023 taxes per $100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

| Taxing Jurisdiction | 2023 Tax Rate |
|---|---|
| Denton County | $0.189485 |
| Denton Independent School District | 1.159200 |
| The District | 0.950000 |
| Total | $2.298685 |

# INVESTMENT CONSIDERATIONS

## General

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

**Factors Affecting Taxable Values and Tax Payments**

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

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

***Dependence on Principal Taxpayers and the Developer:*** The top ten principal taxpayers represent $60,097,736 or approximately 10.11% of the 2023 Assessed Valuation, which represents ownership as of January 1, 2023. The Developer and Principal Landowner, collectively, represent $37,362,369 or 6.28% of such value. If these or other principal taxpayers were to default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds would be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its debt service funds. See "TAX DATA – Principal Taxpayers" and "TAXING PROCEDURES – Levy and Collection of Taxes."

***Maximum Impact on District Tax Rates:*** Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The taxable assessed valuation as of January 1, 2023, of all taxable property located within the District is $594,646,563, the 2024 Preliminary Assessed Taxable Valuation of all taxable property located within the District is $782,287,735, and the Estimated Taxable Valuation as of March 15, 2024, is $813,286,071. See "TAX DATA."

After issuance of the Bonds, the Maximum Annual Debt Service requirement on the Bonds and the Outstanding Bonds will be $4,786,906 (2040) and the Average Annual Debt Service requirement on the Outstanding Bonds and the Bonds will be $4,439,744 (2025-2048). Assuming no decrease to the 2023 Assessed Taxable Valuation, tax rates of $0.85 and $0.79 per $100 of assessed valuation at 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service requirement and the Average Annual Debt Service requirement, respectively.

Assuming no decrease from the 2024 Preliminary Assessed Taxable Valuation as of January 1, 2024, tax rates of $0.65 and $0.60 per $100 of assessed valuation at 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service requirement and the Average Annual Debt Service requirement, respectively.

Assuming no decrease from the Estimated Taxable Valuation as of March 15, 2024, tax rates of $0.62 and $0.58 per $100 of assessed valuation at 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service requirement and the Average Annual Debt Service requirement, respectively.

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

**Vacant Developed Lots**

As of March 15, 2024, approximately 228 developed lots within the District remained available for construction. Failure of the Developer and/or builders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of the District issued in the future. Future increases in value will result primarily from the construction of homes by builders. The District makes no representation that the lot sales and building program will be successful.

**Competitive Nature of Residential Housing Market**

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

**Tax Collection Limitations**

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

**Registered Owners' Remedies**

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

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

**Bankruptcy Limitation to Registered Owners' Rights**

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas law; (2) is insolvent or unable to meet its debts as they mature; (3) desired to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must also obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial conditions of the District and authorize the District to proceed only if the 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 the District with Texas law requirements, the District could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the Registered Owner could potentially and adversely impair the value of the Registered Owner's claim.

If the District decides in the future to proceed voluntarily under the federal Bankruptcy Code, the District could develop and file a plan for the adjustment of its debts. If such a plan was confirmed by the bankruptcy court, it could, among other things, affect the Beneficial Owners by reducing or eliminating the interest rate or the principal amount, 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 such Beneficial Owners' claims against the District.

The District may not be placed into bankruptcy involuntarily.

**Marketability**

The District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price for 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. See "SALE AND DISTRIBUTION OF THE BONDS."

**Future Debt**

At an election held within the District on May 12, 2007, voters of the District authorized the District's issuance of: $115,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System; $64,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; $172,500,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; and $96,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

The Bonds represent the fifth series of bonds issued by the District for the purpose of acquiring or constructing the Utility System. The District has also previously issued four series of bonds for the purpose of acquiring or constructing the Road System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: $77,090,000 for the purpose of acquiring or constructing the Utility System; $24,710,000 for the purpose of acquiring or constructing the Road System; $172,500,000 for the purpose of refunding bonds issued by the District for the Utility System; and $96,000,000 for the purpose of refunding bonds issued by the District for the Road System. The District's issuance of the remaining $77,090,000 unlimited tax bonds authorized for the Utility System shall be subject to approval by the TCEQ. The District may also issue any additional bonds as may hereafter be approved by both the Board of Directors and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Order. See "THE BONDS – Issuance of Additional Debt."

Following reimbursement of the proceeds of the Bonds to the Developer, the District will have fully reimbursed the Developer for the Road System and the Utility System constructed to date. However, the Developer is currently developing Sandbrock Ranch, Phases 13 and 15 and are therefore incurring additional reimbursable expenditures that the District will owe to the Developer upon the completion of development of such phases. The District plans to issue additional bonds during 2024 to finance a portion of the Road System. The amount of such bonds is unknown at this time. The District recently received an invoice from the District's operator, Mustang Special Utility District, for the completion of the wastewater treatment plant (the "WWTP") expansion. The District plans on issuing additional bonds in 2024 to fully reimburse this expense.

**Continuing Compliance with Certain Covenants**

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

**Approval of the Bonds**

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

**Environmental Regulations**

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

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

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

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

The DFW Area is currently designated as a serious ozone nonattainment area under the 1997 Ozone Standards. On June 24, 2019, the EPA proposed approval of redesignation of the DFW to "attainment" for the 1997 Ozone

Standards, which would terminate the serious nonattainment area "anti-backsliding" requirements and leave the DFW Area subject only to the nonattainment area requirements under the 2008 Ozone Standard and the 2015 Ozone Standard.

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

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

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

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

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

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

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

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 permit, if the District's inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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

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

**Potential Impact of Natural Disaster**

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

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

**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 issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the provider of the Policy (the "Bond Insurer") at such time and in such amounts as would have been due absence such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

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

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the 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 "MUNCIPAL BOND RATINGS."

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

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

### 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.

## LEGAL MATTERS

### Legal Opinions

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

**No-Litigation Certificate**

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

**No Material Adverse Change**

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

## TAX MATTERS

**Tax Exemption**

On the date of initial delivery of the Bonds, Coats Rose, P.C., Dallas, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, except that such interest is taken into account in determining the annual adjusted financial statement of income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986 (the "Code")) for the purpose of determining the alternative minimum tax imposed on corporations, and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

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

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

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Registered

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

**Federal Income Tax Accounting Treatment of Original Issue Discount**

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

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

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

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

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

**Collateral Federal Income Tax Consequences**

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

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

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

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

### Not Qualified Tax-Exempt Obligations for Financial Institutions

The District will not designate the Bonds as "qualified tax-exempt obligations" for financial institutions**.**

## CONTINUING DISCLOSURE OF INFORMATION

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

### Annual Reports

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

Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period, and audited financial statements when and if the audit report becomes available. The District's current fiscal year end is April 30. Accordingly, it must provide updated information by the last day in October in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

### Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms "material" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under federal securities laws. Neither the Bonds nor the Bond Order make any provision for debt service reserves or liquidity enhancement. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

**Availability of Information from EMMA**

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

**Limitations and Amendments**

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

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

**Compliance with Prior Undertaking**

Since entering into its first continuing disclosure agreement in 2019, the District has complied in all material respects with its continuing disclosure obligations made in accordance with the Rule.

## OFFICIAL STATEMENT

**General**

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

The District's audited financial statements for the year ended April 30, 2023, were prepared by Mark C. Eyring, CPA, PLLC, and have been included herein as "APPENDIX A." Mark C. Eyring, CPA, PLLC, has consented to the publication of such financial statements in this Official Statement. Such firm has been engaged to audit the District's financial statements for the fiscal year ended April 30, 2024.

**Experts**

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

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

**Certification as to Official Statement**

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

**Updating of Official Statement**

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

## MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Denton County Municipal Utility District No. 6 as of the date shown on the cover page.

/s/ Paul Tate
President, Board of Directors
Denton County Municipal Utility District No. 6

ATTEST:

/s/ Bart White
Secretary, Board of Directors
Denton County Municipal Utility District No. 6

**APPENDIX A**

**Financial Statements of the District**

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

DENTON COUNTY, TEXAS

ANNUAL AUDIT REPORT

APRIL 30, 2023

## C O N T E N T S

**Mark C. Eyring, CPA, PLLC**

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

August 21, 2023

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Denton County Municipal
Utility District No. 6
Denton County, Texas

**Opinions**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Denton County Municipal Utility District No. 6 as of and for the year ended April 30, 2023, and the related notes to the financial statements, which collectively comprise Denton County Municipal Utility District No. 6's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Denton County Municipal Utility District No. 6, as of April 30, 2023, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Denton County Municipal Utility District No. 6, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

**Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Denton County Municipal Utility District No. 6'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**

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

In performing an audit in accordance with generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Denton County Municipal Utility District No. 6's internal control. Accordingly, no such opinion is expressed. I evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements. I conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Denton County Municipal Utility District No. 6's ability to continue as a going concern for a reasonable period of time.

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

**Required Supplementary Information**

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

INDEPENDENT AUDITOR'S REPORT (Continued)

**Supplementary Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Denton County Municipal Utility District No. 6's basic financial statements. The supplementary information on Pages 22 to 43 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

## Management's Discussion and Analysis

### Using this Annual Report

Within this section of the Denton County Municipal Utility District No. 6 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended April 30, 2023.

