

OFFICIAL STATEMENT DATED AUGUST 22, 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" FOR A DISCUSSION OF BOND COUNSEL'S OPINION.

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

NEW ISSUE – Book-Entry-Only

RATING: S&P Global Ratings (BAM Insured) "AA"
See "MUNICIPAL BOND INSURANCE" and "RATING" herein.

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
(A political subdivision of the State of Texas, located within Denton County)

\$3,550,000
Unlimited Tax Utility Bonds
Series 2024

\$3,805,000
Unlimited Tax Road Bonds
Series 2024

Dated: September 1, 2024

Due: September 1, as shown on inside cover

Interest Accrues From: Delivery Date

The \$3,550,000 Unlimited Tax Utility Bonds, Series 2024 (the "Utility Bonds") and the \$3,805,000 Unlimited Tax Road Bonds, Series 2024 (the "Road Bonds") (collectively referred to herein as the "Bonds") are solely obligations of Denton County Municipal Utility District No. 8 (the "District") and are not obligations of the State of Texas; Denton County, Texas (the "County"); the Town of Little Elm, Texas (the "Town"); or any political subdivision or entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; the County; the Town; nor any entity other than the District is pledged to the payment of the principal of or the interest on the Bonds.

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

Principal of the Bonds is payable to the registered owner(s) of the Bonds at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. The Bonds are dated September 1, 2024, and interest on the Bonds accrues from the initial date of delivery (on or about September 26, 2024) (the "Delivery Date"), and is payable on March 1, 2025, and each September 1 and March 1 (each an "Interest Payment Date") thereafter until maturity or prior redemption to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each Interest Payment Date. The Bonds are issuable in principal denominations of \$5,000 or any integral multiple thereof in fully registered form only.

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



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

The Utility Bonds constitute the second series of unlimited tax bonds to be issued by the District for the purpose of acquiring or constructing a water, sewer, and drainage system to serve the District (the "Utility System") and the Road Bonds constitute the third series of unlimited tax bonds to be issued by the District for the purpose of acquiring or constructing road improvements to serve the District (the "Road System"). Voters of the District authorized the issuance of the following: \$134,984,845 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, \$342,399,455 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, \$202,477,267 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System and \$513,599,182 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System. Following the issuance of the Bonds, \$123,264,845 principal amount of unlimited tax bonds for Utility System purposes, \$329,604,455 principal amount of unlimited tax bonds for Road System purposes, \$202,477,267 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System and \$513,599,182 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System will remain authorized but unissued. See "THE BONDS—Authority for Issuance."

The Bonds of the respective series, when issued, will be payable from the proceeds of two separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District. Investment in the Bonds is subject to certain risk factors as described herein. See "RISK FACTORS" herein.

The Bonds are offered, when, as and if issued by the District to the winning bidders of the Bonds (the "Initial Purchasers") subject, among other things, to the approval of the Attorney General of Texas and of Coats Rose, P.C., Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about September 26, 2024.

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

\$3,550,000 Unlimited Tax Utility Bonds, Series 2024

\$2,245,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 24880V (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 24880V (b)
2026	\$ 65,000	6.000%	3.400%	DC7	2035 (c)	\$ 135,000	4.000%	3.700%	DM5
2027	70,000	6.000%	3.400%	DD5	***	***	***	***	***
2028	80,000	6.000%	3.400%	DE3	2040 (c)	165,000	4.000%	4.070%	DS2
2029	90,000	6.000%	3.400%	DF0	***	***	***	***	***
2030	100,000	6.000%	3.400%	DG8	2045 (c)	195,000	4.000%	4.230%	DX1
2031 (c)	110,000	5.000%	3.450%	DH6	2046 (c)	200,000	4.000%	4.270%	DY9
2032 (c)	120,000	4.000%	3.500%	DJ2	2047 (c)	210,000	4.125%	4.300%	DZ6
2033 (c)	125,000	4.000%	3.550%	DK9	2048 (c)	220,000	4.125%	4.330%	EA0
2034 (c)	130,000	4.000%	3.600%	DL7	2049 (c)	230,000	4.125%	4.350%	EB8

\$1,305,000 Term Bonds

- \$290,000 Term Bonds Due September 1, 2037 (c)(d), Interest Rate: 4.000% (Price: \$100.522) (a), CUSIP No. 24880V DP8 (b)
- \$305,000 Term Bonds Due September 1, 2039 (c)(d), Interest Rate: 4.000% (Price: \$100.000) (a), CUSIP No. 24880V DR4 (b)
- \$340,000 Term Bonds Due September 1, 2042 (c)(d), Interest Rate: 4.000% (Price: \$98.237) (a), CUSIP No. 24880V DU7 (b)
- \$370,000 Term Bonds Due September 1, 2044 (c)(d), Interest Rate: 4.000% (Price: \$97.315) (a), CUSIP No. 24880V DW3 (b)

\$3,805,000 Unlimited Tax Road Bonds, Series 2024

\$3,510,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 24880V (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 24880V (b)
2026	\$ 70,000	6.250%	3.400%	EC6	***	***	***	***	***
2027	75,000	6.500%	3.400%	ED4	2040 (c)	\$ 160,000	4.000%	4.090%	ES1
2028	85,000	6.500%	3.400%	EE2	2041 (c)	165,000	4.000%	4.110%	ET9
2029	90,000	6.500%	3.400%	EF9	2042 (c)	175,000	4.000%	4.140%	EU6
2030	95,000	6.500%	3.400%	EG7	2043 (c)	180,000	4.000%	4.170%	EV4
2031 (c)	105,000	6.500%	3.400%	EH5	2044 (c)	185,000	4.000%	4.200%	EW2
2032 (c)	110,000	5.250%	3.450%	EJ1	2045 (c)	195,000	4.000%	4.230%	EX0
2033 (c)	120,000	4.000%	3.500%	EK8	2046 (c)	200,000	4.125%	4.260%	EY8
2034 (c)	125,000	4.000%	3.550%	EL6	2047 (c)	215,000	4.125%	4.280%	EZ5
2035 (c)	125,000	4.000%	3.600%	EM4	2048 (c)	220,000	4.125%	4.300%	FA9
2036 (c)	135,000	4.000%	3.700%	EN2	2049 (c)	540,000	4.125%	4.320%	FB7
2037 (c)	140,000	4.000%	3.800%	EP7					

\$295,000 Term Bonds

- \$295,000 Term Bonds Due September 1, 2039 (c)(d), Interest Rate: 4.000% (Price: \$100.00) (a), CUSIP No. 24880V ER3 (b)

- (a) The initial reoffering yield has been provided by the Initial Purchasers (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, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on September 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*."
- (d) Subject to mandatory sinking fund redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth herein under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from 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 Purchasers 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 the heading “MUNICIPAL BOND INSURANCE” and “APPENDIX B – Specimen Municipal Bond Insurance Policy.”

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

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Utility Bonds, the District has accepted the bid resulting in the lowest net interest cost, which was tendered by Raymond James & Associates, Inc. (the "Utility Bonds Initial Purchaser"). The Utility Bonds Initial Purchaser has agreed to purchase the Utility 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 97.158989% of the principal amount thereof, which resulted in a net effective interest rate of 4.292588%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

After requesting competitive bids for the Road Bonds, the District has accepted the bid resulting in the lowest net interest cost, which was tendered by SAMCO Capital Markets, Inc. (the "Road Bonds Initial Purchaser"). The Road Bonds Initial Purchaser has agreed to purchase the Road 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 97.006796% of the principal amount thereof, which resulted in a net effective interest rate of 4.352990%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

The Utility Bonds Initial Purchaser and the Road Bonds Initial Purchaser are collectively referred to herein as the "Initial Purchasers."

Prices and Marketability

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchasers after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial reoffering prices, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue a Municipal Bond Insurance Policy for each series of the Bonds (each a "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, a business unit of Standard & Poor's Financial Services, LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects 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 June 30, 2024 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$486.0 million, \$232.7 million and \$253.3 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.

RATING

The Bonds are expected to receive an insured rating of "AA" from S&P solely in reliance upon the issuance of the Policy for 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.

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

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. 8 (the “District”), a political subdivision of the State of Texas, is located within Denton County, Texas. See “THE DISTRICT.”

The Bonds.....The District is issuing its \$3,550,000 Unlimited Tax Utility Bonds, Series 2024 (the “Utility Bonds”) and \$3,805,000 Unlimited Tax Road Bonds, Series 2024 (the “Road Bonds”). The Utility Bonds and the Road Bonds are herein referred to collectively as the “Bonds.” The Bonds are dated September 1, 2024 and mature on September 1 in each of the years and principal amounts set forth on the inside cover page. Interest accrues from the initial date of delivery (expected to be on or about September 26, 2024) (the “Delivery Date”), at the rates per annum set forth on the inside cover page and is payable on March 1, 2025, and on each September 1 and March 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See “THE BONDS – General.”

Redemption ProvisionsOptional Redemption: 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 September 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.”

Mandatory Redemption: The Utility Bonds maturing on September 1 in the years 2037, 2039, 2042 and 2044 are term bonds (the “Utility Term Bonds”) and the Road Bonds maturing on September 1 in the year 2039 are also term bonds (the “Road Term Bonds”). The Utility Term Bonds and the Road Term Bonds are collectively referred to herein as the “Term Bonds.” The Term Bonds are subject to certain mandatory sinking fund redemption provisions as set forth herein under “THE BONDS—Redemption Provisions — *Mandatory Redemption.*”

Source of PaymentPrincipal of and interest on the Bonds is payable from the proceeds of two separate continuing direct annual ad valorem taxes, 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 Town of Little Elm, Texas (the “Town”); or any other political subdivision or entity other than the District. See “THE BONDS – Source of Payment.”

Outstanding BondsThe District has previously issued the following series of unlimited tax bonds: \$4,200,000 Unlimited Tax Road Bonds, Series 2022; \$4,790,000 Unlimited Tax Road Bonds, Series 2023; and \$8,170,000 Unlimited Tax Utility Bonds, Series 2023. As of delivery of the Bonds, \$17,160,000 principal amount of such previously issued bonds will remain outstanding (the “Outstanding Bonds”). See “THE BONDS – Outstanding Bonds.”

Payment Record.....	The District has never defaulted on the timely payment of principal or interest on its bonded indebtedness. See “THE BONDS – Source of Payment.”
Authority for Issuance.....	<p>At an election held within the District on May 1, 2021, voters of the District authorized the District’s issuance of \$134,984,845 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the water, sewer, and drainage facilities to serve the District (the “Utility System”); \$342,399,455 principal amount of unlimited tax bonds for the purpose of acquiring or constructing roads and improvements in aid thereof to serve the District (the “Road System”); \$202,477,267 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; and \$513,599,182 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.</p> <p>The Utility Bonds are issued pursuant to (i) an order by the Texas Commission on Environmental Quality (the “TCEQ”); (ii) an order of the District’s Board of Directors authorizing the issuance of the Utility Bonds (the “Utility Bond Order”); (iii) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly including Chapters 49 and 54 of the Texas Water Code, as amended; and (iv) an election held within the District on May 1, 2021.</p> <p>The Road Bonds are issued pursuant to (i) an order authorizing the issuance of the Road Bonds (the “Road Bond Order”); (ii) Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended; (iii) an order of the TCEQ approving the acquisition of road powers dated May 12, 2020; and (iv) an election held within the District on May 1, 2021.</p> <p>The Utility Bond Order and the Road Bond Order are herein referred to collectively as the “Bond Orders.”</p>
Use of Bond Proceeds.....	<p>Proceeds from the sale of the Utility Bonds will be used to reimburse the Developer (defined herein) for the construction costs set out herein under “THE BONDS – Use and Distribution of Utility Bond Proceeds.” Additionally, proceeds of the Utility Bonds will be used to pay developer interest and certain costs associated with the issuance of the Utility Bonds. See “THE BONDS – Use and Distribution of Utility Bond Proceeds.”</p> <p>Proceeds from the sale of the Road Bonds will be used to reimburse the Developer for costs associated with certain road improvements set out herein under “THE BONDS – Use and Distribution of Road Bond Proceeds.” Additionally, proceeds of the Road Bonds will be used to pay developer interest, six (6) months of capitalized interest and certain costs associated with the issuance of the Road Bonds. See “THE BONDS – Use and Distribution of Road Bond Proceeds.”</p>
Qualified Tax-Exempt Obligations.....	The Bonds have been designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions.”
Municipal Bond Insurance	Build America Mutual Assurance Company (“BAM”). See “MUNICIPAL BOND INSURANCE” and “RATING.”
Rating.....	S&P (BAM insured): “AA.” See “MUNICIPAL BOND INSURANCE” and “RATING.”

