

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
(Denton County, Texas)

PRELIMINARY OFFICIAL STATEMENT
DATED: SEPTEMBER 23, 2025

\$5,090,000
UNLIMITED TAX ROAD BONDS
SERIES 2025

BIDS TO BE SUBMITTED BY: 1:00 P.M., CENTRAL TIME
TUESDAY, OCTOBER 28, 2025

BONDS TO BE AWARDED: 6:30 P.M., CENTRAL TIME
TUESDAY, OCTOBER 28, 2025



Financial Advisor

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 23, 2025

This Preliminary Official Statement is subject to completion and amendment, as provided in the Official Notice of Sale and is intended for the solicitation of initial bids to purchase the Bonds (herein defined). Upon the sale of the Bonds, the Official Statement will be completed and delivered to the Initial Purchaser (herein defined).

IN THE OPINION OF BOND COUNSEL TO THE ISSUER, INTEREST ON THE OBLIGATIONS WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS ON THE DATE THEREOF, SUBJECT TO THE MATTERS DESCRIBED UNDER "TAX MATTERS" HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS.

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

NEW ISSUE – Book Entry Only

Moody's Investors Service, Inc. (Underlying)..... "Baa2"
See "MUNICIPAL BOND INSURANCE" and "RATINGS" herein

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A

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

\$5,090,000

UNLIMITED TAX ROAD BONDS

SERIES 2025

Dated: November 1, 2025

Due: September 1, as shown on inside cover

Interest Accrues From: the Date of Delivery

The \$5,090,000 Unlimited Tax Road Bonds, Series 2025 (the "Bonds"), are obligations of Denton County Fresh Water Supply District No. 8-A (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 interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrar, initially, BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). The Bonds are dated November 1, 2025 (the "Dated Date"), and will accrue interest from the date of delivery, which is expected to be on or about November 19, 2025 (the "Date of Delivery"), with interest payable March 1, 2026, and each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar to registered owners ("Registered Owners") as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date (the "Record Date"). The Bonds are fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof.

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

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

The Bonds constitute the fifth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing the Road System to serve the District (the "Road System"). The District has previously issued three series of unlimited tax bonds for the purpose of financing the water, wastewater and drainage facilities (the "Utility System") and two series of unlimited tax bonds for refunding outstanding bonds of the District. Voters in the District have authorized \$18,950,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System; \$28,425,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; \$16,650,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; and \$53,400,000 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, \$9,095,000 principal amount for the purpose of acquiring or constructing the Utility System; \$28,232,020 principal amount for the purpose of refunding bonds issued by the District for the Utility System; no unlimited tax bonds for the purpose of acquiring or constructing the Road System will remain authorized but unissued; and \$53,269,580 principal amount for the purpose of refunding bonds issued by the District for the Road System will remain authorized but unissued.

Investment in the Bonds is subject to certain investment considerations as described herein. Prospective purchasers should review this entire Official Statement, including particularly the section of this Official Statement entitled "INVESTMENT CONSIDERATIONS," before making an investment decision. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered subject to prior sale, when, as, and if issued by the District and accepted by the winning bidder for the Bonds (the "Initial Purchaser"), subject to the approval of the Attorney General of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about November 19, 2025.

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

\$5,090,000 Unlimited Tax Road Bonds, Series 2025

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number 24879V (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number 24879V (b)
2027	\$120,000	___%	___%	___	2039 (c)	\$205,000	___%	___%	___
2028	130,000	___%	___%	___	2040 (c)	215,000	___%	___%	___
2029	135,000	___%	___%	___	2041 (c)	225,000	___%	___%	___
2030	140,000	___%	___%	___	2042 (c)	235,000	___%	___%	___
2031	145,000	___%	___%	___	2043 (c)	245,000	___%	___%	___
2032 (c)	155,000	___%	___%	___	2044 (c)	260,000	___%	___%	___
2033 (c)	160,000	___%	___%	___	2045 (c)	270,000	___%	___%	___
2034 (c)	165,000	___%	___%	___	2046 (c)	280,000	___%	___%	___
2035 (c)	175,000	___%	___%	___	2047 (c)	295,000	___%	___%	___
2036 (c)	180,000	___%	___%	___	2048 (c)	310,000	___%	___%	___
2037 (c)	190,000	___%	___%	___	2049 (c)	320,000	___%	___%	___
2038 (c)	200,000	___%	___%	___	2050 (c)	335,000	___%	___%	___

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

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission ("SEC"), as amended, and in effect on the date of this Preliminary Official Statement, this document constitutes an "official statement" of the District with respect to the Bonds that has been "deemed final" by the District as of its date except for the omission of no more than information permitted by SEC Rule 15c2-12.

This document, when further supplemented by adding additional information specifying the interest rates and certain other information relating to the Bonds, shall constitute a "final official statement" of the District with respect to the Bonds, as such term is defined in SEC Rule 15c2-12.

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

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

The Financial Advisor (herein defined) has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

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

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purposes. THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. SEE "OFFICIAL STATEMENT – Forward Looking Statements" herein.

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by _____ (the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS" at a price of _____% of the par value, which resulted in a net effective interest rate of _____%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

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

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

Subject to certain restrictions described in the Official Notice of Sale, the prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THIS OFFERING, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon 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 acts 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.

MUNICIPAL BOND INSURANCE

The District has made an application to Build America Mutual Assurance Company and Assured Guaranty Inc. for a commitment for municipal bond guaranty insurance on the Bonds. The payment of all costs associated with the insurance, if available, including the premium charged by the insurance company, and fees charged by rating companies, other than Moody's Investors Service, Inc. ("Moody's"), will be at the option and expense of the Initial Purchaser. The District will pay the rating fees charged by Moody's.

If the Initial Purchaser chooses to purchase municipal bond guaranty insurance on the Bonds, separate rating(s), including ratings by Moody's, may at the election of the Initial Purchaser be assigned the Bonds based upon the understanding that upon delivery of the Bonds a guaranty insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by the insurer.

RATINGS

Moody's has assigned an underlying rating of "Baa2" with stable outlook to the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. A security rating is not a recommendation to buy, sell, or hold securities. There is no assurance that the rating will continue for any given time or that it will not be revised downward or withdrawn entirely by Moody's, if, in its judgment, circumstances so warrant. Any such revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. The District is not aware of any rating assigned to the Bonds other than the rating of Moody's.

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OFFICIAL STATEMENT SUMMARY

The following information is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The summary should not be detached and should be used in conjunction with the more complete information contained herein. A full review should be made of this entire Official Statement and of the documents summarized or described herein.