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

*Government-Wide Financial Statements*

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

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

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

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

*Fund Financial Statements*

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

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

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

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

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

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

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

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities, and management does not believe that depreciation expense is relevant to the management of the District. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

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

Summary of Net Position

| | 2023 | 2022 | Change |
|---|---|---|---|
| Current and other assets | $ 5,897,491 | $ 3,661,178 | $ 2,236,313 |
| Capital assets | 20,086,864 | 29,329,550 | (9,242,686) |
| Total assets | 25,984,355 | 32,990,728 | (7,006,373) |
| Long-term liabilities | 76,529,503 | 68,917,242 | 7,612,261 |
| Other liabilities | 1,521,996 | 944,347 | 577,649 |
| Total liabilities | 78,051,499 | 69,861,589 | 8,189,910 |
| Net position: | | | |
| Invested in capital assets, net of related debt | (57,344,791) | (39,688,996) | (17,655,795) |
| Restricted | 3,959,650 | 2,047,581 | 1,912,069 |
| Unrestricted | 1,317,997 | 770,554 | 547,443 |
| Total net position | $ (52,067,144) | $ (36,870,861) | $ (15,196,283) |

Summary of Changes in Net Position

| | 2023 | 2022 | Change |
|---|---|---|---|
| Revenues: | | | |
| Property taxes, including related penalty and interest | $ 4,122,257 | $ 2,529,737 | $ 1,592,520 |
| Sewer connection fees | 576,000 | 966,000 | (390,000) |
| Other | 95,883 | 30,753 | 65,130 |
| Total revenues | 4,794,140 | 3,526,490 | 1,267,650 |
| Expenses: | | | |
| Operations and administration | 568,716 | 364,430 | 204,286 |
| Capital outlay | 16,909,740 | 20,018,707 | (3,108,967) |
| Debt service | 2,511,967 | 2,009,513 | 502,454 |
| Total expenses | 19,990,423 | 22,392,650 | (2,402,227) |
| Change in net position | (15,196,283) | (18,866,160) | 3,669,877 |
| Net position, beginning of year | (36,870,861) | (18,004,701) | (18,866,160) |
| Net position, end of year | $ (52,067,144) | $ (36,870,861) | $ (15,196,283) |

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

The District's combined fund balances as of the end of the fiscal year ended April 30, 2023 were $5,823,441, an increase of $2,425,585 from the prior year.

The General Fund balance increased by $380,885, in accordance with the District's financial plan.

The Debt Service Fund balance increased by $1,742,919, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by $301,781, as proceeds from the District's Series 2022 utility and road bonds and interest earnings on deposits exceeded authorized expenditures.

*General Fund Budgetary Highlights*

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 21 of this report. The budgetary fund balance as of April 30, 2023, was expected to be $1,458,385 and the actual end of year fund balance was $1,566,988.

**Capital Asset and Debt Administration**

*Capital Assets*

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

| | Capital Assets (Net of Accumulated Depreciation) | | |
|---|---|---|---|
| | 2023 | 2022 | Change |
| Construction in progress | $ 20,086,864 | $ 29,329,550 | $ (9,242,686) |

Changes to capital assets during the fiscal year ended April 30, 2023, are summarized as follows:

| | |
|---|---|
| Additions: | |
| Utilities and roads constructed by developer | $ 6,939,306 |
| Decreases: | |
| Assets constructed and transferred to other entities | (16,181,992) |
| Net change to capital assets | $ (9,242,686) |

*Debt*

Changes in the bonded debt position of the District during the fiscal year ended April 30, 2023, are summarized as follows:

| | |
|---|---|
| Bonded debt payable, beginning of year | $ 40,660,000 |
| Bonds sold | 18,545,000 |
| Bonds paid | (600,000) |
| Bonded debt payable, end of year | $ 58,605,000 |

At April 30, 2023, the District had $86,330,000 unlimited tax bonds authorized but unissued for water, sanitary sewer and drainage purposes and $32,885,000 for road purposes authorized but unissued.

The District's Series 2020, 2021, 2022 and 2023 utility and road bonds have an underlying rating of Baa3 by Moody's. The Series 2019 Utility, 2019 Road, 2020 Utility, 2020 Road and 2023 Utility bonds are insured by Build America Mutual Assurance Company and the Series 2021 Utility, 2021 Road and 2022 Road bonds are insured by Assured Guaranty Mutual Corp. Because of the insurance, the bonds are rated AA by Standard & Poor's. There was no change in the bond ratings during the fiscal year ended April 30, 2023.

As further described in Note 5 of the notes to the financial statements, the developer within the District has advanced funds to the District to cover initial operating deficits. As of April 30, 2023, the cumulative amount of developer advances for this purpose was $255,989.

As further described in Note 5 of the notes to the financial statements, the developer within the District is constructing roads and water, sewer and drainage facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality. At April 30, 2023, the estimated amount due to the developer was $20,086,864.

**ADDITIONAL RELEVANT FACTORS**

*Property Tax Base*

The District’s tax base increased approximately $162,430,000 (approximately 65%) for the 2022 tax year primarily due to the addition of new homes and property to the tax base.

*Relationship to the City of Aubrey*

The District lies wholly within the extraterritorial jurisdiction of the City of Aubrey (the “City”). The District has entered into agreements with the City for the provision of police and emergency response services, fire protection services and waste collection and disposal services.

*Water Supply Issues*

Effective September 8, 2016, as amended November 16, 2016, the District entered into a Non-Standard Service Agreement (the “Agreement”) with Mustang Special Utility District (“Mustang SUD”). The District lies wholly within Mustang SUD’s service area for both water and wastewater services. Under the terms of the Agreement, the District will construct, or have constructed, water production and distribution system and a wastewater collection and treatment system. Upon completion of such systems, the systems will be conveyed to Mustang SUD. In consideration of the District's construction and conveying such systems, Mustang SUD shall assume all operation and maintenance responsibilities for the water and wastewater systems.

# DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

## STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

## APRIL 30, 2023

| | General | Debt Service | Capital Projects | Total | Adjustments (Note 3) | Statement of Net Position |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Cash, including interest-bearing accounts, Note 7 | $1,541,878 | $3,849,918 | $ 440,848 | $ 5,832,644 | $ | $ 5,832,644 |
| Receivables: | | | | | | |
| Property taxes | 6,998 | 26,325 | | 33,323 | | 33,323 |
| Other | 19,714 | | | 19,714 | | 19,714 |
| Due from other funds | 41,777 | 2,004 | | 43,781 | (43,781) | 0 |
| Prepaid expenditures | | 11,810 | | 11,810 | | 11,810 |
| Capital assets, net of accumulated depreciation, Note 4: | | | | | | |
| Capital assets not being depreciated | | | | 0 | 20,086,864 | 20,086,864 |
| Total assets | $1,610,367 | $3,890,057 | $ 440,848 | $ 5,941,272 | 20,043,083 | 25,984,355 |
| LIABILITIES | | | | | | |
| Accounts payable | $ 34,377 | $ | $ 6,350 | $ 40,727 | | 40,727 |
| Accrued interest payable | | | | 0 | 323,128 | 323,128 |
| Due to other funds | 2,004 | | 41,777 | 43,781 | (43,781) | 0 |
| Long-term liabilities, Note 5: | | | | | | |
| Due within one year | | | | 0 | 1,158,141 | 1,158,141 |
| Due in more than one year | | | | 0 | 76,529,503 | 76,529,503 |
| Total liabilities | 36,381 | 0 | 48,127 | 84,508 | 77,966,991 | 78,051,499 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Property tax revenues | 6,998 | 26,325 | 0 | 33,323 | (33,323) | 0 |
| FUND BALANCES / NET POSITION | | | | | | |
| Fund balances: | | | | | | |
| Restricted for bond interest, Note 5 | | 167,457 | | 167,457 | (167,457) | 0 |
| Assigned to: | | | | | | |
| Debt service | | 3,696,275 | | 3,696,275 | (3,696,275) | 0 |
| Capital projects | | | 392,721 | 392,721 | (392,721) | 0 |
| Unassigned | 1,566,988 | | | 1,566,988 | (1,566,988) | 0 |
| Total fund balances | 1,566,988 | 3,863,732 | 392,721 | 5,823,441 | (5,823,441) | 0 |
| Total liabilities, deferred inflows, and fund balances | $1,610,367 | $3,890,057 | $ 440,848 | $ 5,941,272 | | |
| Net position: | | | | | | |
| Invested in capital assets, net of related debt, Note 4 | | | | | (57,344,791) | (57,344,791) |
| Restricted for debt service | | | | | 3,566,929 | 3,566,929 |
| Restricted for capital projects | | | | | 392,721 | 392,721 |
| Unrestricted | | | | | 1,317,997 | 1,317,997 |
| Total net position | | | | | $ (52,067,144) | $(52,067,144) |