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

THE DISTRICT

Description.....The District was created by an order of the TCEQ dated September 11, 2012, 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 140.48 total acres. See “THE DISTRICT.”

Location.....The District is located south of US Highway 380, 2.25 miles west of FM 423, in Denton County, Texas. The District is located entirely within the extraterritorial jurisdiction of the Town.

DeveloperLennar Homes of Texas Land and Construction, LTD., a Texas limited partnership (“Lennar”) has developed Linden Hills Phases 1, 2, 2A and 3 on approximately 114.64 acres as 507 single-family lots. See “THE DEVELOPER.”

Development within the District.....The District is being developed as the single-family subdivision known as “Linden Hills.” To-date, approximately 114.64 acres (507 lots) within the District have been developed as Linden Hills, Phases 1, 2, 2A and 3. As of July 1, 2024, the District included 497 completed homes and 10 homes under construction. The remaining land within the District consists of approximately 9.79 undevelopable acres and approximately 16.05 acres for a school site. See “DEVELOPMENT OF THE DISTRICT.”

Homebuilder.....The only currently active homebuilder within the District is Lennar Homes. Homes in the District range in price from approximately \$317,000 to approximately \$450,000 and in size from approximately 1,267 square feet to approximately 2,348 square feet. See “DEVELOPMENT OF THE DISTRICT – Homebuilder within the District.”

RISK FACTORS

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT RISKS. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, PARTICULARLY “RISK FACTORS.”

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**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2024 Taxable Assessed Valuation.....	\$ 166,142,609	(a)
Estimate of Value as of July 1, 2024	\$ 184,400,000	(b)
Direct Debt:		
The Outstanding Bonds (as of delivery of the Bonds).....	\$ 17,160,000	
The Road Bonds	\$ 3,805,000	
The Utility Bonds	<u>\$ 3,550,000</u>	
Total.....	\$ 24,515,000	
Estimated Overlapping Debt	<u>\$ 6,817,725</u>	(c)
Total Direct and Estimated Overlapping Debt	<u>\$ 31,332,725</u>	(c)
Direct Debt Ratios:		
As a percentage of the 2024 Taxable Assessed Valuation.....	14.76	%
As a percentage of the Estimate of Value as of July 1, 2024	13.29	%
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of the 2024 Taxable Assessed Valuation.....	18.86	%
As a percentage of the Estimate of Value as of July 1, 2024	16.99	%
Utility Debt Service Fund Balance (As of July 24, 2024).....	\$ 615,872	(d)
Road Debt Service Fund Balance (As of July 24, 2024).....	\$ 524,355	(e)
General Operating Fund Balance (As of July 24, 2024).....	\$ 605,528	
2024 Tax Rate		
Utility System Debt Service	\$ 0.085	(f)
Road System Debt Service	0.470	(f)
Maintenance and Operations	<u>0.445</u>	(f)
Total.....	\$ 1.000	
Average Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2025-2049).....	\$ 1,708,690	(g)
Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2049)	\$ 1,720,513	(g)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2025-2049)		
Based on the 2024 Taxable Assessed Valuation at 95% Tax Collections	\$ 1.09	
Based on the Estimate of Value as of July 1, 2024, at 95% Tax Collections.....	\$ 0.98	
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2049):		
Based on the 2024 Taxable Assessed Valuation at 95% Tax Collections	\$ 1.10	
Based on the Estimate of Value as of July 1, 2024, at 95% Tax Collections.....	\$ 0.99	

(a) Represents the certified assessed valuation of all taxable property in the District as of January 1, 2024, as provided by the Denton Central Appraisal District (the "DCAD"). See "TAXING PROCEDURES."

(b) 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 July 1, 2024, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2024, through July 1, 2024. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

(c) See "DISTRICT DEBT - Direct and Estimated Overlapping Debt Statement."

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

(e) In addition to this amount, six (6) months of capitalized interest will be deposited into the Road System Debt Service Fund upon closing of the Road Bonds. Neither Texas law nor the Road Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the purpose of acquiring or constructing the Utility System, including the Utility Bonds.

(f) See "TAX DATA - Tax Rate Distribution."

(g) See "DISTRICT DEBT - Debt Service Requirement Schedule."

OFFICIAL STATEMENT

relating to

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 8

(a political subdivision of the State of Texas, located within Denton County)

\$3,550,000
Unlimited Tax Utility Bonds
Series 2024

\$3,805,000
Unlimited Tax Road Bonds
Series 2024

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Denton County Municipal Utility District No. 8 (the "District") of its \$3,550,000 Unlimited Tax Utility Bonds, Series 2024 (the "Utility Bonds") and \$3,805,000 Unlimited Tax Road Bonds, Series 2024 (the "Road Bonds") (collectively referred to herein as the "Bonds").

The Utility Bonds are issued pursuant to (i) an order by the Texas Commission on Environmental Quality (the "TCEQ"); (ii) an order of the District's Board of Directors authorizing the issuance of the Utility Bonds (the "Utility Bond Order"); (iii) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly including Chapters 49 and 54 of the Texas Water Code, as amended; and (iv) an election held within the District on May 1, 2021.

The Road Bonds are issued pursuant to (i) an order authorizing the issuance of the Road Bonds (the "Road Bond Order"); (ii) Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended; (iii) an order of the TCEQ approving the acquisition of road powers dated May 12, 2020; and (iv) an election held within the District on May 1, 2021.

The Utility Bond Order and the Road Bond Order are herein referred to collectively as the "Bond Orders."

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Orders. 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.

RISK FACTORS

General

The Bonds of the respective series are obligations of the District and are not obligations of the State of Texas; Denton County, Texas (the "County"); the Town of Little Elm, Texas (the "Town"); or any political subdivision or entity other than the District. The Bonds of the respective series are payable from the proceeds of two separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property in the District. See "THE BONDS – Source of Payment."

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.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development within the District is directly related to the vitality of the residential housing development industry in the Dallas-Fort Worth metropolitan area. New construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. New construction can also be affected by energy availability and costs, including oil and gasoline prices, upon which

the Texas economy is heavily dependent. Decreased levels of such construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District. See “DEVELOPMENT OF THE DISTRICT” herein.

Dependence on Major Taxpayers and the Developer: The District’s tax base is concentrated in a small number of taxpayers. As reflected in this Official Statement under the caption “TAX DATA – Principal Taxpayers,” the District’s top ten principal taxpayers as of January 1, 2024, owned approximately 7.83% of the assessed value of property located in the District. In addition, the Developer (hereinafter defined) owned approximately 0.80% of the assessed value of property located in the District as of January 1, 2024. The District cannot represent that its tax base will in the future be (i) distributed among a significantly larger number of taxpayers or (ii) less concentrated in property owned by a relatively small number of property owners than it is currently. Failure by the Developer or one or more of the District’s principal property owners to make full and timely payments of taxes due may have an adverse effect on the investment quality or security of the Bonds. If any one or more of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meet its debt service requirements, the availability of which is uncertain. See “RISK FACTORS – Tax Collections and Foreclosure Remedies” below and “THE DEVELOPER” herein.

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.

Developers’ Obligations to the District: There is no commitment by or legal requirement of the Developer or any other landowner to 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 owner of property to proceed at any particular pace with the construction of homes or commercial improvements 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, in the District. Failure to construct taxable improvements would restrict the rate of growth of taxable values in the District and result in higher tax rates.

Maximum Impact on District Tax Rate: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners within the District to pay their taxes. The 2024 Taxable Assessed Valuation of all taxable property located within the District is \$166,142,609 and the Estimate of Value as of July 1, 2024, is \$184,400,000. See “TAX DATA.” After issuance of the Bonds, the maximum annual debt service requirement on the Bonds and the Outstanding Bonds (2049) is \$1,720,513, and the average annual debt service requirement on the Bonds and the Outstanding Bonds (2025-2049) is \$1,708,690. Assuming no decrease to the District’s 2024 Taxable Assessed Valuation, combined debt service tax rates of \$1.10 and \$1.09 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no decrease from the Estimate of Value as of July 1, 2024, combined debt service tax rates of \$0.99 and \$0.98 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. See “DISTRICT DEBT – Debt Service Requirement Schedule” and “TAX DATA – Tax Rate Calculations.”

Increases in the District’s tax rate to rates substantially higher than the levels discussed above may have an adverse impact upon future development of the District, the sale and construction of property within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District.

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 Collections and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by difficulties in collecting ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures; (b) a bankruptcy court's stay of tax collection proceedings against a taxpayer; or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. See "TAXING PROCEDURES – District's Rights in the Event of Tax Delinquencies."

Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "TAX DATA-Estimated Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property after foreclosure). Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer.

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 Orders, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Orders, the registered owners of the Bonds (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 Orders do not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of 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 Orders may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may 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

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

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

If the petitioning District were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it

could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district. The District may not be placed into bankruptcy involuntarily.

Future Debt

Following the issuance of the Bonds, \$123,264,845 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing water, sewer and drainage facilities to serve the District (the "Utility System"); \$329,604,455 principal amount of unlimited tax bonds for the purpose of acquiring or constructing roads and improvements in aid thereof to serve the District (the "Road System"); \$202,477,267 principal amount of unlimited tax bonds for the purpose of refunding bonds previously issued for the Utility System; and \$513,599,182 principal amount of unlimited tax bonds for the purpose of refunding bonds previously issued for the Road System will remain authorized but unissued.

After reimbursement with the proceeds of the Bonds, the Developer will be fully reimbursed for the construction of the Utility System and the Road System on behalf of the District. See "THE BONDS – Issuance of Additional Debt."

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

Continuing Compliance with Certain Covenants

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

Future and Proposed Legislation

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

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

Marketability of the Bonds

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

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. Further, the EPA has established a NPDWR for six (6) Per- and Polyfluoroalkyl Substances ("PFAS"), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 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 and subsequent regulatory action removed a great deal of uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction, operations of municipal utility districts, including the Regional District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

Potential Impact of Natural Disaster

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

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

Bond Insurance Risk Factors

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

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

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

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

The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies. Neither the District nor the Initial Purchasers 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 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 “RATING” herein for further information provided by the Bond Insurer and the Insurance Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

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 Orders. Copies of the Bond Orders may be obtained from the District upon request to Coats Rose, P.C., Dallas, Texas, Bond Counsel. The Bond Orders authorize 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 September 1, 2024, and interest on the Bonds accrues from the initial date of delivery (on or about September 26, 2024) (the “Delivery Date”), and is payable on March 1, 2025, and each September 1 and March 1 (each an “Interest Payment Date”) until the earlier of maturity or redemption. The Bonds mature on September 1 in the years and in the amounts shown under “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS” on the inside cover page hereof.

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

each series 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).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held

for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The District may decide to discontinue use of the 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.

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 DTC 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 Orders will be given only to DTC.

Successor Paying Agent/Registrar

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

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) preceding such Interest Payment Date.