THE BONDS

The District..... Denton County Fresh Water Supply District No. 8-A (the “District”), a political subdivision of the State of Texas, is located in Denton County, Texas (the “County”) within the extraterritorial jurisdiction of the Town of Little Elm, Texas (the “Town”). See “THE DISTRICT.”

The Bonds..... The District’s \$5,090,000 Unlimited Tax Road Bonds, Series 2025 (the “Bonds”) are dated November 1, 2025, and mature on September 1 in each of the years and in the principal amounts set forth on the inside cover page hereof. Interest accrues from the initial date of delivery (on or about November 19, 2025) (the “Date of Delivery”), at the rates per annum set forth on the inside cover page hereof and is payable on March 1, 2026, and each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. See “THE BONDS.”

Redemption of the Bonds The Bonds maturing on and after September 1, 2032, are subject to redemption, in whole or from time to time in part, on November 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See “THE BONDS – Redemption of the Bonds.”

Source of Payment..... Principal of and interest on the Bonds is payable from the proceeds of a continuing direct annual ad valorem tax, levied upon all taxable property within the District without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of the State of Texas; the County; the Town; or any other political subdivision or entity other than the District. See “THE BONDS – Source of Payment.”

Paloma South, LP, a developer of the Lake Pointe Project within the District, pursuant to an Agreement for Payment in Lieu of Taxes (the “PILOT Agreement”) entered into on or about March 5, 2024, acknowledged the intention to take certain action that would exempt the multi-family portion of the Lake Pointe Project from all ad valorem taxation assessed by the District. In recognition that the Lake Pointe Project will be served by public water, wastewater, drainage, and road systems constructed by the District, Paloma South, LP agreed to pay the District, on an annual basis as a payment in lieu of ad valorem taxes, an amount equal to 100% of the ad valorem taxes that would otherwise be due for the then-applicable tax year for the purpose of funding the public infrastructure serving the Lake Pointe Project. Payments made under the PILOT Agreement will be available for payment of debt service on the Bonds, but are not pledged for such purpose.

Payment Record..... The District has never defaulted on the debt service payments on its Outstanding Bonds (herein defined).

Authority for Issuance..... The Bonds are issued pursuant to the general laws of the State of Texas, including Chapters 49, 51, and for certain purposes, 53, Texas Water Code, as amended; an order authorizing the issuance of the

Bonds (the “Bond Order”); Article III, Section 52 of the Texas Constitution; and an election held on September 11, 2004. See “THE BONDS – Authority for Issuance.”

Voted Authorization.....	Voters in the District have authorized \$18,950,000 principal amount of unlimited tax bonds for the purpose of financing the water, wastewater and drainage facilities within the District (the “Utility System”); \$28,425,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; \$16,650,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the road improvements to serve the District (the “Road System”); and \$53,400,000 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, \$9,095,000 principal amount for the purpose of acquiring or constructing the Utility System; \$28,232,020 principal amount for the purpose of refunding bonds issued by the District for the Utility System; no unlimited tax bonds for the purpose of acquiring or constructing the Road System will remain authorized but unissued; and \$53,269,580 principal amount for the purpose of refunding bonds issued by the District for the Road System will remain authorized but unissued. See “THE BONDS – Issuance of Additional Debt.”
Use of Bond Proceeds.....	Proceeds from the sale of the Bonds will be used to reimburse Paloma South, LP for costs associated with certain improvements serving the District as shown herein under “THE BONDS – Use and Distribution of Bond Proceeds.” Additionally, proceeds from the Bonds will be used to pay for engineering costs related to the financed facilities, developer interest, and certain costs of issuance of the Bonds. See “THE BONDS – Use and Distribution of Bonds Proceeds” for further information.
Qualified Tax-Exempt Obligations.....	The Bonds will be designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions.”
Outstanding Bonds	The District has previously issued the following series of unlimited tax bonds: \$2,400,000 Unlimited Tax Bonds, Series 2007; \$1,900,000 Unlimited Tax Bonds, Series 2009; \$3,170,000 Unlimited Tax Road Bonds, Series 2015; \$4,765,000 Unlimited Tax Bonds, Series 2016; \$1,825,000 Unlimited Tax Road Refunding Bonds, Series 2016; \$1,715,000 Unlimited Tax Refunding Bonds, Series 2016; \$2,775,000 Unlimited Tax Road Bonds, Series 2017; \$3,190,000 Unlimited Tax Bonds, Series 2017; and \$3,215,000 Unlimited Tax Road Bonds, Series 2018. As of delivery of the Bonds, \$14,835,000 of such previously issued bonds will remain outstanding (the “Outstanding Bonds”). See “THE BONDS – Outstanding Bonds.”
Municipal Bond Insurance	Applications have been made for a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies, other than Moody’s Investors Service, Inc. (“Moody’s”), will be at the option and expense of the winning bidder for the Bonds. See “MUNICIPAL BOND INSURANCE.”
Ratings.....	Moody’s has assigned an underlying rating of “Baa2” with stable outlook to the Bonds. See “RATINGS.”

General Counsel Allen Boone Humphries Robinson LLP, Dallas, Texas.
 Bond Counsel McCall, Parkhurst & Horton L.L.P., Dallas, Texas.
 Disclosure Counsel McCall, Parkhurst & Horton L.L.P., Dallas, Texas.
 Financial Advisor Robert W. Baird & Co. Incorporated, Irving, Texas.
 Paying Agent/Registrar BOKF, NA, Dallas, Texas.

THE DISTRICT

Description..... Denton County Fresh Water Supply District No. 8 (the “Original District”) was created by the Denton County Commissioner’s Court on June 27, 2000, as a fresh water supply district pursuant to Chapter 53, Texas Water Code, as amended. Pursuant to an election held on November 7, 2000, the Original District assumed sanitary sewer powers and road district powers under Chapter 257, Texas Transportation Code. On December 4, 2000, the Original District converted to a water control and improvement district. At an election held within the Original District on May 5, 2001, the Original District voters elected to divide the Original District into Denton County Fresh Water Supply District No. 8-A (the “District”) and Denton County Fresh Water Supply District No. 8-B (“Denton FWSD No. 8-B”). The District succeeded to the rights and powers of the Original District, including sanitary sewer powers and road district powers under Chapter 257, Texas Transportation Code, pursuant to such election.

The creation of the Original District and certain acts and proceedings of the Original District taken prior to June 17, 2001, were validated and confirmed in all respects by Senate Bill No. 1444, Acts of the 77th Legislature, Regular Session, 2001.

The District is a conservation and reclamation district and political subdivision of the State of Texas and operates pursuant to Article 16, Section 59 and Article 3, Section 52 of the Texas Constitution, and Chapters 49, 51 and, for certain purposes, 53, Texas Water Code, as amended.