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

# DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

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

## FOR THE YEAR ENDED APRIL 30, 2023

| | General Fund | Debt Service Fund | Capital Projects Fund | Total | Adjustments (Note 3) | Statement of Activities |
|---|---|---|---|---|---|---|
| REVENUES | | | | | | |
| Property taxes | $ 864,957 | $ 3,245,447 | $ | $ 4,110,404 | $ 6,755 | $ 4,117,159 |
| Sewer connection fees | 576,000 | | | 576,000 | | 576,000 |
| Penalty, interest and other | | 5,098 | | 5,098 | | 5,098 |
| Interest on deposits | 16,434 | 33,717 | 1,328 | 51,479 | | 51,479 |
| Other | 44,404 | | | 44,404 | | 44,404 |
| Total revenues | 1,501,795 | 3,284,262 | 1,328 | 4,787,385 | 6,755 | 4,794,140 |
| EXPENDITURES / EXPENSES | | | | | | |
| Service operations: | | | | | | |
| Professional fees | 140,276 | 770 | | 141,046 | | 141,046 |
| Contracted services | 9,339 | 20,456 | | 29,795 | | 29,795 |
| Repairs and maintenance | 283,216 | | | 283,216 | | 283,216 |
| Security service | 97,682 | | | 97,682 | | 97,682 |
| Administrative expenditures | 14,397 | 1,670 | 910 | 16,977 | | 16,977 |
| Capital outlay / non-capital outlay | 576,000 | | 15,773,257 | 16,349,257 | (167,265) | 16,181,992 |
| Interest on developer construction | | | 727,748 | 727,748 | | 727,748 |
| Debt service: | | | | | | |
| Principal retirement | | 600,000 | | 600,000 | (600,000) | 0 |
| Bond issuance expenditures | | | 1,055,117 | 1,055,117 | | 1,055,117 |
| Interest and fees | | 1,235,734 | | 1,235,734 | 221,116 | 1,456,850 |
| Total expenditures / expenses | 1,120,910 | 1,858,630 | 17,557,032 | 20,536,572 | (546,149) | 19,990,423 |
| Excess (deficiency) of revenues over expenditures | 380,885 | 1,425,632 | (17,555,704) | (15,749,187) | 552,904 | (15,196,283) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Bonds issued, Note 5 | | 687,515 | 17,857,485 | 18,545,000 | (18,545,000) | 0 |
| Bond issuance discounts, Note 5 | | (370,228) | | (370,228) | 370,228 | 0 |
| Total other financing sources (uses) | 0 | 317,287 | 17,857,485 | 18,174,772 | (18,174,772) | 0 |
| Net change in fund balances / net position | 380,885 | 1,742,919 | 301,781 | 2,425,585 | (17,621,868) | (15,196,283) |
| Beginning of year | 1,186,103 | 2,120,813 | 90,940 | 3,397,856 | (40,268,717) | (36,870,861) |
| End of year | $ 1,566,988 | $ 3,863,732 | $ 392,721 | $ 5,823,441 | $(57,890,585) | $(52,067,144) |

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2023

NOTE 1: REPORTING ENTITY

Denton County Municipal Utility District No. 6 (the "District") was created by Act of the 79th Texas Legislature, Regular Session, H.B. 3534, Chapter 8126, on June 17, 2005, as a municipal utility district. The District operates in accordance with Texas Water Code Chapters 49 and 54 and Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution. The District is located within the extra territorial jurisdiction of the City of Aubrey and within Denton County, Texas. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on February 7, 2007. The District is subject to the continuing supervision of the TCEQ with respect to water, wastewater and drainage. The District is empowered, among other things, to provide for water, wastewater, drainage and road facilities.

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

## NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

### Basic Financial Statements

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## Basis of Accounting

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

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

## Interfund Activity

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

## Receivables

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

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

## Capital Assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

| | |
|---|---|
| Plant and equipment | 10-45 years |
| Underground lines | 45 years |
| Roads | 45 years |

Long-term Liabilities

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

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

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

Reconciliation of year end fund balances to net position:

| | | |
|---|---|---|
| Total fund balances, end of year | | $ 5,823,441 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds: | | |
| Total capital assets, net | | 20,086,864 |
| Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds: | | |
| Bonds payable | $ (58,605,000) | |
| Issuance discount (to be amortized as interest expense) | 1,260,209 | |
| Due to developers for operating advances | (255,989) | |
| Due to developers for construction | (20,086,864) | (77,687,644) |
| Some receivables that do not provide current financial resources are not reported as receivables in the funds: | | |
| Uncollected property taxes | | 33,323 |
| Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds: | | |
| Accrued interest | | (323,128) |
| Net position, end of year | | $ (52,067,144) |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

| | | |
|---|---|---|
| Total net change in fund balances | | $ 2,425,585 |
| The issuance of long-term debt provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt: | | |
| Bonds issued | $(18,545,000) | |
| Principal reduction | 600,000 | (17,945,000) |
| The funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items: | | |
| Issuance discount | | 289,205 |
| Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds: | | |
| Uncollected property taxes | | 6,755 |
| The receipt of developer advances provides current financial resources to the funds, while the repayment of such advances consume the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt: | | |
| Developer advances reimbursed | | 167,265 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds: | | |
| Accrued interest | | (140,093) |
| Change in net position | | $(15,196,283) |

NOTE 4: CAPITAL ASSETS

At April 30, 2023, “Invested in capital assets, net of related debt” was $(57,344,791). As further described in Note 9, under the terms of the agreements with the City of Aubrey (the “City”) and Mustang Special Utility District (“Mustang SUD”), the District transfers the ownership of certain capital assets constructed by the District to the respective entity. Under the terms of the agreements, the District is to pay for construction of a water production and distribution system, a sanitary sewer collection and treatment system, a drainage system and roads to serve the District. The District shall be the owner of each phase of the construction of each system until such phase is completed and approved by the other entity, at which time ownership of such phase shall be transferred to the other entity. However, the District shall have a security interest therein until all bonds issued by the District pursuant to the respective agreement are retired.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital asset activity for the fiscal year ended April 30, 2023, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Construction in progress | $ 29,329,550 | $ 6,939,306 | $ 16,181,992 | $ 20,086,864 |
| Total capital assets | $ 29,329,550 | $ 6,939,306 | $ 16,181,992 | $ 20,086,864 |
| Changes to capital assets: | | | | |
| Capital outlay paid (decrease in liability) to developer | | $ (16,181,992) | $ | |
| Increase in liability to developer for construction | | 6,939,306 | | |
| Assets transferred to other entities | | 16,181,992 | 16,181,992 | |
| Net increases / decreases to capital assets | | $ 6,939,306 | $ 16,181,992 | |

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended April 30, 2023, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due within One Year |
|---|---|---|---|---|---|
| Bonds payable | $ 40,660,000 | $ 18,545,000 | $ 600,000 | $ 58,605,000 | $ 1,255,000 |
| Add (less) deferred amounts: | | | | | |
| For issuance (discounts) premiums | (971,004) | (370,228) | (81,023) | (1,260,209) | (96,859) |
| Total bonds payable | 39,688,996 | 18,174,772 | 518,977 | 57,344,791 | 1,158,141 |
| Due to developers for operating advances (see below) | 423,254 | | 167,265 | 255,989 | ----------- |
| Due to developers for construction (see below) | 29,329,550 | 6,939,306 | 16,181,992 | 20,086,864 | ----------- |
| Total due to developers | 29,752,804 | 6,939,306 | 16,349,257 | 20,342,853 | 0 |
| Total long-term liabilities | $ 69,441,800 | $ 25,114,078 | $ 16,868,234 | $ 77,687,644 | $ 1,158,141 |

Developer Construction Commitments, Liabilities and Advances

The developer within the District has advanced funds to the District to cover initial operating deficits. At April 30, 2023, the cumulative amount of unreimbursed developer advances was $255,989. These amounts have been recorded in the government-wide financial statements and in the schedules in Note 5. This amount has been recorded as a decrease in “Unrestricted net position” in the government-wide financial statements. Without this decrease, “Unrestricted net position” would have a balance of $1,317,997.