Registration, Transfer and Exchange

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Paying Agent/Registrar, or sent by the United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of the Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be of the same series and in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See “Book-Entry-Only System” herein defined for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and the Paying

Agent/Registrar of security or indemnity which they determine to be sufficient to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Redemption Provisions

Optional Redemption

Bonds maturing on September 1, 2031, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the series and maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain series and 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 Utility Bonds maturing on September 1 in the years 2037, 2039, 2042 and 2044 are term bonds (the "Utility Term Bonds") and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), and in the principal amount set forth in the following schedule:

<u>\$290,000 Utility Term Bonds Maturing on September 1, 2037</u>	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2036	\$ 140,000
September 1, 2037 (Maturity)	\$ 150,000
<u>\$305,000 Utility Term Bonds Maturing on September 1, 2039</u>	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2038	\$ 150,000
September 1, 2039 (Maturity)	\$ 155,000
<u>\$340,000 Utility Term Bonds Maturing on September 1, 2042</u>	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2041	\$ 165,000
September 1, 2042 (Maturity)	\$ 175,000
<u>\$370,000 Utility Term Bonds Maturing on September 1, 2044</u>	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2043	\$ 180,000
September 1, 2044 (Maturity)	\$ 190,000

The Road Bonds maturing on September 1 in the year 2039 are term bonds (the "Road Term Bonds" and together with the Utility Term Bonds, the "Term Bonds"), and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the Mandatory Redemption Date, and in the principal amount set forth in the following schedule:

\$295,000 Road Term Bonds Maturing on September 1, 2039

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2038	\$ 145,000
September 1, 2039 (Maturity)	\$ 150,000

The principal amount of the Term Bonds of a maturity 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 such maturity which, at least fifty (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 cancelled by the Paying Agent/Registrar at the request of the District with monies in the applicable 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 requirements.

Outstanding Bonds

The District has previously issued the following series of unlimited tax bonds: \$4,200,000 Unlimited Tax Road Bonds, Series 2022; \$4,790,000 Unlimited Tax Road Bonds, Series 2023; and \$8,170,000 Unlimited Tax Utility Bonds, Series 2023. As of delivery of the Bonds, \$17,160,000 principal amount of such previously issued bonds will remain outstanding (the "Outstanding Bonds").

Replacement of Bonds

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

Authority for Issuance

The Utility Bonds are issued pursuant to (i) an order by the TCEQ; (ii) the Utility Bond Order; (iii) 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; and (iv) an election held within the District on May 1, 2021.

The Road Bonds are issued pursuant to (i) the Road Bond Order; (ii) Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended; (iii) an order of the TCEQ approving the acquisition of road powers dated May 12, 2020; and (iv) an election held within the District on May 1, 2021.

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

Source of Payment

The Bonds of the respective series are secured by and payable from the proceeds of two separate annual ad valorem taxes, each without legal limitation as to rate or amount, levied upon all taxable property located within the District. See "TAXING PROCEDURES." Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See "RISK FACTORS."

The Bonds are obligations solely of the District and are not obligations of the State of Texas; the County; the Town; or any political subdivision or entity other than the District.

Issuance of Additional Debt

The Utility Bonds constitute the second series of unlimited tax bonds issued by the District for the Utility System. The Road Bonds constitute the third series of unlimited tax bonds issued by the District for the Road System. At an election held on May 1, 2021, voters of the District authorized a total of \$134,984,845 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing the Utility System; \$342,399,455 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road

System; \$202,477,267 principal amount of unlimited tax bonds for the purpose of refunding bonds previously issued for the Utility System; and \$513,599,182 principal amount of unlimited tax bonds for the purpose of refunding bonds previously issued for the Road System.

Following the issuance of the Bonds, \$123,264,845 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing the Utility System; \$329,604,455 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$202,477,267 principal amount of unlimited tax bonds for the purpose of refunding bonds previously issued for the Utility System; and \$513,599,182 principal amount of unlimited tax bonds for the purpose of refunding bonds previously issued for the Road System, will remain authorized but unissued. According to the Engineer the remaining bonds authorized will be sufficient to fully finance the reimbursable costs to fully develop the District.

After reimbursement with the proceeds of the Bonds, the Developer will be fully reimbursed for the construction of the Utility System and the Road System on behalf of the District.

The Bond Orders impose no limitation on the amount of additional parity bonds which may be authorized for issuance by the District’s voters or the amount ultimately issued by the District. Bonds issued for water, sewer, and drainage purposes are required to be approved by the TCEQ.

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

Election Date	Purpose	Amount Authorized	Issued to Date	Remaining Unissued
5/1/2021	Utility System	\$134,984,845	\$11,720,000 (a)	\$123,264,845
5/1/2021	Road System	\$342,399,455	\$12,795,000 (b)	\$329,604,455
5/1/2021	Utility System Refunding	\$202,477,267	-	\$202,477,267
5/1/2021	Road System Refunding	\$513,599,182	-	\$513,599,182

(a) Includes the Utility Bonds.

(b) Includes the Road Bonds.

No Arbitrage

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

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 wholly within the ETJ of the Town. Under current law, certain portions of the District may be annexed and dissolved by the Town only if (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the land owners, consenting to annexation. If the District is annexed, the Town 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 Town is a policy-making matter within the discretion of the Mayor and City Council of the Town, and therefore, the District makes no representation that the Town will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the Town to make debt service payments should annexation occur. The Bond Orders provide for the termination of the pledge of taxes to the Bonds upon annexation and dissolution by the Town.

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.

Amendments to the Bond Orders

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

Funds

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

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

Defeasance

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

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 Orders, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Orders, 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 Orders do not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of defaults and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

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

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.

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Use and Distribution of Utility Bond Proceeds

Proceeds from sale of the Utility Bonds will be used to reimburse the Developer for a portion of the construction costs set out below. Proceeds of the Utility Bonds will also be used to pay developer interest and certain other costs associated with the issuance of the Utility Bonds.

Construction Costs	District's Share
A. Developer Contribution Items	
1. Linden Hills Phase 1 – Grading	\$ 84,472
2. Linden Hills Phase 2 – Grading	95,258
3. Linden Hills Lift Station	122,618
4. Linden Hills Phase 3 – Grading	40,985
5. Linden Hills Phase 3 – W, WW & D	1,669,938
6. Magnolia Boulevard – W, WW & D	184,720
7. Engineering & Testing	145,264
8. SWPPP Compliance	49,305
<i>Total Developer Contribution Items</i>	<u>\$ 2,392,560</u>
B. District Items	
1. Offsite Easements	\$ 238,746
2. Linden Hills Phase 2 – Sanitary Sewer Easement	46,021
3. Linden Hills Lift Station	39,203
<i>Total District Items</i>	<u>\$ 323,970</u>
Total Construction Costs	\$ 2,716,530
Non-Construction Costs	
1. Legal Fees	\$ 103,750
2. Fiscal Agent Fees	71,000
3. Developer Interest	442,653
4. Bond Discount	111,669
5. Bond Issuance Expenses	47,142
6. Bond Application Report	50,000
7. Attorney General Fee	3,550
8. TCEQ Bond Issuance Fee	8,875
9. Contingency (a)	5,644
Total Non-Construction Costs	<u>\$ 833,470</u>
TOTAL BOND ISSUE REQUIREMENT	\$ 3,550,000

(a) Represents the difference between actual and allotted Bond Discount.

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

In the instance that estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses. 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.

Use and Distribution of Road Bond Proceeds

Proceeds from sale of the Road Bonds will be used to reimburse the Developer for a portion of the construction costs set out below. Proceeds of the Road Bonds will also be used to pay developer interest, six (6) months of capitalized interest and certain other costs associated with the issuance of the Road Bonds.

Construction Costs	District's Share
1. Linden Hills Phase 2 - Grading	\$ 102,024
2. Linden Hills Phase 2 - Paving	759,362
3. Linden Hills Phase 3 - Grading	90,713
4. Linden Hills Phase 3 - Paving	1,229,354
5. Magnolia Boulevard	388,854
6. Engineering & Testing	403,853
7. SWPPP Compliance	87,211
Total Construction Costs	\$ 3,061,370
Non-Construction Costs	
1. Legal Fees	\$ 110,125
2. Fiscal Agent Fees	76,100
3. Interest:	
a. Capitalized Interest	85,613
b. Developer Interest	294,225
4. Bond Discount (3.00%)	114,150
5. Bond Issuance Expenses	40,587
6. Bond Engineering Fee	19,025
7. Attorney General's Fee	3,805
8. Contingency	1,937
Total Non-Construction Costs	\$ 743,630
TOTAL BOND ISSUE REQUIREMENT	\$ 3,805,000

(a) Represents the difference between actual and allotted Capitalized Interest and Bond Discount.

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

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

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THE DISTRICT

General

The District is a limited-purpose political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution. The District was created by order of the TCEQ dated September 11, 2012, as a municipal utility district. The District is vested with all of the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation to those conferred by Chapters 49 and 54, Texas Water Code, as amended. In addition, the District is authorized to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District is also empowered to purchase, construct, operate and maintain roads. The District may operate and maintain a fire department, independently or with one other conservation and reclamation districts, if approved by the voters and the TCEQ. The District does not operate and/or maintain a fire department. The District is subject to the continuing supervision of the TCEQ.

Description

The District contains approximately 140.48 acres and is located south of US Highway 380, 2.25 miles west of FM 423 in Denton County. The District is located entirely within the extraterritorial jurisdiction of the Town 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:

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Keith Pillers	President	2026
Chris Claassen	Vice President	2026
Gilberto Garza	Secretary	2028
Brian C. Mier	Assistant Secretary	2026
Peter Abrahamsen	Assistant Secretary	2028

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, 2024. See “APPENDIX A” for a copy of the District’s April 30, 2024, audited financial statements.

Engineer: The District’s engineer is Kimley-Horn & Associates, Inc. (the “Engineer”).

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

Investment Policy

The District has adopted an Investment Policy (the “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 Policy. The 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.

Historical Operations of the District

The following is a summary of the District’s Operating Fund. The figures for the fiscal years ending April 30 in the years 2022 through 2024, were obtained from the District’s annual financial report, reference to which is hereby made. See “APPENDIX A.” The District is required by statute to have a certified public accountant prepare and file an annual audit of its financial records with the TCEQ.

	Fiscal Year Ending April 30,		
	2024	2023	2022
REVENUES:			
Property Taxes	\$ 405,291	\$ 296,570	\$ -
Penalty	-	930	-
Interest On Deposits	<u>10,006</u>	<u>7</u>	<u>-</u>
TOTAL REVENUES	\$ 415,297	\$ 297,507	\$ -
EXPENDITURES:			
Professional Fees	\$ 53,608	\$ 60,611	\$ 12,617
Contract Services	21,405	5,056	2,748
Repairs & Maintenance	-	900	-
Utilities	4,821	2,714	-
Administrative Expenditures	<u>10,256</u>	<u>8,006</u>	<u>10,000</u>
TOTAL EXPENDITURES	\$ 90,090	\$ 77,287	\$ 32,878
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 325,207</u>	<u>\$ 220,220</u>	<u>\$ (32,878)</u>
OTHER FINANCING SOURCES:			
Developer Advances	\$ -	\$ 120,000	\$ 16,000
Beginning Fund Balance	\$ 322,229	\$ (17,991)	\$ 7,440
Ending Fund Balance	\$ 647,436	\$ 322,229	\$ (9,438)

DEVELOPMENT OF THE DISTRICT

Status of Development within the District

The District is being developed as the single-family subdivision known as “Linden Hills.” Approximately 114.64 acres (507 lots) within the District have been developed as Linden Hills, Phases 1, 2, 2A and 3. As of July 1, 2024, the District included 497 completed homes and 10 homes under construction. The remaining land within the District consists of approximately 9.79 undevelopable acres and approximately 16.05 acres for a school site.