On November 15, 2022, approximately 77.03 acres of land was annexed into the boundaries of the District. The District currently contains approximately 336.68 acres of land. See “THE DISTRICT.”

Location..... The District is located approximately 31 miles north of the central downtown business district of the City of Dallas. The District is located within the extraterritorial jurisdiction of the Town of Little Elm and the jurisdiction of the Denton Independent School District. The primary District tract is bordered on the north and west by Lewisville Lake, on the east by partially developed land within Denton County Fresh Water Supply District No. 11-B, and on the south by Doe Branch Park Estates (an unrecorded county subdivision).

Paloma Creek The District is part of the 1,400 acre master-planned community of Paloma Creek, consisting of the District and four other utility districts (Denton County Fresh Water Supply District Nos. 8-B, 11-A, 11-B and 11-C). Approximately 6,078 single-family residential lots have been constructed in Paloma Creek, including 1,399 lots in the District. The District contains the neighborhood areas of Paloma Creek Lakeview, part of Paloma Creek South, and Lake Pointe at Paloma Creek.

The Developers Prior to the 2022 annexation of the 77.03 acres that are being developed as the Lake Pointe Project, Denton 380 Associates, L.P., PRA 2003 No. 3, L.P., and other affiliates of PRA 2003, No. 3, L.P. had fully developed the existing 259.65 acres of land within the District at that time.

On November 15, 2022, the District annexed approximately 77.03 acres into the boundaries of the District. Such acreage is being developed as Lake Pointe at Paloma Creek. The developer of Lake Pointe at Paloma Creek is Paloma South, LP, a Texas limited partnership ("Paloma South"), whose general partner is Provident Realty Advisors, Inc., a Texas corporation ("PRA"). Paloma South sold all 213 single-family lots to Beazer Homes on September 30, 2024 and all 221 multi-family development lots to Garland Housing Finance Authority on April 2, 2024.

Paloma South, Denton 380, PRA 2003 No. 3, and the PRA 2003 Affiliates are collectively referred to as the "Developers." No representations or assurances can be made regarding the plans of any Developer for (i) future development, if any, of the remaining phases of developable land within the District, or (ii) the sale of any Developer's land within the District. See "THE DEVELOPERS" and "DEVELOPMENT OF THE DISTRICT."

Development within the District To date, approximately 304.02 acres within the District have been developed as 1,399 total lots in the following residential subdivisions: Paloma Creek Lakeview, Phases 1, 2A, 2B, 2C, 2D1 and 2D2; Paloma Creek South, Phases 13A, 13B and 13C; and Lake Pointe at Paloma Creek. As of September 1, 2025, the District included approximately 1,144 completed homes (approximately 1,134 occupied and 10 unoccupied); approximately 80 homes under construction; and approximately 175 vacant developed lots. The remaining land within the District includes approximately 16.60 acres for an elementary school, approximately 3.36 acres for an Amenity Center, approximately 4.53 of commercial warehouse area, and approximately 8.17 acres of undevelopable land in the District. See "DEVELOPMENT OF THE DISTRICT – Status of Development within the District."

Homebuilder within the District The active homebuilder in the District is Beazer Homes. Prices of homes being constructed in the District range in price from approximately \$347,990 to \$479,990 and range in size from approximately 1,536 square-feet to 2,876 square-feet. See "DEVELOPMENT OF THE DISTRICT – Homebuilder within the District."

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2025 Taxable Assessed Valuation.....	\$ 396,105,070	(a)
Estimate of Value as of July 15, 2025.....	\$ 409,358,373	(b)
Direct Debt:		
The Outstanding Bonds (as of delivery of the Bonds).....	\$ 14,835,000	
The Bonds.....	\$ 5,090,000	
Total.....	\$ 19,925,000	
Estimated Overlapping Debt.....	\$ 31,862,069	(c)
Total Direct and Estimated Overlapping Debt.....	\$ 51,787,069	(c)
Direct Debt Ratios:		
As a percentage of the 2025 Taxable Assessed Valuation.....	5.03	%
As a percentage of the Estimate of Value as of July 15, 2025.....	4.87	%
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of the 2025 Taxable Assessed Valuation.....	13.07	%
As a percentage of the Estimate of Value as of July 15, 2025.....	12.65	%
Utility System Debt Service Fund Balance (as of August 26, 2025).....	\$ 635,519	(d)
Road System Debt Service Fund Balance (as of August 26, 2025).....	\$ 460,100	(e)
General Operating Fund Balance (as of August 26, 2025).....	\$ 4,305,128	
2025 Tax Rate		
Utility System Debt Service.....	\$ 0.1325	
Road System Debt Service.....	\$ 0.2425	
Maintenance and Operations.....	\$ 0.3840	
Total.....	\$ 0.7590	(f)
Estimated Average Annual Debt Service Requirement (2026-2050).....	\$ 1,116,380	(g)
Estimated Maximum Annual Debt Service Requirement (2031).....	\$ 1,684,438	(g)
Debt Service Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay Estimated Average Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2026-2050):		
Based on the 2025 Taxable Assessed Valuation at 95% Tax Collections.....	\$ 0.30	
Based on the Estimate of Value as of July 15, 2025, at 95% Tax Collections.....	\$ 0.29	
Debt Service Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay Estimated Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2031):		
Based on the 2025 Taxable Assessed Valuation at 95% Tax Collections.....	\$ 0.45	
Based on the Estimate of Value as of July 15, 2025, at 95% Tax Collections.....	\$ 0.44	

- (a) As certified by the Denton Central Appraisal District ("Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES." Such value includes \$342,101 of uncertified value, which is 80% of the Appraisal District's noticed value of the property values yet to be certified. See "TAX DATA" and "TAXING PROCEDURES."
- (b) An estimate of market value of \$469,593,006 as of July 15, 2025 has been provided by the Appraisal District for informational purposes only. The estimate of value as of July 15, 2025 shown in the above table represents the estimated taxable value of \$409,358,373 which includes \$60,234,633 in estimated exemptions based on the January 1, 2025 certified roll (i.e. \$469,593,006 - \$60,234,633 = \$409,358,373). This amount is an estimate of the value of all taxable property located within the District as of July 15, 2025, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2025, to July 15, 2025. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "FINANCIAL DATA - Estimated Overlapping Debt."
- (d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Road System (herein defined), including the Bonds.
- (e) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Utility System (herein defined).
- (f) See "TAX DATA - Tax Rate Distribution."
- (g) Debt service on the Bonds is estimated at an average interest rate of 4.50%. See "DISTRICT DEBT - Estimated Debt Service Requirement Schedule."