The developer within the District has constructed certain underground facilities and roads within the District's boundaries. The District has agreed to reimburse the developer for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of future bond issues to the extent approved by the Texas Commission on Environmental Quality. The developer stated that unreimbursed cost of the construction in progress at April 30, 2023, was $20,086,864. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of April 30, 2023, the debt service requirements on the bonds outstanding were as follows:

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 1,255,000 | $ 1,908,930 | $ 3,163,930 |
| 2025 | 1,725,000 | 1,838,735 | 3,563,735 |
| 2026 | 1,790,000 | 1,756,512 | 3,546,512 |
| 2027 | 1,860,000 | 1,672,564 | 3,532,564 |
| 2028 | 1,925,000 | 1,595,825 | 3,520,825 |
| 2029 - 2033 | 10,640,000 | 7,041,509 | 17,681,509 |
| 2034 - 2038 | 12,345,000 | 5,471,059 | 17,816,059 |
| 2039 - 2043 | 14,380,000 | 3,445,049 | 17,825,049 |
| 2044 - 2048 | 12,685,000 | 1,019,866 | 13,704,866 |
| | $ 58,605,000 | $ 25,750,049 | $ 84,355,049 |

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

| | |
|---|---|
| Water, sewer and drainage bonds voted | $ 115,000,000 |
| Water, sewer and drainage bonds approved for sale and sold | 28,670,000 |
| Water, sewer and drainage bonds voted and not issued | 86,330,000 |
| | |
| Road bonds voted | $ 64,000,000 |
| Road bonds approved for sale and sold | 31,115,000 |
| Road bonds voted and not issued | 32,885,000 |
| | |
| Refunding bonds voted | One and one-half times the amount of unlimited tax bonds previously issued |

The bond issues payable at April 30, 2023, were as follows:

| | Series 2019 Utility | Series 2019 Road | Series 2020 Utility |
|---|---|---|---|
| Amounts outstanding, April 30, 2023 | $5,805,000 | $5,415,000 | $4,705,000 |
| Interest rates | 2.00% to 4.50% | 2.00% to 4.50% | 2.00% to 4.00% |
| Maturity dates, serially beginning/ending | September 1, 2023/2044 | September 1, 2023/2044 | September 1, 2023/2045 |
| Interest payment dates | March 1/September 1 | March 1/September 1 | March 1/September 1 |
| Callable dates | September 1, 2024* | September 1, 2024* | September 1, 2025* |

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | Series 2020 Road | Series 2021 Utility | Series 2021 Road |
|---|---|---|---|
| Amounts outstanding, April 30, 2023 | $3,615,000 | $12,020,000 | $8,500,000 |
| Interest rates | 2.00% to 4.50% | 2.00% to 4.50% | 2.00% to 4.50% |
| Maturity dates, serially beginning/ending | September 1, 2023/2045 | September 1, 2023/2046 | September 1, 2023/2046 |
| Interest payment dates | March 1/September 1 | March 1/September 1 | March 1/September 1 |
| Callable dates | September 1, 2025* | September 1, 2026* | September 1, 2026* |

| | Series 2022 Road | Series 2023 Utility |
|---|---|---|
| Amounts outstanding, April 30, 2023 | $13,045,000 | $5,500,000 |
| Interest rates | 4.00% to 6.00% | 4.00% to 5.00% |
| Maturity dates, serially beginning/ending | September 1, 2024/2047 | September 1, 2024/2047 |
| Interest payment dates | March 1/September 1 | March 1/September 1 |
| Callable dates | December 1, 2029* | February 1, 2029* |

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

In accordance with the Series 2021 utility, Series 2021 road and Series 2022 road Bond Orders, a portion of the bond proceeds was deposited into the debt service fund and reserved for the payment of bond interest. This bond interest reserve is reduced as the interest is paid. Transactions for the current year are summarized as follows:

| | | |
|---|---|---|
| Bond interest reserve, beginning of year | | $ 114,854 |
| 6 months' interest from sale of Series 2022 road bonds | | 317,288 |
| Deduct appropriation for bond interest paid: | | |
| Series 2021 utility bonds | (67,143) | |
| Series 2021 road bonds | (47,711) | |
| Series 2022 road bonds | (149,831) | (264,685) |
| Bond interest reserve, end of year | | $ 167,457 |

## NOTE 6: PROPERTY TAXES AND CONCENTRATION OF TAX BASE

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

At an election held May 12, 2007, the voters within the District authorized a maintenance tax not to exceed $1.00 per $100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District. There is no tax limitation on the rate or amount of taxes that can be levied to pay debt service on water, wastewater, drainage and road bonds.

On September 12, 2022, the District levied the following ad valorem taxes for the 2022 tax year on the adjusted taxable valuation of $412,157,949:

| | Rate | Amount |
|---|---|---|
| Debt service, Utilities | $ 0.4200 | $ 1,731,063 |
| Debt service, Roads | 0.3700 | 1,524,984 |
| Maintenance | 0.2100 | 865,532 |
| | $ 1.0000 | $ 4,121,579 |

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

| | |
|---|---|
| 2022 tax year total property tax levy | $ 4,121,579 |
| Appraisal district adjustments to prior year taxes | (4,420) |
| Statement of Activities property tax revenues | $ 4,117,159 |

NOTE 7: DEPOSITS

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

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was $5,832,644 and the bank balance was $5,972,474. Of the bank balance, $250,000 was covered by federal insurance,$5,722,474 was covered by letters of credit in favor of the District issued by the Federal Home Loan Bank of Dallas and the market value of collateral held by the District's custodial bank in the District's name. The market value of collateral was reported to the District by the depository.

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

Debt Service Fund

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

| | |
|---|---|
| Cash | $ 3,849,918 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital Projects Fund

For construction of capital assets:

| | |
|---|---|
| Cash | $ 440,848 |

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past two fiscal years. At April 30, 2023, the District had comprehensive general liability insurance coverage with a per occurrence limit of $1,000,000 and $3,000,000 general limit and consultant's crime coverage of $10,000.

NOTE 9: AGREEMENTS WITH OTHER GOVERNMENTAL ENTITIES

City of Aubrey

The District lies wholly within the extraterritorial jurisdiction of the City of Aubrey (the "City"). The District has entered into agreements with the City for the provision of police and emergency response services, fire protection services and waste collection and disposal services.

Mustang Special Utility District

Effective September 8, 2016, as amended November 16, 2016, the District entered into a Non-Standard Service Agreement (the "Agreement") with Mustang Special Utility District ("Mustang SUD"). The District lies wholly within Mustang SUD's service area for both water and wastewater services. Under the terms of the Agreement, the District will construct, or have constructed, water production and distribution system and a wastewater collection and treatment system. Upon completion of such systems, the systems will be conveyed to Mustang SUD. In consideration of the District's construction and conveying such systems, Mustang SUD shall assume all operation and maintenance responsibilities for the water and wastewater systems.

# DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

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

## FOR THE YEAR ENDED APRIL 30, 2023

| | Budgeted Amounts | | | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| REVENUES | | | | |
| Property taxes | $ 665,500 | $ 665,500 | $ 864,957 | $ 199,457 |
| Sewer connection fees | 1,000,000 | 1,000,000 | 576,000 | (424,000) |
| Interest on deposits | 300 | 300 | 16,434 | 16,134 |
| Other | 15,000 | 15,000 | 44,404 | 29,404 |
| TOTAL REVENUES | 1,680,800 | 1,680,800 | 1,501,795 | (179,005) |
| EXPENDITURES | | | | |
| Service operations: | | | | |
| Professional fees | 126,950 | 126,950 | 140,276 | 13,326 |
| Contracted services | 8,400 | 8,400 | 9,339 | 939 |
| Repairs and maintenance | 255,000 | 255,000 | 283,216 | 28,216 |
| Security service | 0 | 0 | 97,682 | 97,682 |
| Administrative expenditures | 18,168 | 18,168 | 14,397 | (3,771) |
| Capital outlay | 1,000,000 | 1,000,000 | 576,000 | (424,000) |
| TOTAL EXPENDITURES | 1,408,518 | 1,408,518 | 1,120,910 | (287,608) |
| EXCESS REVENUES (EXPENDITURES) | 272,282 | 272,282 | 380,885 | 108,603 |
| FUND BALANCE, BEGINNING OF YEAR | 1,186,103 | 1,186,103 | 1,186,103 | 0 |
| FUND BALANCE, END OF YEAR | $ 1,458,385 | $ 1,458,385 | $ 1,566,988 | $ 108,603 |

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

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

APRIL 30, 2023

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

[X] TSI-1. Services and Rates

[X] TSI-2. General Fund Expenditures

[ ] TSI-3. Temporary Investments
Not applicable.

[X] TSI-4. Taxes Levied and Receivable

[X] TSI-5. Long-Term Debt Service Requirements by Years

[X] TSI-6. Changes in Long-Term Bonded Debt

[X] TSI-7. Comparative Schedule of Revenues and Expenditures - General Fund and Debt Service Fund - Five Year

[X] TSI-8. Board Members, Key Personnel and Consultants

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

SCHEDULE OF SERVICES AND RATES

APRIL 30, 2023

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

| | | |
|---|---|---|
| __ Retail Water | __ Wholesale Water | X Drainage |
| __ Retail Wastewater | __ Wholesale Wastewater | X Irrigation |
| __ Parks/Recreation | __ Fire Protection | __ Security |
| __ Solid Waste/Garbage | __ Flood Control | X Roads |

X Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

__ Other

2. Retail Service Providers

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

Not Applicable. See Note 9 of the Notes to the Financial Statements.

b. Water and Wastewater Retail Connections:

Not Applicable. See Note 9 of the Notes to the Financial Statements.

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

Not Applicable. See Note 9 of the Notes to the Financial Statements.