The table below summarizes the status of development and land use within the District as of July 1, 2024.

<u>Subdivision</u>	<u>Acreage</u>	<u>Section Lots</u>	<u>Homes Completed</u>	<u>Homes Under Construction</u>	<u>Vacant Lots</u>
Phase 1	44.43	191	187	4	-
Phase 2 & 2A	43.00	192	187	5	-
Phase 3	27.21	124	123	1	-
Totals	114.64	507	497	10	-
School Site	16.05				
Undevelopable	9.79				
Remaining Developable	-				
District Total	140.48				

Homebuilder within the District

The only currently active homebuilder within the District is Lennar Homes. Homes in the District range in price from approximately \$317,000 to approximately \$450,000 and in size from approximately 1,267 square feet to approximately 2,348 square feet.

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PHOTOGRAPHS TAKEN IN THE DISTRICT

(July 2024)



PHOTOGRAPHS TAKEN IN THE DISTRICT
(July 2024)



THE DEVELOPER

Role of the Developer

In general, the activities of a developer in a municipal utility district, such as the District, include the following: acquiring the land within the district, designing the subdivision, the utilities and streets to be constructed in the subdivision, and 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; and selling improved lots and commercial reserves to builders and other developers or other third parties. Pursuant to the rules of the TCEQ, a developer can be required to pay up to 30% of the cost of constructing certain water, wastewater and drainage facilities in a municipal utility district. The relative success or failure of a developer to perform such activities in the development of property within a municipal utility district may have a profound effect on the security of the bonds issued by a district. A developer is generally under no obligation to a municipal utility district to develop the property that it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a municipal utility district.

Developer

The developer of land within the District is Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership ("Lennar" or the "Developer").

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

Developer Financing

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

THE UTILITY SYSTEM AND THE ROAD SYSTEM

General

The Utility System and the Road System have been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the County, the Town, 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 Utility System

- Water Supply and Distribution -

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 March 4, 2021, the Developer entered into an agreement for Linden Hills Phase 1 and Phase 2 of the District with Mustang (the "Agreement") to provide capacity to service 830 equivalent single-family connections ("esfcs") within the District. On January 24, 2023, the Developer and Mustang amended the agreement to expand the service area to include the remaining land within the District (i.e. Linden Hills Phase 3). 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.

- Wastewater Treatment -

The District is currently served by a lift station owned and maintained by Mustang. The sewage is pumped via a force main to an existing gravity main owned and maintained by Mustang. From there, the gravity sewer flows to the existing Doe Branch Wastewater Treatment Plant owned and maintained by the Upper Trinity Water District ("UTRWD"). The District has agreed to pay the construction costs of the lift station, force main, and gravity mains that serve the District.

- Drainage -

The District naturally drains directly to Lake Lewisville.

Description of the Road System

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.

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DISTRICT DEBT

2024 Taxable Assessed Valuation.....	\$ 166,142,609	(a)
Estimate of Value as of July 1, 2024.....	\$ 184,400,000	(b)
Direct Debt:		
The Outstanding Bonds (as of delivery of the Bonds).....	\$ 17,160,000	
The Road Bonds	\$ 3,805,000	
The Utility Bonds	<u>\$ 3,550,000</u>	
Total.....	\$ 24,515,000	
Estimated Overlapping Debt.....	<u>\$ 6,817,725</u>	(c)
Total Direct and Estimated Overlapping Debt.....	<u>\$ 31,332,725</u>	(c)
Direct Debt Ratios:		
As a percentage of the 2024 Taxable Assessed Valuation.....	14.76	%
As a percentage of the Estimate of Value as of July 1, 2024	13.29	%
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of the 2024 Taxable Assessed Valuation.....	18.86	%
As a percentage of the Estimate of Value as of July 1, 2024	16.99	%
Utility Debt Service Fund Balance (As of July 24, 2024).....	\$ 615,872	(d)
Road Debt Service Fund Balance (As of July 24, 2024).....	\$ 524,355	(e)
General Operating Fund Balance (As of July 24, 2024).....	\$ 605,528	
2024 Tax Rate		
Utility System Debt Service	\$ 0.085	(f)
Road System Debt Service	0.470	(f)
Maintenance and Operations	<u>0.445</u>	(f)
Total.....	\$ 1.000	
Average Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2025-2049).....	\$ 1,708,690	(g)
Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2049)	\$ 1,720,513	(g)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2025-2049)		
Based on the 2024 Taxable Assessed Valuation at 95% Tax Collections.....	\$ 1.09	
Based on the Estimate of Value as of July 1, 2024, at 95% Tax Collections.....	\$ 0.98	
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2049):		
Based on the 2024 Taxable Assessed Valuation at 95% Tax Collections.....	\$ 1.10	
Based on the Estimate of Value as of July 1, 2024, at 95% Tax Collections.....	\$ 0.99	

- (a) Represents the certified assessed valuation of all taxable property in the District as of January 1, 2024, as provided by the Denton Central Appraisal District (the "DCAD"). See "TAXING PROCEDURES."
- (b) 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 July 1, 2024, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2024, through July 1, 2024. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT - Direct and Estimated Overlapping Debt Statement."
- (d) Neither Texas law nor the Utility Bond Order requires that the District maintain any particular sum in the Utility Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued for the purpose of acquiring or constructing the Road System, including the Road Bonds.
- (e) In addition to this amount, six (6) months of capitalized interest will be deposited into the Road System Debt Service Fund upon closing of the Road Bonds. Neither Texas law nor the Road Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the purpose of acquiring or constructing the Utility System, including the Utility Bonds.
- (f) See "TAX DATA - Tax Rate Distribution."
- (g) See "DISTRICT DEBT - Debt Service Requirement Schedule."

Debt Service Requirement Schedule

The following schedule sets forth the annual debt service requirements on the Outstanding Bonds, as well as the principal and interest requirements on the Bonds.

Year Ending 12/31	Outstanding Debt Service	Plus: The Bonds				Total Combined Debt Service
		The Utility Bonds		The Road Bonds		
		Principal	Interest	Principal	Interest	
2025	\$ 1,267,256	\$ -	\$ 141,468	\$ -	\$ 156,211	\$ 1,564,935
2026	1,263,881	65,000	152,025	70,000	167,869	1,718,775
2027	1,258,969	70,000	148,125	75,000	163,494	1,715,588
2028	1,252,625	80,000	143,925	85,000	158,619	1,720,169
2029	1,244,838	90,000	139,125	90,000	153,094	1,717,056
2030	1,240,594	100,000	133,725	95,000	147,244	1,716,563
2031	1,230,069	110,000	127,725	105,000	141,069	1,713,863
2032	1,222,931	120,000	122,225	110,000	134,244	1,709,400
2033	1,221,131	125,000	117,425	120,000	128,469	1,712,025
2034	1,219,131	130,000	112,425	125,000	123,669	1,710,225
2035	1,225,881	135,000	107,225	125,000	118,669	1,711,775
2036	1,220,881	140,000	101,825	135,000	113,669	1,711,375
2037	1,219,631	150,000	96,225	140,000	108,269	1,714,125
2038	1,226,881	150,000	90,225	145,000	102,669	1,714,775
2039	1,223,419	155,000	84,225	150,000	96,869	1,709,513
2040	1,223,056	165,000	78,025	160,000	90,869	1,716,950
2041	1,225,981	165,000	71,425	165,000	84,469	1,711,875
2042	1,222,213	175,000	64,825	175,000	77,869	1,714,906
2043	1,221,744	180,000	57,825	180,000	70,869	1,710,438
2044	1,228,525	190,000	50,625	185,000	63,669	1,717,819
2045	1,227,831	195,000	43,025	195,000	56,269	1,717,125
2046	1,228,650	200,000	35,225	200,000	48,469	1,712,344
2047	1,226,325	210,000	27,225	215,000	40,219	1,718,769
2048	1,226,450	220,000	18,563	220,000	31,350	1,716,363
2049	918,750	230,000	9,488	540,000	22,275	1,720,513
	\$ 30,487,644	\$ 3,550,000	\$ 2,274,168	\$ 3,805,000	\$ 2,600,449	\$ 42,717,260

Average Annual Debt Service Requirements on the Bonds
and the Outstanding Bonds (2025-2049)\$1,708,690

Maximum Annual Debt Service Requirements on the Bonds
and the Outstanding Bonds (2049).....\$1,720,513

Direct and Estimated Overlapping Debt Statement

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the District and the estimated percentages and amounts of such indebtedness attributable to property within the District. This information is based upon data secured from the individual jurisdictions and/or Texas Municipal Reports prepared by the Municipal Advisory Council of Texas. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes. 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.

Taxing Jurisdiction	Outstanding Debt June 30, 2024	Overlapping	
		Percent	Amount
Denton County	\$ 723,690,000	0.05%	\$ 367,616
Denton Independent School District	2,142,646,665	0.30%	6,450,109
Total Estimated Overlapping Debt			\$ 6,817,725
Direct Debt (a)			\$24,515,000
Total Direct and Estimated Overlapping Debt (a)			\$31,332,725

(a) Includes the Bonds and the Outstanding Bonds.

Debt Ratios

Direct Debt Ratios (a):

As a percentage of the 2024 Taxable Assessed Valuation.....	14.76 %
As a percentage of the Estimate of Value as of July 1, 2024	13.29 %

Direct and Estimated Overlapping Debt Ratios (a):

As a percentage of the 2024 Taxable Assessed Valuation.....	18.86 %
As a percentage of the Estimate of Value as of July 1, 2024	16.99 %

(a) Includes the Bonds and the Outstanding Bonds.

TAXING PROCEDURES

Set forth below is a summary of certain provisions of the Texas 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 Orders 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 2024 total tax rate of \$1.00 per \$100 of assessed valuation composed of \$0.085 per \$100 of assessed valuation for Utility System debt service, \$0.470 per \$100 of assessed valuation for Road System debt service and \$0.445 per \$100 of assessed valuation for operation and maintenance purposes. See “TAX DATA- Tax Rate Limitation.”

Property Tax Code and County-Wide Appraisal District

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

summarized herein. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the Appraisal District. The Denton Central Appraisal District (the "Appraisal District") has the responsibility of appraising property for all taxing units within Denton Central, 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 July 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, except for certain categories of land designated for agricultural use, open space, or timberland as

described below. See “Agricultural, Open Space, Timberland and Inventory Deferment.” 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 on 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.

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; and became effective on 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 "THE DEVELOPER."

Tax Payment Installments After Disaster

The Property Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property.

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

Additionally, the Property Tax Code authorizes a taxing jurisdiction such as the District, solely at the jurisdiction's discretion to adopt a similar installment payment option for taxes imposed on property that is located within a designated disaster area or emergency area and is owned or leased by certain qualified business entities, regardless of whether the property has been damaged as a direct result of the disaster or emergency.

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 "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed are classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

Low Tax Rate Districts: Low Tax Rate Districts that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Low Tax Rate District

is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts: Developed Districts that adopt a total tax rate that would impose more than 1.095 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 1.095 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 1.095 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 Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate District.

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

The District: A determination as to a district's status as a Low Tax Rate District, Developed District or Developing District will be made by the Board of Directors on an annual basis. For the 2024 tax year, the Board of Directors has determined that the District's classification is that of a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

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 Orders to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an unlimited amount, for operation and maintenance purposes. The District levied a 2024 total tax rate of \$1.00 per \$100 of assessed valuation composed of \$0.445 per \$100 of assessed valuation for Utility System debt service, \$0.47 per \$100 of assessed valuation for Road System debt service and \$0.085 per \$100 of assessed valuation for operation and maintenance purposes.