OFFICIAL STATEMENT
relating to
DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
\$5,090,000
UNLIMITED TAX ROAD BONDS
SERIES 2025

INTRODUCTION

This Official Statement of Denton County Fresh Water Supply District No. 8-A (the "District") is provided to furnish information with respect to the issuance by the District of its \$5,090,000 Unlimited Tax Road Bonds, Series 2025 (the "Bonds").

The Bonds are issued pursuant to the general laws of the State of Texas, including Chapters 49, 51, and for certain purposes, 53, Texas Water Code, as amended; an order authorizing the issuance of the Bonds (the "Bond Order"); Article III, Section 52 of the Texas Constitution and an election held on September 11, 2004. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order, except as otherwise indicated herein.

This Official Statement includes descriptions of the Bonds, the Developers (herein defined), the Bond Order, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Allen Boone Humphries Robinson LLP, 4514 Cole Avenue, Suite 1450, Dallas, Texas 75205, upon payment of the costs of duplication therefor.

THE BONDS

General

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

The Bonds are dated November 1, 2025. The Bonds will mature on September 1 of the years and in the principal amounts, and will bear interest from the initial date of delivery (on or about November 19, 2025), at the rates per annum, set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable March 1, 2026, and semiannually thereafter on each September 1 and March 1 until maturity or redemption.

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

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

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

Book-Entry-Only System

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

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

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

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

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

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

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

accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Successor Paying Agent/Registrar

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

Registration, Transfer and Exchange

In the event the Book-Entry-Only System is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying Agent/Registrar

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

Record Date for Interest Payment

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

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

Redemption of the Bonds

The Bonds that mature on September 1, 2032, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on November 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register.

If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mutilated, Lost, Stolen or Destroyed 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 to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Outstanding Bonds

The District has previously issued the following series of unlimited tax bonds: \$2,400,000 Unlimited Tax Bonds, Series 2007; \$1,900,000 Unlimited Tax Bonds, Series 2009; \$3,170,000 Unlimited Tax Road Bonds, Series 2015; \$4,765,000 Unlimited Tax Bonds, Series 2016; \$1,825,000 Unlimited Tax Road Refunding Bonds, Series 2016; \$1,715,000 Unlimited Tax Refunding Bonds, Series 2016; \$2,775,000 Unlimited Tax Road Bonds, Series 2017; \$3,190,000 Unlimited Tax Bonds, Series 2017; and \$3,215,000 Unlimited Tax Road Bonds, Series 2018. As of delivery of the Bonds, \$14,835,000 of such previously issued bonds will remain outstanding (the "Outstanding Bonds").

Authority for Issuance

The Bonds are issued pursuant to the general laws of the State of Texas, including Chapters 49, 51, and for certain purposes, 53, Texas Water Code, as amended; the Bond Order; Article III, Section 52 of the Texas Constitution and an election held on September 11, 2004.

Source of Payment

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

Bonds issued for the Road System and for the Utility System are each supported by the proceeds of a separate unlimited tax levied annually by the District. Amounts on deposit in the Utility System Debt Service Fund (defined below) may not be used to pay debt service on the bonds issued by the District for the Road System. Amounts on deposit in the Road System Debt Service Fund (defined below) may not be used to pay debt service on the Utility Bonds or any other bonds issued by the District for the Utility System. The Bonds are obligations solely of the District and are not the obligations of the State of Texas; Denton County, Texas; the Town; or any entity other than the District.

Paloma South, LP, a developer of the Lake Pointe Project within the District, pursuant to an Agreement for Payment in Lieu of Taxes (the "PILOT Agreement") entered into on or about March 5, 2024, acknowledged the intention to take certain action that would exempt the multi-family portion of the Lake Pointe Project from all ad valorem taxation assessed by the District. In recognition that the Lake Pointe Project will be served by public water, wastewater, drainage, and road systems constructed by the District, Paloma South, LP agreed to pay the District, on an annual basis as a payment in lieu of ad valorem taxes, an amount equal to 100% of the ad valorem taxes that would otherwise be due for the then-applicable tax year for the purpose of funding the public infrastructure serving the Lake Pointe Project. Payments made under the PILOT Agreement will be available for payment of debt service on the Bonds, but are not pledged for such purpose. See "THE DEVELOPERS – Pilot Agreement" and "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments – ParcHAUS Property."

Issuance of Additional Debt

At an election held on September 11, 2004, voters in the District have authorized \$18,950,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System (the "Utility System"); \$28,425,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; \$16,650,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System (the "Road System"); and \$53,400,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

The Bonds constitute the fifth series of unlimited tax bonds issued by the District for the purpose of financing the Road System to serve the District. The District has previously issued three series of unlimited tax bonds for the purpose of financing the Utility System and two series of unlimited tax bonds for refunding outstanding bonds of the District. Following the issuance of the Bonds, \$9,095,000 principal amount for the purpose of acquiring or constructing the Utility System; \$28,232,020 principal amount for the purpose of refunding bonds issued by the District for the Utility System; no unlimited tax bonds for the purpose of acquiring or constructing the Road System will remain authorized but unissued; and \$53,269,580 principal amount for the purpose of refunding bonds issued by the District for the Road System will remain authorized but unissued.

Following reimbursement with the proceeds of the Bonds, the District will owe Paloma South, LP approximately \$8,868,057 for construction of Utility System facilities on behalf of the District and \$1,810,109 for construction of Road System facilities on behalf of the District based on the most recent information and estimations available to date.

Based on present engineering costs estimates and on development plans supplied by the developer, in the opinion of the Engineer (hereinafter defined), following the issuance of the Bonds, the remaining principal amount of authorized but unissued bonds may not be sufficient to fully reimburse the Developers for the existing facilities and to finance the water, sewer and drainage facilities and roads necessary to serve the remaining undeveloped but developable land within the District. If the amount of remaining voted authorization is insufficient, the District would need to hold an election to request additional voted bonds.

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

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

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
September 11, 2004	Utility System	\$ 18,950,000	\$ 9,855,000	\$ 9,095,000
September 11, 2004	Road System	16,650,000	16,650,000 ^(a)	-
September 11, 2004	Utility System Refunding	28,425,000	192,980	28,232,020
September 11, 2004	Road System Refunding	53,400,000	130,420	53,269,580

(a) Includes the Bonds.

No Arbitrage

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

Annexation

Under existing Texas law, because the District lies wholly within the extraterritorial jurisdiction of the Town of Little Elm (the “Town”), the District may be annexed for full purposes by the Town without the District’s consent, subject to compliance by the Town with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Under Chapter 43 of the Texas Local Government Code, 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 Town 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 the annexation occur.