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

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

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

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

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

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

EXPENDITURES

FOR THE YEAR ENDED APRIL 30, 2023

| | General Fund | Debt Service Fund | Capital Projects Fund | Totals (Memorandum Only) |
|---|---|---|---|---|
| CURRENT | | | | |
| Professional fees: | | | | |
| Auditing | $ 8,500 | $ | $ | 8,500 |
| Legal | 59,206 | 770 | | 59,976 |
| Engineering | 72,570 | | | 72,570 |
| | 140,276 | 770 | 0 | 141,046 |
| Contracted services: | | | | |
| Bookkeeping | 9,339 | | | 9,339 |
| Tax assessor-collector | | 1,371 | | 1,371 |
| Appraisal district | | 19,085 | | 19,085 |
| | 9,339 | 20,456 | 0 | 29,795 |
| Repairs and maintenance | 283,216 | 0 | 0 | 283,216 |
| Security service | 97,682 | 0 | 0 | 97,682 |
| Administrative expenditures: | | | | |
| Director's fees | 6,150 | | | 6,150 |
| Insurance | 4,019 | | | 4,019 |
| Other | 4,228 | 1,670 | 910 | 6,808 |
| | 14,397 | 1,670 | 910 | 16,977 |
| CAPITAL OUTLAY | | | | |
| Authorized expenditures | 576,000 | 0 | 15,773,257 | 16,349,257 |
| Interest on developer construction | 0 | 0 | 727,748 | 727,748 |
| DEBT SERVICE | | | | |
| Principal retirement | 0 | 600,000 | 0 | 600,000 |
| Bond issuance expenditures | 0 | 0 | 1,055,117 | 1,055,117 |
| Interest and fees: | | | | |
| Interest | | 1,234,830 | | 1,234,830 |
| Paying agent fees | | 904 | | 904 |
| | 0 | 1,235,734 | 0 | 1,235,734 |
| TOTAL EXPENDITURES | $ 1,120,910 | $ 1,858,630 | $ 17,557,032 | $ 20,536,572 |

See accompanying independent auditor’s report.

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

ANALYSIS OF CHANGES IN DEPOSITS
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED APRIL 30, 2023

| | General Fund | Debt Service Fund | Capital Projects Fund | Totals (Memorandum Only) |
|---|---|---|---|---|
| SOURCES OF DEPOSITS | | | | |
| Cash receipts from revenues excluding maintenance taxes | $ 633,131 | $ 3,284,262 | $ 1,328 | $ 3,918,721 |
| Maintenance tax receipts | | 864,957 | | 864,957 |
| Transfer of maintenance taxes | 865,361 | | | 865,361 |
| Proceeds from sale of Bonds | | 317,287 | 17,857,485 | 18,174,772 |
| TOTAL DEPOSITS PROVIDED | 1,498,492 | 4,466,506 | 17,858,813 | 23,823,811 |
| APPLICATIONS OF DEPOSITS | | | | |
| Cash disbursements for: | | | | |
| Current expenditures | 655,560 | 22,908 | 910 | 679,378 |
| Capital outlay | 576,000 | | 16,586,370 | 17,162,370 |
| Debt service | | 1,835,734 | 1,013,340 | 2,849,074 |
| Prepaid expenditures | | 11,810 | | 11,810 |
| Other fund | 41,777 | | | 41,777 |
| Transfer of maintenance taxes | | 865,361 | | 865,361 |
| TOTAL DEPOSITS APPLIED | 1,273,337 | 2,735,813 | 17,600,620 | 21,609,770 |
| INCREASE (DECREASE) IN DEPOSITS | 225,155 | 1,730,693 | 258,193 | 2,214,041 |
| DEPOSITS BALANCES, BEGINNING OF YEAR | 1,316,723 | 2,119,225 | 182,655 | 3,618,603 |
| DEPOSITS BALANCES, END OF YEAR | $ 1,541,878 | $ 3,849,918 | $ 440,848 | $ 5,832,644 |

See accompanying independent auditor’s report.

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED APRIL 30, 2023

| | Maintenance Taxes | Road Debt Service Taxes | Utility Debt Service Taxes |
|---|---|---|---|
| RECEIVABLE, BEGINNING OF YEAR | $ 7,705 | $ 8,236 | $ 10,627 |
| Additions and corrections to prior year taxes | (1,282) | (1,370) | (1,767) |
| Adjusted receivable, beginning of year | 6,423 | 6,866 | 8,860 |
| 2022 ADJUSTED TAX ROLL | 865,532 | 1,524,984 | 1,731,063 |
| Total to be accounted for | 871,955 | 1,531,850 | 1,739,923 |
| Tax collections: Current tax year | (858,534) | (1,512,655) | (1,717,068) |
| Prior tax years | (6,423) | (6,866) | (8,859) |
| RECEIVABLE, END OF YEAR | $ 6,998 | $ 12,329 | $ 13,996 |
| RECEIVABLE, BY TAX YEAR | | | |
| 2022 | $ 6,998 | $ 12,329 | $ 13,996 |
| RECEIVABLE, END OF YEAR | $ 6,998 | $ 12,329 | $ 13,996 |

See accompanying independent auditor’s report.

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED APRIL 30, 2023

| ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Land | $ 174,394,171 | $ 120,222,580 | $ 68,712,141 | $ 50,850,913 |
| Improvements | 285,075,019 | 147,946,948 | 86,515,360 | 28,910,158 |
| Personal property | 2,979,971 | 2,603,577 | 2,385,389 | 2,309,948 |
| Less exemptions | (50,291,212) | (21,044,289) | (19,336,466) | (17,898,673) |
| TOTAL PROPERTY VALUATIONS | $ 412,157,949 | $ 249,728,816 | $ 138,276,424 | $ 64,172,346 |
| TAX RATES PER $100 VALUATION | | | | |
| Debt service tax rate, utilities | $ 0.42000 | $ 0.40000 | $ 0.36000 | $ 0.34000 |
| Debt service tax rate, roads | 0.37000 | 0.31000 | 0.31000 | 0.32000 |
| Maintenance tax rates* | 0.21000 | 0.29000 | 0.33000 | 0.34000 |
| TOTAL TAX RATES PER $100 VALUATION | $ 1.00000 | $ 1.00000 | $ 1.00000 | $ 1.00000 |
| TAX ROLLS | $ 4,121,579 | $ 2,501,710 | $ 1,379,512 | $ 641,724 |
| PERCENT OF TAXES COLLECTED TO TAXES LEVIED | 99.2 % | 100 % | 100 % | 100 % |

*Maximum tax rate approved by voters on May 12, 2007: $1.00

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS

FOR THE YEAR ENDED APRIL 30, 2023

| | Series 2019 Utility | | |
|---|---|---|---|
| Due During Fiscal Years Ending April 30 | Principal Due September 1 | Interest Due September 1, March 1 | Total |
| 2024 | $ 180,000 | $ 161,887 | $ 341,887 |
| 2025 | 185,000 | 153,674 | 338,674 |
| 2026 | 195,000 | 145,125 | 340,125 |
| 2027 | 200,000 | 136,238 | 336,238 |
| 2028 | 205,000 | 127,125 | 332,125 |
| 2029 | 215,000 | 117,675 | 332,675 |
| 2030 | 220,000 | 110,638 | 330,638 |
| 2031 | 230,000 | 106,137 | 336,137 |
| 2032 | 235,000 | 101,488 | 336,488 |
| 2033 | 245,000 | 96,381 | 341,381 |
| 2034 | 255,000 | 90,757 | 345,757 |
| 2035 | 265,000 | 84,740 | 349,740 |
| 2036 | 270,000 | 78,219 | 348,219 |
| 2037 | 280,000 | 71,344 | 351,344 |
| 2038 | 290,000 | 64,219 | 354,219 |
| 2039 | 300,000 | 56,844 | 356,844 |
| 2040 | 310,000 | 49,219 | 359,219 |
| 2041 | 320,000 | 41,344 | 361,344 |
| 2042 | 335,000 | 32,947 | 367,947 |
| 2043 | 345,000 | 24,022 | 369,022 |
| 2044 | 355,000 | 14,834 | 369,834 |
| 2045 | 370,000 | 5,088 | 375,088 |
| TOTALS | $ 5,805,000 | $ 1,869,945 | $ 7,674,945 |

See accompanying independent auditor’s report.