Tax Rate Limitation

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

Debt Service Taxes

The Board covenants in the Bond Orders 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. For the 2024 tax year, the District levied a Utility System debt service tax rate of \$0.445 per \$100 of assessed valuation and a Road System debt service tax rate of \$0.47 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 \$1.20 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 2024,

the District levied a maintenance tax of \$0.085 per \$100 of assessed valuation. See “Tax Rate Distribution” below.

Tax Exemption

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.

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 2020-2024 tax years:

Tax Year	Adjusted Taxable Value	Tax Rate	Adjusted Tax Levy	Collections Current Year	Current Year Ending 9/30	Collections 6/30/24
2020 (a)	\$ 130,894	\$ 1.000	\$ 1,309	100.00%	2021	100.00%
2021	237,924	1.000	2,379	96.63	2022	100.00
2022	17,331,443	1.000	173,314	100.00	2023	100.00
2023	90,017,056	1.000	900,171	99.62	2024	99.62
2024	166,142,609	1.000	1,661,426	(b)	2025	(b)

(a) The District levied its first tax rate for the 2020 tax year.

(b) In the process of collection.

Tax Rate Distribution

The following table sets out the components of the District’s tax levy for each of the 2021–2024 tax years.

	2024	2023	2022	2021
Utility System Debt Service	\$0.4450	\$0.1000	\$0.0000	\$0.0000
Road System Debt Service	0.4700	0.4700	0.0000	0.0000
Maintenance & Operation	<u>0.0850</u>	<u>0.4300</u>	<u>1.0000</u>	<u>1.0000</u>
Total	\$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 2021-2024.

Type of Property	2024 Assessed Taxable Valuation	2023 Assessed Taxable Valuation	2022 Assessed Taxable Valuation	2021 Assessed Taxable Valuation
Land	\$ 43,085,375	\$ 36,039,997	\$ 17,528,712	\$ 11,548,383
Improvements	126,965,799	55,030,262	174,986	-
Personal Property	378,835	10,835	-	-
Exemptions	<u>(4,287,400)</u>	<u>(1,064,038)</u>	<u>(372,255)</u>	<u>(11,310,459)</u>
Total	\$ 166,142,609	\$ 90,017,056	\$ 17,331,443	\$ 237,924

Exemptions and Special Valuations

To date, the District has not granted a general residential homestead exemption. According to the Appraisal District, as of January 1, 2024, approximately 53.81 acres of land within the District were designated for agricultural use, inventory, open space, or timberland.

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2024:

Taxpayer	Type of Property	Assessed Valuation 2024 Tax Roll	Percent of 2024 Value
TAH Holdings LP	Land & Improvements	\$ 7,433,000	4.47%
Lennar Homes of Texas Land & Construction LTD (a)	Land & Improvements	1,323,717	0.80%
Homeowner	Land & Improvements	683,841	0.41%
Homeowner	Land & Improvements	682,148	0.41%
Homeowner	Land & Improvements	664,264	0.40%
Homeowner	Land & Improvements	585,468	0.35%
Homeowner	Land & Improvements	560,193	0.34%
Homeowner	Land & Improvements	546,602	0.33%
Homeowner	Land & Improvements	533,446	0.32%
Total		\$ 13,012,679	7.83%

(a) See "THE DEVELOPER" herein.

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 Bonds if no growth in the District's tax base occurs beyond the 2024 Taxable Assessed Valuation (\$166,142,609) or the Estimated Valuation as of July 1, 2024 (\$184,400,000). The calculations assume collection of 95% of taxes levied and the sale of the Bonds but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirement on the Bonds (2025–2049).....	\$ 1,708,690
Debt Service Tax Rate of \$1.09 on the 2024 Taxable Assessed Valuation produces.....	\$ 1,720,407
Debt Service Tax Rate of \$0.98 on the Estimated Valuation as of July 1, 2024, produces	\$ 1,716,764
Maximum Annual Debt Service Requirement on the Bonds (2049).....	\$ 1,720,513
Debt Service Tax Rate of \$1.10 on the 2024 Taxable Assessed Valuation produces.....	\$ 1,736,190
Debt Service Tax Rate of \$0.99 on the Estimated Valuation as of July 1, 2024, produces	\$ 1,734,282

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") 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.

	2023 Tax Rate Per \$100 of Assessed Value
The District	\$1.000000 (a)
Denton County	\$0.189485
Denton Independent School District	\$1.159200
Total Estimated Tax Rate	\$2.348685

(a) Represents the 2024 Tax Rate

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.

Coats Rose, P.C., Dallas, Texas, serves as Bond Counsel and General Counsel to the District. The legal fees paid to Bond Counsel, Underwriters' Counsel, and General Counsel for services rendered in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

No-Litigation Certificate

The District will furnish the Initial Purchasers 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 Purchasers to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District subsequent to the date of sale from that set forth or contemplated in the 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 Code (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.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting

deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by 20% as a "financial institution preference item."

The Issuer will designate the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the Issuer will covenant to take such action that would assure, or to refrain from such action that would adversely affect the treatment of the Bonds as "qualified tax-exempt obligations." Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the Bonds would not be "qualified tax-exempt obligations."

CONTINUING DISCLOSURE OF INFORMATION

As required by Rule 15c2-12, and in the Bond Orders, the District has the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, audited financial statements and timely notice of specified material events, in an electronic format as prescribed by the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system for such purpose.

Annual Reports

The District will provide certain financial information and operating data to annually to the MSRB. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "DISTRICT DEBT" (except under the subheading "Direct and Estimated Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A."

The District will update and provide this information to the MSRB through its EMMA system within six months after the end of each of its fiscal years ending in or after 2024. The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financials if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements within such period and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Orders or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulations.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12.

The District's current fiscal year end is April 30. Accordingly, it must provide updated information by October 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify 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 days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other

events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of 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 Orders 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

The District is in compliance with its prior continuing disclosure agreements made in accordance with SEC Rule 15c2-12.

OFFICIAL STATEMENT

General

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

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

Experts

The information contained in this Official Statement relating to development and the status of development within the District generally and, in particular, the information in the section captioned "THE DEVELOPER," and "DEVELOPMENT OF THE DISTRICT" has been provided by the Developer and has been included herein in reliance upon the authority and knowledge of such party concerning the matters described therein.

The information contained in this Official Statement relating to engineering and to the description of the Utility System and the Road System, and, in particular, that engineering information included in the sections entitled "THE BONDS", "THE DISTRICT," and "THE UTILITY SYSTEM AND THE ROAD 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 respective Initial Purchaser notifies the District in writing on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of Denton County Municipal Utility District No. 8 as of the date shown on the cover page.

/s/ Keith Pillers
President, Board of Directors
Denton County Municipal Utility District No. 8

ATTEST:

/s/ Gilberto Garza
Secretary, Board of Directors
Denton County Municipal Utility District No. 8

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 8

DENTON COUNTY, TEXAS

ANNUAL AUDIT REPORT

APRIL 30, 2024

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Mark C. Eyring, CPA, PLLC

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August 22, 2024

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Denton County Municipal
Utility District No. 8
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. 8 as of and for the year ended April 30, 2024, and the related notes to the financial statements, which collectively comprise Denton County Municipal Utility District No. 8'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. 8, as of April 30, 2024, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Denton County Municipal Utility District No. 8, 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. 8's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Denton County Municipal Utility District No. 8'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. 8'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. 8's basic financial statements. The supplementary information on Pages 22 to 37 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

A handwritten signature in dark ink, appearing to read "M. A. J.", is located in the lower right quadrant of the page.

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Denton County Municipal Utility District No. 8 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended April 30, 2024.

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

Financial Analysis of the District as a Whole

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

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

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

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

Summary of Net Position

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Current and other assets	\$ 1,881,434	\$ 636,495	\$ 1,244,939
Capital assets	10,463,015	15,500,109	(5,037,094)
Total assets	<u>12,344,449</u>	<u>16,136,604</u>	<u>(3,792,155)</u>
Long-term liabilities	20,226,738	16,337,117	3,889,621
Other liabilities	177,482	54,491	122,991
Total liabilities	<u>20,404,220</u>	<u>16,391,608</u>	<u>4,012,612</u>
Net position:			
Invested in capital assets, net of related debt	(9,490,475)	(588,945)	(8,901,530)
Restricted	1,021,507	231,733	789,774
Unrestricted	409,197	102,208	306,989
Total net position	<u>\$ (8,059,771)</u>	<u>\$ (255,004)</u>	<u>\$ (7,804,767)</u>

Summary of Changes in Net Position

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 901,520	\$ 315,523	\$ 585,997
Other revenues	19,646	3,280	16,366
Total revenues	<u>921,166</u>	<u>318,803</u>	<u>602,363</u>
Expenses:			
Service operations	7,410,218	85,536	7,324,682
Debt service	1,315,715	351,306	964,409
Total expenses	<u>8,725,933</u>	<u>436,842</u>	<u>8,289,091</u>
Change in net position	(7,804,767)	(118,039)	(7,686,728)
Net position, beginning of year	<u>(255,004)</u>	<u>(136,965)</u>	<u>(118,039)</u>
Net position, end of year	<u>\$ (8,059,771)</u>	<u>\$ (255,004)</u>	<u>\$ (7,804,767)</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended April 30, 2024, were \$1,816,036, an increase of \$1,226,438 from the prior year.

The General Fund balance increased by \$325,207, in accordance with the District's financial plan.

The Debt Service Fund balance increased by \$880,408, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by \$20,823, as proceeds from the District's Series 2023 utility and road bonds and interest 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, 2024, was expected to be \$477,240 and the actual end of year fund balance was negative \$647,436.

Capital Asset and Debt Administration

Capital Assets

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

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2024</u>	<u>2023</u>	<u>Change</u>
Land	\$ 4,141,905	\$ 3,427,847	\$ 714,058
Construction in progress	3,290,104	12,072,262	(8,782,158)
Roads	<u>3,031,006</u>		<u>3,031,006</u>
Totals	<u>\$ 10,463,015</u>	<u>\$ 15,500,109</u>	<u>\$ (5,037,094)</u>

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

Additions:		
Utilities and roads constructed by developer		\$ 955,201
Decreases:		
Assets constructed and transferred to other entities		(5,923,409)
Depreciation		<u>(68,886)</u>
Net change to capital assets		<u>\$ (5,037,094)</u>

Debt

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

Bonded debt payable, beginning of year	\$ 4,200,000
Bonds sold	<u>12,960,000</u>
Bonded debt payable, end of year	<u>\$ 17,160,000</u>

At April 30, 2024, the District had \$126,814,845 unlimited tax bonds authorized but unissued for water, sanitary sewer and drainage purposes and \$333,409,455 for road purposes authorized but unissued.

The District's Series 2022 road bonds are not rated or insured. The District's Series 2023 utility and road bonds are insured by Assured Guaranty Municipal Corp. Because of the insurance, the Series 2023 utility and road bonds are rated AA by Standard & Poor's.

As further described in Note 5 of the notes to the financial statements, the developer within the District has advanced funds to the District to cover initial operating deficits. As of April 30, 2024, the cumulative amount of developer advances for this purpose was \$240,716.

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, 2024, the estimated amount due to the developer was \$3,290,104.

ADDITIONAL RELEVANT FACTORS

Property Tax Base

The District's tax base increased approximately \$72,685,000 for the 2023 tax year due to the addition of new property and improvements within the District.

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

Relationship to the Town of Little Elm

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the Town of Little Elm (the "Town"), the District must conform to a Town ordinance consenting to the creation of the District. In addition, the District may be annexed by the Town. If the District is annexed, the Town will assume the District's assets and obligations (including the bonded indebtedness) and dissolve the District within ninety (90) days. The District is not aware of any plans regarding annexation by the Town.