A Development Agreement has been executed among the Town and the owners of the original acreage of 259.65 acres (the “DA Land”) within the District and other conservation and reclamation districts within the Paloma Creek development (the District and such other districts, collectively, the “Paloma Creek Districts”). Such landowner parties subject to the development agreement included, among others, Denton 380 and PRA 2003 No. 3 (each herein defined). Among other terms, such agreement effectively placed a 15-year moratorium on full-purpose annexation of the Paloma Creek Districts by the Town for 15 years commencing in 2007, unless extended by mutual agreement of the parties. The moratorium was not extended by mutual agreement. Effective August 2, 2022, Paloma South and the Town entered into that certain Paloma Creek South Development Agreement (the “South DA”). The South DA does not place any moratorium on full-purpose annexation of the District 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.

Funds

The Bond Order confirms the District’s fund for debt service on the Bonds, any previously issued unlimited tax bonds issued by the District for the Road System (the “Outstanding Road Bonds”), 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 Bonds, the Outstanding Road Bonds, and any additional unlimited tax bonds issued by the District for the Road System, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds, the Outstanding Road Bonds, 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 Bonds, the Outstanding Road Bonds, 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.

In connection with the Outstanding Bonds for the Utility System, the District has previously created its Utility System Debt Service Fund (the “Utility System Debt Service Fund”). The Utility System Debt Service Fund, which constitutes a trust fund for the benefit of the registered owners of the Outstanding Bonds issued 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 Outstanding Bonds issued for the Utility System. Amounts on deposit in the Utility System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Outstanding Bonds issued for the Utility System. 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.

Defeasance

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

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

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.

(b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.

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

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

Registered Owners' Remedies

Pursuant to Texas law, the Bond Order provides that, in the event the District defaults in the payment of the principal of or interest on the Bonds when due, fails to make payments required by the Bond Order into the Road System Debt Service Fund, or defaults in the observance or performance of any of the other covenants, conditions, or obligations set forth in the Bond Order, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to observe and perform such covenants, obligations, or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Order does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee 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. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds.

The enforceability of the rights and remedies of the Registered Owners may be further 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. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

Use and Distribution of Bond Proceeds

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

Construction Costs

A. Lake Pointe Road Improvements

Amount
\$ 4,287,191
\$ 4,287,191

Total Construction Costs

Non-Construction Costs

A. Legal Fees

B. Financial Advisor Fees

C. Developer Interest

D. Bond Discount (3.00%)

E. Bond Issuance Expenses

F. Bond Engineering Report

G. Attorney General Fee (0.10%)

\$ 127,250
101,800
340,476
152,700
50,358
25,135
5,090
\$ 802,810

Total Non-Construction Costs

TOTAL ROAD BOND ISSUANCE

\$ 5,090,000

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

THE DISTRICT

General

Denton County Fresh Water Supply District No. 8 (the "Original District") was created by the Denton County Commissioner's Court on June 27, 2000, as a fresh water supply district pursuant to Chapter 53, Texas Water Code, as amended. Pursuant to an election held on November 7, 2000, the Original District assumed sanitary sewer powers and road district powers under Chapter 257, Texas Transportation Code. On December 4, 2000, the Original District converted to a water control and improvement district. At an election held within the

Original District on May 5, 2001, the Original District voters elected to divide the Original District into Denton County Fresh Water Supply District No. 8-A and Denton County Fresh Water Supply District No. 8-B (“Denton FWSD No. 8-B”). The District succeeded to the rights and powers of the Original District, including sanitary sewer powers and road district powers under Chapter 257, Texas Transportation Code, pursuant to such election.

The creation of the Original District and certain acts and proceedings of the Original District taken prior to June 17, 2001, were validated and confirmed in all respects by Senate Bill No. 1444, Acts of the 77th Legislature, Regular Session, 2001.

On November 15, 2022, approximately 77.03 acres of land was annexed into the boundaries of the District. The District currently contains approximately 336.68 acres of land.

Authority

The District is a conservation and reclamation district and political subdivision of the State of Texas and operates pursuant to Article XVI, Section 59 and Article III, Section 52 of the Constitution of the State of Texas, and Chapters 49, 51 and, for certain purposes, 53, Texas Water Code, as amended.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water; and the construction, operation and maintenance of macadamized, graveled or paved roads and turnpikes. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, subject to the approval of the TCEQ and the voters of the District. Additionally, the District may, subject to certain limitations, utilize non-tax revenues to develop and finance parks and recreational facilities.

Description

The District currently consists of approximately 336.68 acres of land in north Denton County, all of which is located within the extraterritorial jurisdiction of the Town of Little Elm. The District is located approximately 31 miles northwest of the central downtown business district of the City of Dallas and within the Denton Independent School District. The primary District tract is bordered on the north and west by Lewisville Lake, on the east by partially developed land, and on the south by Doe Branch Park Estates (an unrecorded county subdivision.)

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 in 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>Title</u>	<u>Term Expires May</u>
Isaiah Johnson	President	2028
Joseph Lafreniere	Vice President	2028
Mark Melliand	Treasurer	2026
Juan Torres	Secretary	2026
Martina Hicks	Assistant Secretary	2028

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 deposit insured by the Federal Deposit Insurance Corporation and secured by collateral authorized by the Act, and in TexPool and TexStar, which are public funds investment pools rated in the highest rating category by a nationally recognized

rating service. The District does not currently own, nor does it anticipate the inclusion, of long term securities or derivative products in the portfolio.

Consultants

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

General Counsel: The District has engaged Allen Boone Humphries Robinson LLP, Dallas, Texas, as general counsel to the District. The fees to be paid for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

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

Disclosure Counsel: McCall, Parkhurst & Horton L.L.P., Dallas, Texas, serves as Disclosure Counsel to the District. The fee to be paid to 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 – The District has engaged the firm of Robert W. Baird & Co. Incorporated as financial advisor to the District (the “Financial Advisor”). Payment to the Financial Advisor by the District is contingent upon the issuance, sale 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.

General Manager/District Engineer: The general manager and district engineer for the District is Blue Line Management & Consulting Services LLC (the “General Manager”).

Tax Assessor/Collector: The tax assessor/collector for the District is Dawn Waye, the Denton County Tax Assessor/Collector (the “Tax Assessor/Collector”).

Bookkeeper – The District’s bookkeeper is Dye & Toverly, LLC.

Auditor – The District engaged McCall Gibson Swedlund Barfoot Ellis PLLC to audit its financial statements for the fiscal year ended February 28, 2025. The District’s audited financial statements are attached as “APPENDIX A” to this Official Statement.

Consulting Engineer – The District has engaged Jones-Heroy & Associates, Inc. as its consulting Engineer in connection with the bond issue (the “Consulting Engineer”).

[Remainder of this page intentionally left blank.]