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

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

FOR THE YEAR ENDED APRIL 30, 2023

| | Series 2019 Road | | |
|---|---|---|---|
| Due During Fiscal Years Ending April 30 | Principal Due September 1 | Interest Due September 1, March 1 | Total |
| 2024 | $ 170,000 | $ 151,500 | $ 321,500 |
| 2025 | 175,000 | 143,737 | 318,737 |
| 2026 | 180,000 | 135,750 | 315,750 |
| 2027 | 185,000 | 127,538 | 312,538 |
| 2028 | 190,000 | 119,100 | 309,100 |
| 2029 | 200,000 | 110,325 | 310,325 |
| 2030 | 205,000 | 103,775 | 308,775 |
| 2031 | 215,000 | 99,575 | 314,575 |
| 2032 | 220,000 | 94,950 | 314,950 |
| 2033 | 230,000 | 89,887 | 319,887 |
| 2034 | 235,000 | 84,656 | 319,656 |
| 2035 | 245,000 | 79,103 | 324,103 |
| 2036 | 255,000 | 73,006 | 328,006 |
| 2037 | 260,000 | 66,568 | 326,568 |
| 2038 | 270,000 | 59,943 | 329,943 |
| 2039 | 280,000 | 53,068 | 333,068 |
| 2040 | 290,000 | 45,944 | 335,944 |
| 2041 | 300,000 | 38,569 | 338,569 |
| 2042 | 310,000 | 30,751 | 340,751 |
| 2043 | 320,000 | 22,482 | 342,482 |
| 2044 | 335,000 | 13,885 | 348,885 |
| 2045 | 345,000 | 4,744 | 349,744 |
| TOTALS | $ 5,415,000 | $ 1,748,856 | $ 7,163,856 |

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

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

FOR THE YEAR ENDED APRIL 30, 2023

| | Series 2020 Utility | | |
|---|---|---|---|
| Due During Fiscal Years Ending April 30 | Principal Due September 1 | Interest Due September 1, March 1 | Total |
| 2024 | $ 155,000 | $ 106,369 | $ 261,369 |
| 2025 | 160,000 | 99,281 | 259,281 |
| 2026 | 160,000 | 92,081 | 252,081 |
| 2027 | 165,000 | 86,006 | 251,006 |
| 2028 | 170,000 | 81,831 | 251,831 |
| 2029 | 175,000 | 78,381 | 253,381 |
| 2030 | 180,000 | 74,831 | 254,831 |
| 2031 | 185,000 | 71,181 | 256,181 |
| 2032 | 190,000 | 67,431 | 257,431 |
| 2033 | 190,000 | 63,631 | 253,631 |
| 2034 | 195,000 | 59,781 | 254,781 |
| 2035 | 200,000 | 55,831 | 255,831 |
| 2036 | 205,000 | 51,781 | 256,781 |
| 2037 | 210,000 | 47,631 | 257,631 |
| 2038 | 215,000 | 43,381 | 258,381 |
| 2039 | 225,000 | 38,982 | 263,982 |
| 2040 | 230,000 | 34,432 | 264,432 |
| 2041 | 235,000 | 29,782 | 264,782 |
| 2042 | 240,000 | 24,882 | 264,882 |
| 2043 | 245,000 | 19,729 | 264,729 |
| 2044 | 250,000 | 14,468 | 264,468 |
| 2045 | 260,000 | 8,887 | 268,887 |
| 2046 | 265,000 | 2,981 | 267,981 |
| TOTALS | $ 4,705,000 | $ 1,253,571 | $ 5,958,571 |

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

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

FOR THE YEAR ENDED APRIL 30, 2023

| | Series 2020 Road | | |
|---|---|---|---|
| Due During Fiscal Years Ending April 30 | Principal Due September 1 | Interest Due September 1, March 1 | Total |
| 2024 | $ 120,000 | $ 86,969 | $ 206,969 |
| 2025 | 120,000 | 82,169 | 202,169 |
| 2026 | 125,000 | 77,269 | 202,269 |
| 2027 | 125,000 | 72,269 | 197,269 |
| 2028 | 130,000 | 67,169 | 197,169 |
| 2029 | 135,000 | 61,869 | 196,869 |
| 2030 | 135,000 | 57,819 | 192,819 |
| 2031 | 140,000 | 55,069 | 195,069 |
| 2032 | 145,000 | 52,219 | 197,219 |
| 2033 | 145,000 | 49,319 | 194,319 |
| 2034 | 150,000 | 46,369 | 196,369 |
| 2035 | 155,000 | 43,319 | 198,319 |
| 2036 | 160,000 | 40,169 | 200,169 |
| 2037 | 165,000 | 36,919 | 201,919 |
| 2038 | 165,000 | 33,618 | 198,618 |
| 2039 | 170,000 | 30,268 | 200,268 |
| 2040 | 175,000 | 26,818 | 201,818 |
| 2041 | 180,000 | 23,268 | 203,268 |
| 2042 | 185,000 | 19,503 | 204,503 |
| 2043 | 190,000 | 15,519 | 205,519 |
| 2044 | 195,000 | 11,306 | 206,306 |
| 2045 | 200,000 | 6,862 | 206,862 |
| 2046 | 205,000 | 2,306 | 207,306 |
| TOTALS | $ 3,615,000 | $ 998,384 | $ 4,613,384 |

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

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

FOR THE YEAR ENDED APRIL 30, 2023

| | Series 2021 Utility | | |
|---|---|---|---|
| Due During Fiscal Years Ending April 30 | Principal Due September 1 | Interest Due September 1, March 1 | Total |
| 2024 | $ 370,000 | $ 313,963 | $ 683,963 |
| 2025 | 385,000 | 296,975 | 681,975 |
| 2026 | 400,000 | 279,312 | 679,312 |
| 2027 | 420,000 | 261,913 | 681,913 |
| 2028 | 430,000 | 249,212 | 679,212 |
| 2029 | 440,000 | 240,513 | 680,513 |
| 2030 | 455,000 | 231,562 | 686,562 |
| 2031 | 460,000 | 222,413 | 682,413 |
| 2032 | 470,000 | 213,112 | 683,112 |
| 2033 | 480,000 | 203,613 | 683,613 |
| 2034 | 485,000 | 193,962 | 678,962 |
| 2035 | 490,000 | 183,906 | 673,906 |
| 2036 | 505,000 | 172,387 | 677,387 |
| 2037 | 515,000 | 159,638 | 674,638 |
| 2038 | 525,000 | 146,637 | 671,637 |
| 2039 | 525,000 | 133,513 | 658,513 |
| 2040 | 535,000 | 120,262 | 655,262 |
| 2041 | 550,000 | 106,013 | 656,013 |
| 2042 | 555,000 | 90,819 | 645,819 |
| 2043 | 565,000 | 75,419 | 640,419 |
| 2044 | 580,000 | 59,675 | 639,675 |
| 2045 | 585,000 | 43,656 | 628,656 |
| 2046 | 640,000 | 26,812 | 666,812 |
| 2047 | 655,000 | 9,006 | 664,006 |
| TOTALS | $ 12,020,000 | $ 4,034,293 | $ 16,054,293 |

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

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

FOR THE YEAR ENDED APRIL 30, 2023

| | Series 2021 Road | | |
|---|---|---|---|
| Due During Fiscal Years Ending April 30 | Principal Due September 1 | Interest Due September 1, March 1 | Total |
| 2024 | $ 260,000 | $ 223,162 | $ 483,162 |
| 2025 | 270,000 | 211,237 | 481,237 |
| 2026 | 280,000 | 198,862 | 478,862 |
| 2027 | 295,000 | 185,925 | 480,925 |
| 2028 | 305,000 | 176,238 | 481,238 |
| 2029 | 315,000 | 170,038 | 485,038 |
| 2030 | 330,000 | 163,588 | 493,588 |
| 2031 | 330,000 | 156,988 | 486,988 |
| 2032 | 335,000 | 150,338 | 485,338 |
| 2033 | 340,000 | 143,588 | 483,588 |
| 2034 | 350,000 | 136,688 | 486,688 |
| 2035 | 350,000 | 129,468 | 479,468 |
| 2036 | 355,000 | 121,313 | 476,313 |
| 2037 | 360,000 | 112,375 | 472,375 |
| 2038 | 370,000 | 103,250 | 473,250 |
| 2039 | 375,000 | 93,937 | 468,937 |
| 2040 | 380,000 | 84,500 | 464,500 |
| 2041 | 385,000 | 74,456 | 459,456 |
| 2042 | 390,000 | 63,800 | 453,800 |
| 2043 | 400,000 | 52,938 | 452,938 |
| 2044 | 400,000 | 41,938 | 441,938 |
| 2045 | 410,000 | 30,799 | 440,799 |
| 2046 | 450,000 | 18,975 | 468,975 |
| 2047 | 465,000 | 6,394 | 471,394 |
| TOTALS | $ 8,500,000 | $ 2,850,795 | $ 11,350,795 |

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

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

FOR THE YEAR ENDED APRIL 30, 2023

| | Series 2022 Road | | |
|---|---|---|---|
| Due During Fiscal Years Ending April 30 | Principal Due September 1 | Interest Due September 1, March 1 | Total |
| 2024 | $ | $ 634,575 | $ 634,575 |
| 2025 | 305,000 | 626,187 | 931,187 |
| 2026 | 315,000 | 609,138 | 924,138 |
| 2027 | 330,000 | 590,575 | 920,575 |
| 2028 | 350,000 | 570,175 | 920,175 |
| 2029 | 365,000 | 548,725 | 913,725 |
| 2030 | 380,000 | 530,175 | 910,175 |
| 2031 | 400,000 | 514,575 | 914,575 |
| 2032 | 420,000 | 497,650 | 917,650 |
| 2033 | 440,000 | 479,375 | 919,375 |
| 2034 | 460,000 | 460,250 | 920,250 |
| 2035 | 480,000 | 439,675 | 919,675 |
| 2036 | 505,000 | 417,512 | 922,512 |
| 2037 | 530,000 | 394,225 | 924,225 |
| 2038 | 555,000 | 369,119 | 924,119 |
| 2039 | 580,000 | 342,163 | 922,163 |
| 2040 | 610,000 | 313,900 | 923,900 |
| 2041 | 635,000 | 284,331 | 919,331 |
| 2042 | 665,000 | 252,625 | 917,625 |
| 2043 | 700,000 | 218,500 | 918,500 |
| 2044 | 730,000 | 182,750 | 912,750 |
| 2045 | 765,000 | 145,375 | 910,375 |
| 2046 | 805,000 | 106,125 | 911,125 |
| 2047 | 840,000 | 65,000 | 905,000 |
| 2048 | 880,000 | 22,000 | 902,000 |
| TOTALS | $ 13,045,000 | $ 9,614,700 | $ 22,659,700 |