Water Supply Issues

The District's developer 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. 8

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

APRIL 30, 2024

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
ASSETS						
Cash, including interest-bearing accounts, Note 7	\$ 10,579	\$ 1,146,862	\$ 32,532	\$ 1,189,973	\$	\$ 1,189,973
Temporary investments, at cost, Note 7	645,326			645,326		645,326
Receivables:						
Property taxes	2,477	3,283		5,760		5,760
Prepaid expenditures	40,375			40,375		40,375
Due from other fund	1,774			1,774	(1,774)	0
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	7,432,009	7,432,009
Depreciable capital assets				0	3,031,006	3,031,006
Total assets	<u>\$ 700,531</u>	<u>\$ 1,150,145</u>	<u>\$ 32,532</u>	<u>\$ 1,883,208</u>	<u>10,461,241</u>	<u>12,344,449</u>
LIABILITIES						
Accounts payable	\$ 50,618	\$	\$ 9,020	\$ 59,638		59,638
Accrued interest payable				0	150,376	150,376
Due to other fund		1,774		1,774	(1,774)	0
Long-term liabilities, Note 5:						
Due within one year				0	(32,532)	(32,532)
Due in more than one year				0	20,226,738	20,226,738
Total liabilities	<u>50,618</u>	<u>1,774</u>	<u>9,020</u>	<u>61,412</u>	<u>20,342,808</u>	<u>20,404,220</u>
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	<u>2,477</u>	<u>3,283</u>	<u>0</u>	<u>5,760</u>	<u>(5,760)</u>	<u>0</u>
FUND BALANCES / NET POSITION						
Fund balances:						
Restricted for bond interest, Note 5		623,009		623,009	(623,009)	0
Assigned to:						
Debt service		522,079		522,079	(522,079)	0
Capital projects			23,512	23,512	(23,512)	0
Unassigned	<u>647,436</u>			<u>647,436</u>	<u>(647,436)</u>	<u>0</u>
Total fund balances	<u>647,436</u>	<u>1,145,088</u>	<u>23,512</u>	<u>1,816,036</u>	<u>(1,816,036)</u>	<u>0</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 700,531</u>	<u>\$ 1,150,145</u>	<u>\$ 32,532</u>	<u>\$ 1,883,208</u>		
Net position:						
Invested in capital assets, net of related debt, Note 4					(9,490,475)	(9,490,475)
Restricted for debt service					997,995	997,995
Restricted for capital projects					23,512	23,512
Unrestricted					409,197	409,197
Total net position					<u>\$ (8,059,771)</u>	<u>\$ (8,059,771)</u>

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

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 8

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

FOR THE YEAR ENDED APRIL 30, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
REVENUES						
Property taxes	\$ 405,291	\$ 509,814	\$	\$ 915,105	\$ (14,935)	\$ 900,170
Penalty, interest and other		1,350		1,350		1,350
Interest on deposits	<u>10,006</u>	<u>8,961</u>	<u>679</u>	<u>19,646</u>		<u>19,646</u>
Total revenues	<u>415,297</u>	<u>520,125</u>	<u>679</u>	<u>936,101</u>	<u>(14,935)</u>	<u>921,166</u>
EXPENDITURES / EXPENSES						
Service operations:						
Professional fees	53,608			53,608		53,608
Contracted services	21,405			21,405		21,405
Utilities	4,821			4,821		4,821
Administrative expenditures	10,256	5		10,261		10,261
Depreciation				0	68,886	68,886
Capital outlay / non-capital outlay			9,676,814	9,676,814	(3,753,405)	5,923,409
Interest on developer construction			1,327,828	1,327,828		1,327,828
Debt service:						
Bond issuance expenditures			769,488	769,488		769,488
Interest and fees		<u>416,725</u>		<u>416,725</u>	<u>129,502</u>	<u>546,227</u>
Total expenditures / expenses	<u>90,090</u>	<u>416,730</u>	<u>11,774,130</u>	<u>12,280,950</u>	<u>(3,555,017)</u>	<u>8,725,933</u>
Excess (deficiency) of revenues over expenditures	<u>325,207</u>	<u>103,395</u>	<u>(11,773,451)</u>	<u>(11,344,849)</u>	<u>3,540,082</u>	<u>(7,804,767)</u>
OTHER FINANCING SOURCES (USES)						
Bonds issued, Note 5		1,165,726	11,794,274	12,960,000	(12,960,000)	0
Bond issuance discounts, Note 5		<u>(388,713)</u>		<u>(388,713)</u>	<u>388,713</u>	<u>0</u>
Total other financing sources (uses)	<u>0</u>	<u>777,013</u>	<u>11,794,274</u>	<u>12,571,287</u>	<u>(12,571,287)</u>	<u>0</u>
Net change in fund balances / net position	325,207	880,408	20,823	1,226,438	(9,031,205)	(7,804,767)
Beginning of year	<u>322,229</u>	<u>264,680</u>	<u>2,689</u>	<u>589,598</u>	<u>(844,602)</u>	<u>(255,004)</u>
End of year	<u>\$ 647,436</u>	<u>\$ 1,145,088</u>	<u>\$ 23,512</u>	<u>\$ 1,816,036</u>	<u>\$ (9,875,807)</u>	<u>\$ (8,059,771)</u>

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

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 8NOTES TO THE FINANCIAL STATEMENTSAPRIL 30, 2024

NOTE 1: REPORTING ENTITY

Denton County Municipal Utility District No. 8 (the "District") was created by Act of the 79th Texas Legislature, Regular Session, H.B. 4763, on May 4, 2009, as a municipal utility district. The District operates in accordance with Texas Water Code Chapters 49 and 54, as amended 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 Town of Little Elm 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 November 12, 2018. 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 purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may provide garbage disposal and collection services. The District is authorized to construct, acquire, improve, maintain or operate roads located within or outside its boundaries. In addition, the District is empowered, if approved by the electorate, the Texas Commission on Environmental Quality and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

Basic Financial Statements

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

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

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

Interfund Activity

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

Receivables

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

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

Capital Assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

Long-term Liabilities

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

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

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

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 1,816,036
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Total capital assets, net		10,463,015
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	\$ (17,160,000)	
Deferred charge on refunding (to be amortized as interest expense)	496,614	
Due to developer for operating advances	(240,716)	
Due to developer for construction	<u>(3,290,104)</u>	(20,194,206)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Uncollected property taxes		5,760
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(150,376)</u>
Net position, end of year		<u>\$ (8,059,771)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Total net change in fund balances		\$ 1,226,438
<p>The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital outlay	\$ 3,753,405	
Depreciation	<u>(68,886)</u>	3,684,519
<p>The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:</p>		
Bonds issued		(12,960,000)
<p>The funds report the effect of bond issuance costs, 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:</p>		
Issuance discounts		373,951
<p>Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:</p>		
Uncollected property taxes		(14,935)
<p>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:</p>		
Accrued interest		<u>(114,740)</u>
Change in net position		<u>\$ (7,804,767)</u>

NOTE 4: CAPITAL ASSETS

At April 30, 2024, "Invested in capital assets, net of related debt" was \$(9,490,475). This amount was negative as not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of District assets. As further described in Note 9, under the terms of the agreement with Mustang Special Utility District ("Mustang SUD"), the District is to pay for construction of a water distribution system, a sanitary sewer collection system, a drainage system and road system to serve the District. The District shall be the owner of each phase of the construction of the water distribution, sanitary sewer collection and drainage system until such phase is completed and approved, at which time ownership of such phase shall be transferred to Mustang SUD. However, the District shall have a security interest therein until all bonds issued by the District pursuant to the agreement are retired. The District will own and maintain the road system.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 3,427,847	\$ 714,058	\$	\$ 4,141,905
Construction in progress	<u>12,072,262</u>	<u>955,201</u>	<u>9,737,359</u>	<u>3,290,104</u>
Total capital assets not being depreciated	<u>15,500,109</u>	<u>1,669,259</u>	<u>9,737,359</u>	<u>7,432,009</u>
Depreciable capital assets:				
Road system	<u>0</u>	<u>3,099,892</u>	<u>0</u>	<u>3,099,892</u>
Total depreciable capital assets	<u>0</u>	<u>3,099,892</u>	<u>0</u>	<u>3,099,892</u>
Less accumulated depreciation for:				
Road system	<u>0</u>	<u>(68,886)</u>	<u>0</u>	<u>(68,886)</u>
Total accumulated depreciation	<u>0</u>	<u>(68,886)</u>	<u>0</u>	<u>(68,886)</u>
Total depreciable capital assets, net	<u>0</u>	<u>3,031,006</u>	<u>0</u>	<u>3,031,006</u>
Total capital assets, net	<u>\$ 15,500,109</u>	<u>\$ 4,700,265</u>	<u>\$ 9,737,359</u>	<u>\$ 10,463,015</u>
Changes to capital assets:				
Capital outlay		\$ 3,753,405	\$	
Assets transferred to non-depreciable assets		714,058	714,058	
Assets transferred to depreciable assets		3,099,892	3,099,892	
Assets transferred to other entities		5,923,409	5,923,409	
Increase in liability to developer for construction		955,201		
Capital outlay paid (decrease in liability) to developer		(9,676,814)		
Less depreciation expense for the fiscal year		<u>(68,886)</u>		
Net increases / decreases to capital assets		<u>\$ 4,700,265</u>	<u>\$ 9,737,359</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended April 30, 2024, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 4,200,000	\$ 12,960,000	\$	\$ 17,160,000	\$ 0
Less deferred amounts:					
For issuance premiums (discounts)	<u>(122,663)</u>	<u>(388,713)</u>	<u>(14,762)</u>	<u>(496,614)</u>	<u>(32,532)</u>
Total bonds payable	<u>4,077,337</u>	<u>12,571,287</u>	<u>(14,762)</u>	<u>16,663,386</u>	<u>(32,532)</u>
Due to developers for operating advances (see below)	240,716			240,716	-----
Due to developers for construction (see below)	<u>12,011,717</u>	<u>955,201</u>	<u>9,676,814</u>	<u>3,290,104</u>	-----
Total due to developers	<u>12,252,433</u>	<u>955,201</u>	<u>9,676,814</u>	<u>3,530,820</u>	<u>0</u>
Total long-term liabilities	<u>\$ 16,329,770</u>	<u>\$ 13,526,488</u>	<u>\$ 9,662,052</u>	<u>\$ 20,194,206</u>	<u>\$ (32,532)</u>

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Fiscal Year	Principal	Interest	Total
2025	\$	\$ 902,256	\$ 902,256
2026	365,000	890,569	1,255,569
2027	385,000	866,424	1,251,424
2028	405,000	840,797	1,245,797
2029	425,000	813,731	1,238,731
2030 - 2034	2,460,000	3,626,706	6,086,706
2035 - 2039	3,140,000	2,894,545	6,034,545
2040 - 2044	3,995,000	2,023,968	6,018,968
2045 - 2049	5,110,000	897,895	6,007,895
2050	875,000	21,875	896,875
	<u>\$ 17,160,000</u>	<u>\$ 13,778,766</u>	<u>\$ 30,938,766</u>

Water, sewer and drainage bonds voted	\$ 134,984,845
Water, sewer and drainage bonds approved for sale and sold	8,170,000
Water, sewer and drainage bonds voted and not issued	126,814,845
Road bonds voted	\$ 342,399,455
Road bonds approved for sale and sold	8,990,000
Road bonds voted and not issued	333,409,455
Water, sewer and drainage refunding bonds voted	\$ 202,477,267
Water, sewer and drainage refunding bonds approved for sale and sold	0
Water, sewer and drainage refunding bonds voted and not issued	202,477,267
Road refunding bonds voted	\$ 513,599,182
Road refunding bonds approved for sale and sold	0
Road refunding bonds voted and not issued	513,599,182

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

	<u>Series 2022 Road</u>	<u>Series 2023 Utility</u>	<u>Series 2023 Road</u>
Amounts outstanding, April 30, 2024	\$4,200,000	\$8,170,000	\$4,790,000
Interest rates	4.00% to 5.50%	4.75% to 7.25%	4.75% to 7.25%
Maturity dates, serially beginning/ending	September 1, 2025/2048	September 1, 2025/2049	September 1, 2025/2049
Interest payment dates	September 1/March 1	September 1/March 1	September 1/March 1
Callable dates	September 1, 2028*	September 1, 2029*	September 1, 2029*

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Bond interest reserve, beginning of year:		
Series 2022 road bonds		\$ 262,522
Sale of bonds, Series 2023:		
18 months' interest from sale of Series 2023 utility bonds	\$ 649,191	
18 months' interest from sale of Series 2023 road bonds	<u>127,821</u>	777,012
Deduct appropriation for bond interest paid:		
Series 2022 road bonds	(213,819)	
Series 2023 utility bonds	(127,433)	
Series 2023 road bonds	<u>(75,273)</u>	(416,525)
Bond interest reserve, end of year:		
Series 2022 road bonds	48,703	
Series 2023 utility bonds	521,758	
Series 2023 road bonds	<u>52,548</u>	<u>\$ 623,009</u>

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, 2024, the cumulative amount of unreimbursed developer advances was \$240,716. 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 negative \$649,913.