Historical Operations of the District

The following is a summary of the District's operating fund. The figures for the fiscal years ending February 28 in the years 2021 through 2025 were obtained from the District's annual financial reports, 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 February 28,				
	2025	2024	2023	2022	2021
REVENUES:					
Property Taxes	\$ 1,677,589	\$ 1,644,496	\$ 1,258,613	\$ 1,088,075	\$ 944,993
Water Service	821,468	800,679	795,761	690,524	686,884
Wastewater Service	683,175	685,712	661,705	610,538	588,272
Fire Protection Service	173,030	173,477	158,283	163,130	121,498
Franchise Fees	129,664	122,820	137,739	100,485	87,161
Penalty & Interest	-	-	28,615	26,030	11,822
Investment & Miscellaneous Revenues	199,729	197,733	85,149	28,123	25,534
TOTAL REVENUES	\$ 3,684,655	\$ 3,624,917	\$ 3,125,865	\$ 2,706,905	\$ 2,466,164
EXPENDITURES:					
Professional Fees	\$ 160,813	\$ 167,395	\$ 195,374	\$ 144,652	\$ 123,219
Contracted Services	1,434,242	1,079,739	1,383,264	1,115,570	1,181,803
Purchased Water Service	679,359	634,823	602,463	566,748	559,357
Purchased Wastewater Service	429,989	410,938	377,310	364,424	372,083
Other	161,623	108,675	136,191	74,934	76,537
TOTAL EXPENDITURES	\$ 2,866,026	\$ 2,401,570	\$ 2,694,602	\$ 2,266,328	\$ 2,312,999
Excess (Deficiency) of Revenues Over Expenditures	\$ 818,629	\$ 1,223,347	\$ 431,263	\$ 440,577	\$ 153,165
OTHER FINANCING SOURCES:	\$ -	\$ -	\$ -	\$ -	\$ -
Beginning Fund Balance	\$ 3,979,858	\$ 2,756,511	\$ 2,325,248	\$ 1,884,671	\$ 1,731,506
Ending Fund Balance	\$ 4,798,487	\$ 3,979,858	\$ 2,756,511	\$ 2,325,248	\$ 1,884,671

Fire Protection Services Agreement

The District, District 8-B, District 11-A, District 11-B, and District 11-C (the "Districts") have entered into a Fire Protection Services Agreement (the "Agreement") with the Town of Little Elm, Texas (the "Town"), dated December 19, 2023. The Agreement has a 5-year term and the Town began providing services to the Districts on December 1, 2024.

The Town agrees to provide fire protection services to persons, buildings and property located within the Districts, including land added to the Districts by annexation, in the same manner and to the same extent as it would within the Town. The Districts agree to make monthly payments to the Town based on the number of equivalent single-family connections multiplied by a monthly rate that is set in the Agreement for each year of the term of the Agreement. For the upcoming year 2025, that rate is \$16.73 per month per equivalent single-family connection.

Peace Officer Services Agreement

Effective August 28, 2018, the District and District Nos. 8-B, 11-A, 11-B, and 11-C entered into a Joint Interlocal Agreement for School Resource Officer Services (the "School Resource Officer Services Agreement") with Denton Independent School District ("DISD") to assist the Town of Little Elm and DISD to provide school resource peace officers and patrol vehicles to enhance the safety and security of public schools. The term of the School Resource Officer Services Agreement will cover three years and automatically renew on a year-to-year basis unless terminated by any party.

As of May 30, 2019, the District and District Nos. 8-B, 11-A, 11-B and 11-C entered into a Joint Interlocal Cooperation Agreement for Law Enforcement Services with the Town. The Little Elm Agreement was amended effective October 1, 2022 (the "Little Elm Agreement"). Under the Little Elm Agreement, the Town has agreed

to provide full time law enforcement services to the Districts in the same manner that such police services are provided to the residents of the Town. Each District has agreed to pay its pro-rata share of any law enforcement costs and expenses arising out of this Little Elm Agreement, including vehicles and equipment. Each District's pro-rata share is determined by the District bookkeeper on a quarterly basis and is based on the number of equivalent single-family connections active in each District in proportion to the total number of connections active in all Districts. Security costs incurred for the District's current fiscal year totaled \$551,092.

DEVELOPMENT OF THE DISTRICT

To date, approximately 304.02 acres within the District have been developed as 1,399 lots in the following residential subdivisions: Paloma Creek Lakeview, Phases 1, 2A, 2B, 2C, 2D1 and 2D2; Paloma Creek South, Phases 13A, 13B and 13C; and Lake Pointe at Paloma Creek. As of September 1, 2025, the District included approximately 1,144 completed homes (approximately 1,134 occupied and 10 unoccupied); approximately 80 homes under construction; and approximately 175 vacant developed lots. The remaining land within the District includes approximately 16.60 acres for an elementary school, approximately 3.36 acres for an amenity center, approximately 4.53 acres of commercial (warehouse) area, and approximately 8.17 acres of undevelopable land in the District.

Status of Development within the District

The following is a summary of the status of construction of single-family housing within the District as of September 1, 2025:

Subdivision:	Section Acreage	Section Lots	Homes Completed	Homes Under Construction	Vacant Developed Lots
Paloma Creek Lakeview, Phase 1	69.05	302	302	-	-
Paloma Creek Lakeview, Phase 2A	8.47	48	48	-	-
Paloma Creek Lakeview, Phase 2B	11.34	64	64	-	-
Paloma Creek Lakeview, Phase 2C	15.64	77	77	-	-
Paloma Creek Lakeview, Phase 2D-1	37.26	157	157	-	-
Paloma Creek Lakeview, Phase 2D-2	25.23	130	130	-	-
Paloma Creek South, Phase 13A	13.67	50	50	-	-
Paloma Creek South, Phase 13B	20.77	66	66	-	-
Paloma Creek South, Phase 13C	25.56	71	71	-	-
Lake Pointe at Paloma Creek (Single-Family)	50.83	213	30	8	175
Lake Pointe at Paloma Creek (Multi-Family)	26.20	221	149	72	-
Totals	304.02	1,399	1,144	80	175
Residential Developed	304.02				
Elementary School	16.60				
Amenity Center	3.36				
Commercial (Warehouse)	4.53				
Undevelopable	8.17				
District Total	336.68				

Homebuilder within the District

The active homebuilder in the District is Beazer Homes. Prices of homes being constructed in the District range in price from approximately \$347,990 to \$479,990 and range in size from approximately 1,536 square-feet to 2,876 square-feet.

PALOMA CREEK

The District is part of the 1,400 acre master-planned community of Paloma Creek, consisting of the District and four other utility districts (Denton FWSD No. 8-B, Denton FWSD No. 11-A, Denton FWSD No. 11-B and Denton FWSD No. 11-C). Approximately 6,078 single-family residential lots have been constructed in Paloma Creek, including 1,399 lots in the District. The District contains the neighborhood areas of Paloma Creek Lakeview, part of Paloma Creek South, and Lake Pointe at Paloma Creek.