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

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

FOR THE YEAR ENDED APRIL 30, 2023

| | Series 2023 Utility | | |
|---|---|---|---|
| Due During Fiscal Years Ending April 30 | Principal Due September 1 | Interest Due September 1, March 1 | Total |
| 2024 | $ | $ 230,505 | $ 230,505 |
| 2025 | 125,000 | 225,475 | 350,475 |
| 2026 | 135,000 | 218,975 | 353,975 |
| 2027 | 140,000 | 212,100 | 352,100 |
| 2028 | 145,000 | 204,975 | 349,975 |
| 2029 | 155,000 | 197,475 | 352,475 |
| 2030 | 160,000 | 189,600 | 349,600 |
| 2031 | 170,000 | 182,200 | 352,200 |
| 2032 | 175,000 | 175,300 | 350,300 |
| 2033 | 185,000 | 168,100 | 353,100 |
| 2034 | 195,000 | 160,500 | 355,500 |
| 2035 | 205,000 | 152,500 | 357,500 |
| 2036 | 210,000 | 144,200 | 354,200 |
| 2037 | 220,000 | 135,600 | 355,600 |
| 2038 | 235,000 | 126,500 | 361,500 |
| 2039 | 245,000 | 116,900 | 361,900 |
| 2040 | 255,000 | 106,900 | 361,900 |
| 2041 | 270,000 | 96,400 | 366,400 |
| 2042 | 280,000 | 85,400 | 365,400 |
| 2043 | 295,000 | 73,900 | 368,900 |
| 2044 | 310,000 | 61,800 | 371,800 |
| 2045 | 325,000 | 49,100 | 374,100 |
| 2046 | 340,000 | 35,800 | 375,800 |
| 2047 | 355,000 | 21,900 | 376,900 |
| 2048 | 370,000 | 7,400 | 377,400 |
| TOTALS | $ 5,500,000 | $ 3,379,505 | $ 8,879,505 |

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

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

FOR THE YEAR ENDED APRIL 30, 2023

| | Annual Requirements for All Series | | |
|---|---|---|---|
| Due During Fiscal Years Ending April 30 | Total Principal Due | Total Interest Due | Total |
| 2024 | $ 1,255,000 | $ 1,908,930 | $ 3,163,930 |
| 2025 | 1,725,000 | 1,838,735 | 3,563,735 |
| 2026 | 1,790,000 | 1,756,512 | 3,546,512 |
| 2027 | 1,860,000 | 1,672,564 | 3,532,564 |
| 2028 | 1,925,000 | 1,595,825 | 3,520,825 |
| 2029 | 2,000,000 | 1,525,001 | 3,525,001 |
| 2030 | 2,065,000 | 1,461,988 | 3,526,988 |
| 2031 | 2,130,000 | 1,408,138 | 3,538,138 |
| 2032 | 2,190,000 | 1,352,488 | 3,542,488 |
| 2033 | 2,255,000 | 1,293,894 | 3,548,894 |
| 2034 | 2,325,000 | 1,232,963 | 3,557,963 |
| 2035 | 2,390,000 | 1,168,542 | 3,558,542 |
| 2036 | 2,465,000 | 1,098,587 | 3,563,587 |
| 2037 | 2,540,000 | 1,024,300 | 3,564,300 |
| 2038 | 2,625,000 | 946,667 | 3,571,667 |
| 2039 | 2,700,000 | 865,675 | 3,565,675 |
| 2040 | 2,785,000 | 781,975 | 3,566,975 |
| 2041 | 2,875,000 | 694,163 | 3,569,163 |
| 2042 | 2,960,000 | 600,727 | 3,560,727 |
| 2043 | 3,060,000 | 502,509 | 3,562,509 |
| 2044 | 3,155,000 | 400,656 | 3,555,656 |
| 2045 | 3,260,000 | 294,511 | 3,554,511 |
| 2046 | 2,705,000 | 192,999 | 2,897,999 |
| 2047 | 2,315,000 | 102,300 | 2,417,300 |
| 2048 | 1,250,000 | 29,400 | 1,279,400 |
| TOTALS | $ 58,605,000 | $ 25,750,049 | $ 84,355,049 |

# DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

## ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT

## FOR THE YEAR ENDED APRIL 30, 2023

| | (1) | (2) | (3) |
|---|---|---|---|
| Bond Series: | 2019 Utility | 2019 Road | 2020 Utility |
| Interest Rate: | 2.00% to 4.50% | 2.00% to 4.50% | 2.00% to 4.00% |
| Dates Interest Payable: | March 1/ September 1 | March 1/ September 1 | March 1/ September 1 |
| Maturity Dates: | September 1, 2023/2044 | September 1, 2023/2044 | September 1, 2023/2045 |
| Bonds Outstanding at Beginning of Current Year | $ 5,980,000 | $ 5,575,000 | $ 4,855,000 |
| Less Retirements | (175,000) | (160,000) | (150,000) |
| Bonds Outstanding at End of Current Year | $ 5,805,000 | $ 5,415,000 | $ 4,705,000 |
| Current Year Interest Paid | $ 169,875 | $ 158,925 | $ 113,231 |

Bond Descriptions and Original Amount of Issue

(1) Denton County Municipal Utility District No. 6 Unlimited Tax Utility Bonds, Series 2019 ($6,150,000)

(2) Denton County Municipal Utility District No. 6 Unlimited Tax Road Bonds, Series 2019 ($5,730,000)

(3) Denton County Municipal Utility District No. 6 Unlimited Tax Utility Bonds, Series 2020 ($5,000,000)

Paying Agent/Registrar

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

| Bond Authority | Tax Bonds* | Other Bonds | Refunding Bonds |
|---|---|---|---|
| Amount Authorized by Voters: | $ 179,000,000 | $ 0 | 1.5 times the amount of unlimited tax bonds issued |
| Amount Issued: | 59,785,000 | | |
| Remaining to be Issued: | 119,215,000 | | |

*See Note 5 of the notes to financial statements for additional information.

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

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

FOR THE YEAR ENDED APRIL 30, 2023

| | (4) | (5) | (6) |
|---|---|---|---|
| Bond Series: | 2020 Road | 2021 Utility | 2021 Road |
| Interest Rate: | 2.00% to 4.50% | 2.00% to 4.50% | 2.00% to 4.50% |
| Dates Interest Payable: | March 1/ September 1 | March 1/ September 1 | March 1/ September 1 |
| Maturity Dates: | September 1, 2023/2045 | September 1, 2023/2046 | September 1, 2023/2046 |
| Bonds Outstanding at Beginning of Current Year | $ 3,730,000 | $ 12,020,000 | $ 8,500,000 |
| Less Retirements | (115,000) | 0 | 0 |
| Bonds Outstanding at End of Current Year | $ 3,615,000 | $ 12,020,000 | $ 8,500,000 |
| Current Year Interest Paid | $ 91,669 | $ 322,288 | $ 229,012 |

Bond Descriptions and Original Amount of Issue

(4) Denton County Municipal Utility District No. 6 Unlimited Tax Road Bonds, Series 2020 ($3,840,000)

(5) Denton County Municipal Utility District No. 6 Unlimited Tax Utility Bonds, Series 2021 ($12,020,000)

(6) Denton County Municipal Utility District No. 6 Unlimited Tax Road Bonds, Series 2021 ($8,500,000)

Paying Agent/Registrar

(4) (5) (6) BOKF, N.A., Dallas, Texas

| | |
|---|---|
| Net Debt Service Fund deposits and investments balances as of April 30, 2023: | $ 3,863,732 |
| Average annual debt service payment for remaining term of all debt: | 3,374,202 |

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

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

FOR THE YEAR ENDED APRIL 30, 2023

| | (7) | (8) | Totals |
|---|---|---|---|
| Bond Series: | 2022 Road | 2023 Utility | |
| Interest Rate: | 4.00% to 6.00% | 4.00% to 5.00% | |
| Dates Interest Payable: | March 1/ September 1 | March 1/ September 1 | |
| Maturity Dates: | September 1, 2024/2047 | September 1, 2024/2047 | |
| Bonds Outstanding at Beginning of Current Year | $ | $ | $ 40,660,000 |
| Add Bonds Sold | 13,045,000 | 5,500,000 | 18,545,000 |
| Less Retirements | 0 | 0 | (600,000) |
| Bonds Outstanding at End of Current Year | $ 13,045,000 | $ 5,500,000 | $ 58,605,000 |
| Current Year Interest Paid | $ 149,830 | $ 0 | $ 1,234,830 |