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, 2024, was \$3,290,104. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

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.

At an election held May 4, 2019, the voters within the District authorized a maintenance tax not to exceed \$1.20 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

On September 12, 2023, the District levied the following ad valorem taxes for the 2023 tax year on the adjusted taxable valuation of \$90,017,056:

	<u>Rate</u>	<u>Amount</u>
Debt service, Utilities	\$ 0.1000	\$ 90,017
Debt service, Roads	0.4700	423,080
Maintenance	<u>0.4300</u>	<u>387,073</u>
	<u>\$ 1.0000</u>	<u>\$ 900,170</u>

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

2023 tax year total property tax levy	\$ 900,170
Appraisal district adjustments to prior year taxes	<u>0</u>
Statement of Activities property tax revenues	<u>\$ 900,170</u>

Concentration of Tax Base

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

NOTE 7: DEPOSITS

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

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the District's deposits were covered by federal insurance.

At the balance sheet date the carrying value and market value of the investments in the authorized private sector investment pool was \$645,326.

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

Debt Service Fund

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

Cash	<u>\$ 1,146,862</u>
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital Projects Fund

For construction of capital assets:

Cash	<u>\$ 32,532</u>
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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, 2024, the District had comprehensive general liability insurance coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general limit and consultant's crime coverage of \$10,000.

NOTE 9: AGREEMENT WITH MUSTANG SPECIAL UTILITY DISTRICT

The District's developer 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. 8
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 225,890	\$ 225,890	\$ 405,291	\$ 179,401
Interest on deposits	<u>0</u>	<u>0</u>	<u>10,006</u>	<u>10,006</u>
TOTAL REVENUES	<u>225,890</u>	<u>225,890</u>	<u>415,297</u>	<u>189,407</u>
EXPENDITURES				
Service operations:				
Professional fees	50,000	50,000	53,608	3,608
Contracted services	4,800	4,800	21,405	16,605
Utilities	4,750	4,750	4,821	71
Administrative expenditures	<u>11,329</u>	<u>11,329</u>	<u>10,256</u>	<u>(1,073)</u>
TOTAL EXPENDITURES	<u>70,879</u>	<u>70,879</u>	<u>90,090</u>	<u>19,211</u>
EXCESS REVENUES (EXPENDITURES)	155,011	155,011	325,207	170,196
FUND BALANCE, BEGINNING OF YEAR	<u>322,229</u>	<u>322,229</u>	<u>322,229</u>	<u>0</u>
FUND BALANCE, END OF YEAR	<u>\$ 477,240</u>	<u>\$ 477,240</u>	<u>\$ 647,436</u>	<u>\$ 170,196</u>

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

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 8

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

APRIL 30, 2024

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

- [X] TSI-1. Services and Rates
- [X] TSI-2. General Fund Expenditures
- [X] TSI-3. Temporary Investments
- [X] TSI-4. Taxes Levied and Receivable
- [X] TSI-5. Long-Term Debt Service Requirements by Years
- [X] TSI-6. Changes in Long-Term Bonded Debt
- [X] TSI-7. Comparative Schedule of Revenues and Expenditures -
General Fund and Debt Service Fund - Five Year
- [X] TSI-8. Board Members, Key Personnel and Consultants

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 8

SCHEDULE OF SERVICES AND RATES

APRIL 30, 2024

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

- | | | |
|--|---|--|
| <input type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input checked="" type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input checked="" type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Security |
| <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input checked="" type="checkbox"/> Roads |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | |
| <input type="checkbox"/> 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

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

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

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

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 8EXPENDITURESFOR THE YEAR ENDED APRIL 30, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Professional fees:				
Auditing	\$ 6,500	\$	\$	\$ 6,500
Legal	31,869			31,869
Engineering	15,239			15,239
	<u>53,608</u>	<u>0</u>	<u>0</u>	<u>53,608</u>
Contracted services:				
Bookkeeping	15,276			15,276
Tax assessor-collector	212			212
Central appraisal district	5,917			5,917
	<u>21,405</u>	<u>0</u>	<u>0</u>	<u>21,405</u>
Utilities	<u>4,821</u>	<u>0</u>	<u>0</u>	<u>4,821</u>
Administrative expenditures:				
Director's fees	4,420			4,420
Insurance	3,024			3,024
Website	2,120			2,120
Other	692	5		697
	<u>10,256</u>	<u>5</u>	<u>0</u>	<u>10,261</u>
CAPITAL OUTLAY				
Authorized expenditures	<u>0</u>	<u>0</u>	<u>9,676,814</u>	<u>9,676,814</u>
Interest on developer construction	<u>0</u>	<u>0</u>	<u>1,327,828</u>	<u>1,327,828</u>
DEBT SERVICE				
Bond issuance expenditures	<u>0</u>	<u>0</u>	<u>769,488</u>	<u>769,488</u>
Interest and fees:				
Interest		416,525		416,525
Paying agent fees		200		200
	<u>0</u>	<u>416,725</u>	<u>0</u>	<u>416,725</u>
TOTAL EXPENDITURES	<u>\$ 90,090</u>	<u>\$ 416,730</u>	<u>\$ 11,774,130</u>	<u>\$ 12,280,950</u>

See accompanying independent auditor's report.

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 8ANALYSIS OF CHANGES IN DEPOSITS
ALL GOVERNMENTAL FUND TYPESFOR THE YEAR ENDED APRIL 30, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS				
Cash receipts from revenues excluding maintenance taxes	\$ 10,006	\$ 520,125	\$ 679	\$ 530,810
Maintenance tax receipts		405,291		405,291
Transfer of maintenance taxes	403,517			403,517
Proceeds from bond sale		777,013	11,794,274	12,571,287
Reimbursement of interfund payable	<u>656</u>			<u>656</u>
TOTAL DEPOSITS	<u>414,179</u>	<u>1,702,429</u>	<u>11,794,953</u>	<u>13,911,561</u>
APPLICATIONS OF DEPOSITS				
Cash disbursements for:				
Current expenditures	43,049			43,049
Capital outlay		5	10,995,622	10,995,627
Debt service		416,725	769,488	1,186,213
Reimbursement of interfund payable			656	656
Transfer of maintenance taxes		<u>403,517</u>		<u>403,517</u>
TOTAL DEPOSITS APPLIED	<u>43,049</u>	<u>820,247</u>	<u>11,765,766</u>	<u>12,629,062</u>
INCREASE (DECREASE) IN DEPOSITS	371,130	882,182	29,187	1,282,499
DEPOSITS BALANCES, BEGINNING OF YEAR	<u>284,775</u>	<u>264,680</u>	<u>3,345</u>	<u>552,800</u>
DEPOSITS BALANCES, END OF YEAR	<u>\$ 655,905</u>	<u>\$ 1,146,862</u>	<u>\$ 32,532</u>	<u>\$ 1,835,299</u>

See accompanying independent auditor's report.

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 8SCHEDULE OF TEMPORARY INVESTMENTSAPRIL 30, 2024

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
Texas CLASS				
No. TX-01-1104-0001	Market	On demand	\$ <u>645,326</u>	\$ <u>0</u>

See accompanying independent auditor's report.

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 8TAXES LEVIED AND RECEIVABLEFOR THE YEAR ENDED APRIL 30, 2024

	<u>Maintenance Taxes</u>	<u>Road Debt Service Taxes</u>	<u>Utility Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 20,695	\$	\$
2023 ADJUSTED TAX ROLL	<u>387,073</u>	<u>423,080</u>	<u>90,017</u>
Total to be accounted for	407,768	423,080	90,017
Tax collections: Current tax year	(384,596)	(420,373)	(89,441)
Prior tax years	<u>(20,695)</u>	<u></u>	<u>0</u>
RECEIVABLE, END OF YEAR	<u>\$ 2,477</u>	<u>\$ 2,707</u>	<u>\$ 576</u>
RECEIVABLE, BY TAX YEAR			
2023	<u>\$ 2,477</u>	<u>\$ 2,707</u>	<u>\$ 576</u>
RECEIVABLE, END OF YEAR	<u>\$ 2,477</u>	<u>\$ 2,707</u>	<u>\$ 576</u>

See accompanying independent auditor's report.

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 8TAXES LEVIED AND RECEIVABLE (Continued)FOR THE YEAR ENDED APRIL 30, 2024ADJUSTED PROPERTY VALUATIONS
AS OF JANUARY 1 OF TAX YEAR

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020*</u>
Land	\$ 36,039,997	\$ 17,528,712	\$ 11,548,383	\$ 12,717,146
Improvements	55,030,262	174,986	0	25,308
Personal property	10,835	0	0	0
Less exemptions	<u>(1,064,038)</u>	<u>(372,255)</u>	<u>(11,310,459)</u>	<u>(12,611,560)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 90,017,056</u>	 <u>\$ 17,331,443</u>	 <u>\$ 237,924</u>	 <u>\$ 130,894</u>

TAX RATES PER \$100 VALUATION

Debt service tax rate, utilities	\$ 0.10000	\$ 0.00000	\$ 0.00000	\$ 0.00000
Debt service tax rate, roads	0.47000	0.00000	0.00000	0.00000
Maintenance tax rates**	<u>0.43000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>

TOTAL TAX RATES PER
\$100 VALUATION

<u>\$ 1.00000</u>	<u>\$ 1.00000</u>	<u>\$ 1.00000</u>	<u>\$ 1.00000</u>
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TAX ROLLS

<u>\$ 900,170</u>	<u>\$ 173,314</u>	<u>\$ 86,127</u>	<u>\$ 58,749</u>
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PERCENT OF TAXES COLLECTED
TO TAXES LEVIED

<u>99.4 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>
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*First year the District levied ad valorem taxes.

**Maximum tax rate approved by voters on May 4, 2019: \$1.20

See accompanying independent auditor's report.

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
FOR THE YEAR ENDED APRIL 30, 2024

Series 2022 Road			
Due During Fiscal Years Ending April 30	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$	\$ 213,818	\$ 213,818
2026	95,000	211,918	306,918
2027	100,000	207,893	307,893
2028	105,000	203,472	308,472
2029	110,000	198,700	308,700
2030	115,000	193,565	308,565
2031	120,000	188,056	308,056
2032	125,000	182,081	307,081
2033	135,000	175,581	310,581
2034	140,000	168,706	308,706
2035	145,000	161,581	306,581
2036	155,000	154,081	309,081
2037	160,000	146,206	306,206
2038	170,000	137,956	307,956
2039	180,000	129,206	309,206
2040	185,000	119,850	304,850
2041	195,000	109,875	304,875
2042	205,000	99,503	304,503
2043	215,000	88,741	303,741
2044	225,000	77,465	302,465
2045	240,000	65,550	305,550
2046	250,000	52,525	302,525
2047	265,000	38,363	303,363
2048	275,000	23,512	298,512
2049	290,000	7,975	297,975
TOTALS	\$ 4,200,000	\$ 3,356,179	\$ 7,556,179

See accompanying independent auditor's report.