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(October 2025)



PHOTOGRAPHS TAKEN IN THE DISTRICT
(October 2025)



THE DEVELOPERS

Role of the Developer

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

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

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

The Developers

Prior to the 2022 annexation of the 77.03 acres that are being developed as the Lake Pointe Project, Denton 380 Associates, L.P., PRA 2003 No. 3, L.P., and other affiliates of PRA 2003, No. 3, L.P. had fully developed the existing 259.65 acres of land within the District at that time.

Paloma Creek is Paloma South, LP, a Texas limited partnership ("Paloma South") whose general partner is Provident Realty Advisors, Inc., a Texas corporation ("PRA"). Paloma South sold all 213 single-family lots to Beazer Homes on September 30, 2024 and all 221 multi-family development lots to Garland Housing Finance Authority on April 2, 2024. See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments – ParchAUS Property."

Paloma South, Denton 380, PRA 2003 No. 3, and the PRA 2003 Affiliates are collectively referred to as the "Developers."

PILOT Agreement

Paloma South, LP, a developer of the Lake Pointe Project within the District, pursuant to the PILOT Agreement entered into on or about March 5, 2024, acknowledged the intention to take certain action that would exempt the multi-family portion of the Lake Pointe Project from all ad valorem taxation assessed by the District. In recognition that the Lake Pointe Project will be served by public water, wastewater, drainage, and road systems constructed by the District, Paloma South, LP agreed to pay the District, on an annual basis as a payment in lieu of ad valorem taxes, an amount equal to 100% of the ad valorem taxes that would otherwise be due for the then-applicable tax year for the purpose of funding the public infrastructure serving the Lake Pointe Project. Payments made under the PILOT Agreement will be available for payment of debt service on the Bonds, but are not pledged for such purpose. See "THE BONDS – Source of Payment" and "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments – ParchAUS Property."

Unreimbursed Developer Costs

The District entered into agreements with the Developers which call for the Developers to fund costs associated with the construction of utilities, road facilities and other certain non-construction costs, as well as operating advances in order for the District to meet its ongoing financial obligations. Reimbursement to the Developers are expected to be made from the proceeds of bond sales, surplus funds or other lawfully available funds. The District recorded a balance due to the Developers of \$11,759,733 as of year end for fiscal year 2024-2025. This balance increased by \$10,200,517 from the prior fiscal year as a result of the Lake Pointe projects funded by Paloma South completed during the current fiscal year.

THE ROAD SYSTEM

Certain of the District's roads and ancillary improvements ("Road System") that lie within the District's boundaries have been funded with the proceeds of the Outstanding Bonds issued for the Road System. Construction of the District's roads is subject to certain regulation by Denton 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 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.

THE UTILITY SYSTEM

Regulation

According to the Engineer, the water distribution and wastewater collection lines constructed by the District (the "Utility 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 Town, Mustang Special Utility District and Denton County. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies and inspected by the TCEQ.

Operation of the District's waterworks and wastewater treatment facilities is subject to regulation by, among others, the Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

Upper Trinity Regional Water District Contracts

Upper Trinity was created by the State of Texas to construct and operate regional water and wastewater systems in Denton County and surrounding areas. The District has entered into an "Upper Trinity Regional Water District Regional Treated Water System Participating Customer Contract With Denton County Fresh Water Supply District No. 8-A" (the "Water Contract"), and an "Upper Trinity Regional Water District Northeast Regional Water Reclamation System Participating Customer Contract With Denton County Fresh Water District No. 8-A" (the "Wastewater Contract"), each dated August 29, 2001, and subsequently amended (the Water Contract and the Wastewater Contract collectively, the "Contracts"), pursuant to which Upper Trinity pledges to deliver certain water supply and wastewater treatment services as required to serve the needs of the property owners within Denton FWSD No. 8-B and the District. Further pursuant to the Contracts, the District has contracted for 2.17 million gallons per day ("MGD") peak flow of treated water supply, and 0.454 MGD of wastewater treatment capacity for the benefit of the District and Denton FWSD No. 8-B. The Upper Trinity water and wastewater system is financed by Upper Trinity through the issuance of bonds payable from and secured by payments made under the Contracts and other similar contracts with other members and customers of Upper Trinity. Denton 380 Associates, L.P. ("Denton 380"), a developer of land within the District, on behalf of Denton FWSD No. 8-B and the District, has advanced funds for construction of certain Upper Trinity facilities that serve Denton FWSD No. 8-B and the District. A portion of such funds advanced for construction of the Riverbend Plant (as defined below) was reimbursed to the District (and in turn, to Denton 380) from the proceeds of bonds issued by Upper Trinity in 2007. The proceeds of these 2007 bonds issued by Upper Trinity included reimbursement to Denton 380 allocable to both the District and Denton FWSD No. 8-B. Through a combination of such Upper Trinity bond proceeds and certain wastewater permit fees, the District has reimbursed Denton 380 substantially all of the District's share of the original construction costs of the Riverbend Plant.

Pursuant to the Contracts, the District has agreed to fix and collect water and sewer rates and to levy a contract tax, if funds are not otherwise available from water and wastewater system revenues, sufficient to meet its

payment obligations under the Contracts. Pursuant to the Joint Utility Contract (hereinafter defined), Denton FWSD No. 8-B has also agreed to fix and collect water and sewer rates and to levy a contract tax, if necessary, to meet its obligations under the Joint Utility Contract. Denton FWSD No. 8-B has levied and assessed such a contract tax. The District has not applied to TCEQ for approval of the levy of a contract tax and, accordingly, has not levied such a tax. See "TAX DATA – Tax Rate Distribution."

Pursuant to the Joint Utility Contract, the District and Denton FWSD No. 8-B have established procedures for the acquisition and allocation between the districts of treated water supply and wastewater capacity provided by Upper Trinity. The Joint Utility Contract also allocates the costs and expenses resulting from obligations arising under the Contracts between the District and Denton FWSD No. 8-B. The District is current in its payments under the Contracts, and the Contracts are in full force and effect. See "INVESTMENT CONSIDERATIONS – Upper Trinity Regional Water District Obligations."