Bond Descriptions and Original Amount of Issue

(7) Denton County Municipal Utility District No. 6 Unlimited Tax Road Bonds, Series 2022 ($13,045,000)

(8) Denton County Municipal Utility District No. 6 Unlimited Tax Utility Bonds, Series 2023 ($5,500,000)

Paying Agent/Registrar

(7) (8) BOKF, N.A., Dallas, Texas

## DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

## COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, GENERAL FUND

## FOR YEARS ENDED APRIL 30

| | AMOUNT | | | | | PERCENT OF TOTAL REVENUES | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2023 | 2022 | 2021 | 2020 | 2019 |
| REVENUES | | | | | | | | | | |
| Property taxes | $ 864,957 | $ 731,267 | $ 473,262 | $ 216,914 | $ 145,948 | 57.5 % | 42.3 % | 30.6 % | 54.2 % | 14.3 % |
| Sewer connection fees | 576,000 | 966,000 | 1,056,000 | 171,000 | 876,000 | 38.4 | 56.0 | 68.3 | 42.8 | 85.6 |
| Interest on deposits and other | 60,838 | 30,285 | 17,872 | 11,852 | 698 | 4.1 | 1.7 | 1.1 | 3.0 | 0.1 |
| TOTAL REVENUES | 1,501,795 | 1,727,552 | 1,547,134 | 399,766 | 1,022,646 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| EXPENDITURES | | | | | | | | | | |
| Service operations: | | | | | | | | | | |
| Professional fees | 140,276 | 108,369 | 113,722 | 33,173 | 82,509 | 9.3 | 6.3 | 7.4 | 39.7 | 8.1 |
| Contracted services | 9,339 | 9,393 | 9,562 | 5,607 | 3,955 | 0.6 | 0.5 | 0.6 | 1.4 | 0.4 |
| Repairs and maintenance | 283,216 | 228,255 | 0 | 0 | 0 | 18.9 | 13.2 | 0.0 | 0.0 | 0.0 |
| Security service | 97,682 | 0 | 0 | 0 | 0 | 6.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| Administrative expenditures | 14,397 | 12,700 | 10,475 | 12,744 | 5,408 | 1.0 | 0.7 | 0.7 | 3.2 | 0.5 |
| Capital outlay | 576,000 | 966,000 | 1,056,000 | 171,000 | 876,000 | 38.3 | 56.0 | 68.2 | 42.8 | 85.6 |
| TOTAL EXPENDITURES | 1,120,910 | 1,324,717 | 1,189,759 | 222,524 | 967,872 | 74.6 | 76.7 | 76.9 | 87.1 | 94.6 |
| EXCESS REVENUES (EXPENDITURES) | $ 380,885 | $ 402,835 | $ 357,375 | $ 177,242 | $ 54,774 | 25.4 % | 23.3 % | 23.1 % | 12.9 % | 5.4 % |
| TOTAL ACTIVE RETAIL WATER CONNECTIONS | N/A | N/A | N/A | N/A | N/A | | | | | |
| TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS | N/A | N/A | N/A | N/A | N/A | | | | | |

# DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

## COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, DEBT SERVICE FUND

## FOR YEARS ENDED APRIL 30

| | AMOUNT | | | | | PERCENT OF TOTAL REVENUES | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020* | 2019 | 2023 | 2022 | 2021 | 2020 | 2019 |
| REVENUES | | | | | | | | | | |
| Property taxes | $ 3,245,447 | $ 1,785,607 | $ 926,754 | $ 416,573 | | 98.8 % | 98.3 % | 98.7 % | 98.7 % | % |
| Penalty and interest | 5,098 | 8,140 | 6,355 | 626 | | 0.2 | 0.4 | 0.1 | 0.1 | |
| Accrued interest on bonds received at date of sale | 0 | 22,971 | 11,719 | 1,950 | | 0.0 | 1.3 | 0.5 | 0.5 | |
| Interest on deposits | 33,717 | 451 | 620 | 3,086 | | 1.0 | 0.0 | 0.7 | 0.7 | |
| TOTAL REVENUES | 3,284,262 | 1,817,169 | 945,448 | 422,235 | 0 | 100.0 | 100.0 | 100.0 | 100.0 | 0.0 |
| EXPENDITURES | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Professional fees | 770 | 1,765 | 1,170 | 0 | | 0.0 | 0.1 | 0.0 | 0.0 | |
| Contracted services | 20,456 | 11,998 | 6,466 | 2,380 | | 0.6 | 0.7 | 0.6 | 0.6 | |
| Other expenditures | 1,670 | 900 | 0 | 0 | | 0.1 | 0.0 | 0.0 | 0.0 | |
| Debt service: | | | | | | | | | | |
| Principal retirement | 600,000 | 580,000 | 0 | 0 | | 18.3 | 31.9 | 0.0 | 0.0 | |
| Interest and fees | 1,235,734 | 745,147 | 481,098 | 146,234 | | 37.6 | 41.0 | 34.6 | 34.6 | |
| TOTAL EXPENDITURES | 1,858,630 | 1,339,810 | 488,734 | 148,614 | 0 | 56.6 | 73.7 | 35.2 | 35.2 | 0.0 |
| EXCESS REVENUES (EXPENDITURES) | $ 1,425,632 | $ 477,359 | $ 456,714 | $ 273,621 | $ 0 | 43.4 % | 26.3 % | 64.8 % | 64.8 % | 0.0 % |

*First year of financial activity.

See accompanying independent auditor's report.

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

APRIL 30, 2023

| | |
|---|---|
| Complete District Mailing Address: | Denton County Municipal Utility District No. 6<br>c/o Coats Rose, P.C.<br>14755 Preston Road, Suite 600<br>Dallas, Texas 75254 |
| District Business Telephone No.: | 972-788-1600 |

Submission date of the most recent District Registration Form: January 3, 2023

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

BOARD MEMBERS

| Name and Address | Term of Office (Elected/ Appointed) | Fees of Office Paid | Expense Reimb. | Title at Year End |
|---|---|---|---|---|
| Paul Tate<br>c/o Coats Rose, P.C.<br>14755 Preston Road, Suite 600<br>Dallas, Texas 75254 | Elected<br>5/07/22-<br>5/02/26 | $ 1,200 | $ 50 | President |
| T.M. “Mack” Strother<br>c/o Coats Rose, P.C.<br>14755 Preston Road, Suite 600<br>Dallas, Texas 75254 | Elected<br>5/02/20-<br>5/04/24 | 1,500 | 78 | Vice President |
| Bart White<br>c/o Coats Rose, P.C.<br>14755 Preston Road, Suite 600<br>Dallas, Texas 75254 | Appointed<br>5/09/22-<br>5/04/24 | 1,650 | 360 | Secretary |
| Jennifer Kaiser<br>c/o Coats Rose, P.C.<br>14755 Preston Road, Suite 600<br>Dallas, Texas 75254 | Appointed<br>8/15/22-<br>5/02/26 | 1,200 | 45 | Assistant Secretary |
| Michael Nelson<br>c/o Coats Rose, P.C.<br>14755 Preston Road, Suite 600<br>Dallas, Texas 75254 | Elected<br>5/07/22-<br>5/02/26 | 300 | 0 | Assistant Secretary |

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

APRIL 30, 2023

## CONSULTANTS

| Name and Address | Date Hired | Fees and Expense Reimbursements | Title at Year End |
|---|---|---|---|
| Coats Rose, P.C.<br>14755 Preston Road, Suite 600<br>Dallas, Texas 75254 | 2/7/07 | $ 59,206<br>490,048 Bonds | Attorney |
| L & S District Services, LLC<br>P.O. Box 170<br>Tomball, Texas 77377 | 2/7/07 | 9,339<br>1,800 Bonds | Bookkeeper |
| Debra Loggins<br>P.O. Box 170<br>Tomball, Texas 77377 | 2/7/07 | 0 | Investment Officer |
| JBI Partners<br>16301 Quorum Drive, Suite 200B<br>Addison, Texas 75001 | 2/9/16 | 72,415 | Engineer |
| Denton County Tax Assessor-Collector<br>P.O. Box 90223<br>Denton, Texas 76202 | 9/13/18 | 1,371 | Tax Assessor-Collector |
| Denton Central Appraisal District<br>P.O. Box 2816<br>Denton, Texas 76202 | Legislative Action | 19,085 | Central Appraisal District |
| Robert W. Baird & Co.<br>1331 Lamar, Suite 1360<br>Houston, Texas 77010 | 3/2/17 | 375,379 Bonds | Financial Advisor |
| Mark C. Eyring, CPA, PLLC<br>12702 Century Drive, Suite C2<br>Stafford, Texas 77477 | 8/1/19 | 8,500<br>10,900 Bonds | Independent Auditor |

## 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
Address:
200 Liberty Street, 27th floor
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)