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
FOR THE YEAR ENDED APRIL 30, 2024

Series 2023 Utility			
Due During Fiscal Years Ending April 30	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$	\$ 432,794	\$ 432,794
2026	170,000	426,632	596,632
2027	180,000	413,944	593,944
2028	190,000	400,531	590,531
2029	200,000	386,394	586,394
2030	210,000	371,532	581,532
2031	220,000	356,219	576,219
2032	230,000	340,468	570,468
2033	240,000	326,418	566,418
2034	255,000	314,044	569,044
2035	265,000	301,043	566,043
2036	280,000	287,418	567,418
2037	295,000	273,043	568,043
2038	305,000	258,043	563,043
2039	325,000	242,700	567,700
2040	340,000	226,907	566,907
2041	355,000	210,400	565,400
2042	375,000	193,062	568,062
2043	390,000	174,894	564,894
2044	410,000	155,638	565,638
2045	430,000	135,163	565,163
2046	455,000	113,591	568,591
2047	475,000	90,625	565,625
2048	500,000	66,250	566,250
2049	525,000	40,625	565,625
2050	550,000	13,750	563,750
TOTALS	\$ 8,170,000	\$ 6,552,128	\$ 14,722,128

See accompanying independent auditor's report.

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
FOR THE YEAR ENDED APRIL 30, 2024

Series 2023 Road			
Due During Fiscal Years Ending April 30	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$	\$ 255,644	\$ 255,644
2026	100,000	252,019	352,019
2027	105,000	244,587	349,587
2028	110,000	236,794	346,794
2029	115,000	228,637	343,637
2030	120,000	220,118	340,118
2031	130,000	211,056	341,056
2032	135,000	201,450	336,450
2033	140,000	192,531	332,531
2034	145,000	184,881	329,881
2035	155,000	177,381	332,381
2036	165,000	169,381	334,381
2037	170,000	161,006	331,006
2038	180,000	152,256	332,256
2039	190,000	143,244	333,244
2040	200,000	133,982	333,982
2041	210,000	124,244	334,244
2042	220,000	114,031	334,031
2043	230,000	103,344	333,344
2044	240,000	92,032	332,032
2045	255,000	79,966	334,966
2046	265,000	67,125	332,125
2047	280,000	53,500	333,500
2048	295,000	39,125	334,125
2049	310,000	24,000	334,000
2050	325,000	8,125	333,125
	<u>\$ 4,790,000</u>	<u>\$ 3,870,459</u>	<u>\$ 8,660,459</u>
TOTALS	<u>\$ 4,790,000</u>	<u>\$ 3,870,459</u>	<u>\$ 8,660,459</u>

See accompanying independent auditor's report.

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
FOR THE YEAR ENDED APRIL 30, 2024

Annual Requirements for All Series			
Due During Fiscal Years Ending April 30	Total Principal Due	Total Interest Due	Total
2025	\$	\$ 902,256	\$ 902,256
2026	365,000	890,569	1,255,569
2027	385,000	866,424	1,251,424
2028	405,000	840,797	1,245,797
2029	425,000	813,731	1,238,731
2030	445,000	785,215	1,230,215
2031	470,000	755,331	1,225,331
2032	490,000	723,999	1,213,999
2033	515,000	694,530	1,209,530
2034	540,000	667,631	1,207,631
2035	565,000	640,005	1,205,005
2036	600,000	610,880	1,210,880
2037	625,000	580,255	1,205,255
2038	655,000	548,255	1,203,255
2039	695,000	515,150	1,210,150
2040	725,000	480,739	1,205,739
2041	760,000	444,519	1,204,519
2042	800,000	406,596	1,206,596
2043	835,000	366,979	1,201,979
2044	875,000	325,135	1,200,135
2045	925,000	280,679	1,205,679
2046	970,000	233,241	1,203,241
2047	1,020,000	182,488	1,202,488
2048	1,070,000	128,887	1,198,887
2049	1,125,000	72,600	1,197,600
2050	875,000	21,875	896,875
TOTALS	\$ 17,160,000	\$ 13,778,766	\$ 30,938,766

See accompanying independent auditor's report.

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT
FOR THE YEAR ENDED APRIL 30, 2024

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Totals</u>
Bond Series:	2022 Road	2023 Utility	2023 Road	
Interest Rate:	4.00% to 5.50%	4.75% to 7.25%	4.75% to 7.25%	
Dates Interest Payable:	September 1/ March 1	September 1/ March 1	September 1/ March 1	
Maturity Dates:	September 1, 2025/2048	September 1, 2025/2049	September 1, 2025/2049	
Bonds Outstanding at Beginning of Current Year	\$ 4,200,000	\$	\$	\$ 4,200,000
Add Bonds Sold		8,170,000	4,790,000	12,960,000
Less Retirements	_____	_____	_____	_____0
Bonds Outstanding at End of Current Year	<u>\$ 4,200,000</u>	<u>\$ 8,170,000</u>	<u>\$ 4,790,000</u>	<u>\$ 17,160,000</u>
Current Year Interest Paid	<u>\$ 213,818</u>	<u>\$ 127,434</u>	<u>\$ 75,273</u>	<u>\$ 416,525</u>

Bond Descriptions and Original Amount of Issue

- (1) Denton County Municipal Utility District No. 8 Unlimited Tax Road Bonds, Series 2022 (\$4,985,000)
- (2) Denton County Municipal Utility District No. 8 Unlimited Tax Utility Bonds, Series 2023 (\$8,170,000)
- (3) Denton County Municipal Utility District No. 8 Unlimited Tax Road Bonds, Series 2023 (\$4,790,000)

Paying Agent/Registrar

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

<u>Bond Authority</u>	<u>Utility Bonds</u>	<u>Road Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 134,984,845	\$ 342,399,455	\$ 513,599,182
Amount Issued:	8,170,000	8,990,000	0
Remaining to be Issued:	126,814,845	333,409,455	513,599,182

Net Debt Service Fund deposits and investments balances as of April 30, 2024: \$ 1,145,088
 Average annual debt service payment for remaining term of all debt: 1,189,953

See accompanying independent auditor's report.

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND
FOR YEARS ENDED APRIL 30

	<u>AMOUNT</u>					<u>PERCENT OF TOTAL REVENUES</u>				
	<u>2024</u>	<u>2023*</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
REVENUES										
Property taxes	\$ 405,291	\$ 296,570	\$ 926	\$	\$	97.6 %	99.7 %	%	%	%
Penalty, interest and other	<u>10,006</u>	<u>937</u>	<u></u>	<u></u>	<u></u>	<u>2.4</u>	<u>0.3</u>	<u></u>	<u></u>	<u></u>
TOTAL REVENUES	<u>415,297</u>	<u>297,507</u>	<u>926</u>	<u>0</u>	<u>0</u>	<u>100.0</u>	<u>100.0</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
EXPENDITURES										
Service operations:										
Professional fees	53,608	60,611	49,842	24,697	16,183	12.8	20.4			
Contracted services	21,405	5,056	3,384	3,488	1,008	5.2	1.7			
Repairs and maintenance		900				0.0	0.3			
Utilities	4,821	2,714				1.2	0.9			
Administrative expenditures	<u>10,256</u>	<u>8,006</u>	<u>7,667</u>	<u>6,630</u>	<u>3,145</u>	<u>2.5</u>	<u>2.7</u>	<u></u>	<u></u>	<u></u>
TOTAL EXPENDITURES	<u>90,090</u>	<u>77,287</u>	<u>60,893</u>	<u>34,815</u>	<u>20,336</u>	<u>21.7</u>	<u>26.0</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ 325,207</u>	<u>\$ 220,220</u>	<u>\$ (59,967)</u>	<u>\$ (34,815)</u>	<u>\$ (20,336)</u>	<u>78.3 %</u>	<u>74.0 %</u>	<u>N/A %</u>	<u>N/A %</u>	<u>N/A %</u>
Developer advances	<u>\$ 0</u>	<u>\$ 120,000</u>	<u>\$ 66,000</u>	<u>\$ 10,500</u>	<u>\$ 40,716</u>					
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>					

*District was funded by developer advances for fiscal years 2023 and prior.

**First year of financial activity.

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 8
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND
FOR YEARS ENDED APRIL 30

	<u>AMOUNT</u>		<u>PERCENT OF TOTAL REVENUES</u>	
	<u>2024</u>	<u>2023*</u>	<u>2024</u>	<u>2023</u>
REVENUES				
Property taxes	\$ 509,814	\$ 0	98.0 %	0.0 %
Penalty and interest	1,350	0	0.3	0.0
Interest on deposits	<u>8,961</u>	<u>2,158</u>	<u>1.7</u>	<u>100</u>
TOTAL REVENUES	<u>520,125</u>	<u>2,158</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES				
Current:				
Professional fees	0	0	0.0	0.0
Contracted services	0	0	0.0	0.0
Other expenditures	5	0	0.0	0.0
Debt service:				
Principal retirement	0	0	0.0	0.0
Interest and fees	<u>416,725</u>	<u>58,206</u>	<u>80.1</u>	<u>2697.2</u>
TOTAL EXPENDITURES	<u>416,730</u>	<u>58,206</u>	<u>80.1</u>	<u>2697.2</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ 103,395</u>	<u>\$ (56,048)</u>	<u>19.9 %</u>	<u>(2,597. %)</u>

*First year of financial activity.

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 8

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

APRIL 30, 2024

Complete District Mailing Address: Denton County Municipal Utility District No. 8
 c/o Coats Rose, P.C.
 16000 North Dallas Parkway, Suite 350
 Dallas, Texas 75248

District Business Telephone No.: 972-788-1600

Submission date of the most recent District Registration Form: April 2, 2024

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

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Keith Pillers c/o Coats Rose, P.C. 16000 North Dallas Parkway, Suite 350 Dallas, Texas 75248	Elected 5/07/22- 5/02/26	\$ 1,105	\$ 70	President
Chris Claassen c/o Coats Rose, P.C. 16000 North Dallas Parkway, Suite 350 Dallas, Texas 75248	Elected 5/07/22- 5/02/26	663	28	Vice President
Gilbert Garza c/o Coats Rose, P.C. 16000 North Dallas Parkway, Suite 350 Dallas, Texas 75248	Elected 5/07/20- 5/04/24	884	34	Secretary

Three directors at April 30, 2024.

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 8BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)APRIL 30, 2024CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Coats Rose, P.C. 16000 North Dallas Parkway, Suite 350 Dallas, Texas 75248	11/12/18	\$ 31,869 345,272 Bonds	Attorney
L & S District Services, LLC P.O. Box 170 Tomball, Texas 77377	11/12/18	15,276 1,800 Bonds	Bookkeeper
Debra Loggins P.O. Box 170 Tomball, Texas 77377	11/25/19	0	Investment Officer
Kimley-Horn & Associates, Inc. 5750 Genesis Court Frisco, Texas 75034	11/25/19	15,239 94,800 Bonds	Engineer
Denton County Tax Assessor-Collector P.O. Box 90223 Denton, Texas 76202	8/10/21	212	Tax Assessor- Collector
Denton Central Appraisal District P.O. Box 2816 Denton, Texas 76202	Legislative Action	5,917	Central Appraisal District
Robert W. Baird & Co. 6363 N. State Highway 161, Suite 310 Dallas, Texas 75038	11/25/19	261,961 Bonds	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	1/6/22	6,500 10,900 Bonds	Independent Auditor

See accompanying independent auditor's report.

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

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)

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