Description of the System

- Water Supply -

As described above under "Upper Trinity Regional Water District Contracts," the District's water supply is obtained from Upper Trinity. Pursuant to the Joint Utility Contract, the District has the contractual right to 1,090,000 gallons per day ("gpd") of treated water, which is sufficient to serve at least 1,010 single-family residential homes. The District serves 965 single-family residential homes in Lakeview Phases 1, 2A, 2B, 2C, 2D-1, 2D-2, and South Phases 13A, 13B, and 13C. Mustang Special Utility District is responsible for retail water service to the Lake Pointe tract. For treated water, the District is required to pay its pro-rata share of a current annual Demand Charge (as defined in the Contracts) of \$557,765 per million gpd subscribed capacity and a current Volume Charge (as defined in the Contracts) of \$1.85 per 1,000 gallons used. As of September 1, 2025, the District was serving approximately 965 active residential water connections.

- Wastewater Treatment -

The District's wastewater is treated by the Riverbend Wastewater Treatment Plant (the "Riverbend Plant") owned and operated by Upper Trinity, which currently has 2,000,000 gpd of treatment capacity constructed and operational. Pursuant to the Joint Utility Contract, the District is allocated 228,000 gpd of wastewater treatment capacity, which is sufficient to serve the 965 single-family residential homes the District serves in Lakeview Phases 1, 2A, 2B, 2C, 2D-1, 2D-2, and South Phases 13A, 13B, and 13C. Mustang Special Utility District is responsible for retail wastewater treatment service to the Lake Pointe tract. For wastewater treatment, the District is required to pay its pro-rata share of an annual Fixed Operations and Maintenance Charge of \$669,9000 per million gpd subscribed capacity, an annual Joint Facilities Capital Charge of \$104,275, an annual Individual Facilities Capital Charge of \$252,650 and a current Volume Charge of \$1.60 per 1,000 gallons treated. Collection of wastewater by Upper Trinity is accomplished by underground piping. As of September 1, 2025, the District was serving approximately 965 active residential water connections.

- Drainage -

The District generally drains to the south to tributaries of Lewisville Lake located on the Elm Fork of the Trinity River.

100 Year Flood Plain

According to the District's engineer, none of the developable land within the District is within the 100-year flood plain.

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**DISTRICT FINANCIAL DATA
(UNAUDITED)**

2025 Taxable Assessed Valuation.....	\$ 396,105,070	(a)
Estimate of Value as of July 15, 2025.....	\$ 409,358,373	(b)
Direct Debt:		
The Outstanding Bonds (as of delivery of the Bonds).....	\$ 14,835,000	
The Bonds.....	\$ 5,090,000	
Total.....	\$ 19,925,000	
Estimated Overlapping Debt	\$ 31,862,069	(c)
Total Direct and Estimated Overlapping Debt	\$ 51,787,069	(c)
Direct Debt Ratios:		
As a percentage of the 2025 Taxable Assessed Valuation	5.03	%
As a percentage of the Estimate of Value as of July 15, 2025	4.87	%
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of the 2025 Taxable Assessed Valuation	13.07	%
As a percentage of the Estimate of Value as of July 15, 2025	12.65	%
Utility System Debt Service Fund Balance (as of August 26, 2025)	\$ 635,519	(d)
Road System Debt Service Fund Balance (as of August 26, 2025)	\$ 460,100	(e)
General Operating Fund Balance (as of August 26, 2025).....	\$ 4,305,128	
2025 Tax Rate		
Utility System Debt Service	\$ 0.1325	
Road System Debt Service	\$ 0.2425	
Maintenance and Operations.....	\$ 0.3840	
Total	\$ 0.7590	(f)
Estimated Average Annual Debt Service Requirement (2026-2050)	\$ 1,116,380	(g)
Estimated Maximum Annual Debt Service Requirement (2031).....	\$ 1,684,438	(g)
Debt Service Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay Estimated Average Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2026-2050):		
Based on the 2025 Taxable Assessed Valuation at 95% Tax Collections	\$ 0.30	
Based on the Estimate of Value as of July 15, 2025, at 95% Tax Collections	\$ 0.29	
Debt Service Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay Estimated Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2031):		
Based on the 2025 Taxable Assessed Valuation at 95% Tax Collections	\$ 0.45	
Based on the Estimate of Value as of July 15, 2025, at 95% Tax Collections	\$ 0.44	

- (a) As certified by the Denton Central Appraisal District ("Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES." Such value includes \$342,101 of uncertified value, which is 80% of the Appraisal District's noticed value of the property values yet to be certified. See "TAX DATA" and "TAXING PROCEDURES."
- (b) An estimate of market value of \$469,593,006 as of July 15, 2025 has been provided by the Appraisal District for informational purposes only. The estimate of value as of July 15, 2025 shown in the above table represents the estimated taxable value of \$409,358,373 which includes \$60,234,633 in estimated exemptions based on the January 1, 2025 certified roll (i.e. \$469,593,006 - \$60,234,633 = \$409,358,373). This amount is an estimate of the value of all taxable property located within the District as of July 15, 2025, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2025, to July 15, 2025. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT FINANCIAL DATA - Estimated Overlapping Debt."
- (d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Road System (herein defined), including the Bonds.
- (e) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Utility System (herein defined).
- (f) See "TAX DATA - Tax Rate Distribution."
- (g) Debt service on the Bonds is estimated at an average interest rate of 4.50%. See "DISTRICT FINANCIAL DATA - Estimated Debt Service Requirement Schedule."

Estimated Debt Service Requirement Schedule

The following schedule sets forth the total debt service requirements of the District as of the delivery of the Bonds, plus the principal and estimated interest requirements on the Bonds, assuming the Bonds are issued at an interest rate of 4.50%. Totals may not sum due to rounding.

Calendar Year	Outstanding Debt Service	The Bonds			Total Debt Service
		Principal	Interest	Debt Service	
2026	\$ 1,307,459	\$ -	\$ 190,875	\$ 190,875	\$ 1,498,334
2027	1,316,579	120,000	229,050	349,050	1,665,629
2028	1,329,373	130,000	223,650	353,650	1,683,023
2029	1,325,523	135,000	217,800	352,800	1,678,323
2030	1,330,685	140,000	211,725	351,725	1,682,410
2031	1,334,013	145,000	205,425	350,425	1,684,438
2032	1,326,063	155,000	198,900	353,900	1,679,963
2033	1,182,269	160,000	191,925	351,925	1,534,194
2034	1,182,869	165,000	184,725	349,725	1,532,594
2035	1,187,038	175,000	177,300	352,300	1,539,338
2036	1,059,406	180,000	169,425	349,425	1,408,831
2037	1,070,456	190,000	161,325	351,325	1,421,781
2038	1,069,600	200,000	152,775	352,775	1,422,375
2039	1,072,325	205,000	143,775	348,775	1,421,100
2040	1,073,263	215,000	134,550	349,550	1,422,813
2041	562,763	225,000	124,875	349,875	912,638
2042	564,231	235,000	114,750	349,750	913,981
2043	-	245,000	104,175	349,175	349,175
2044	-	260,000	93,150	353,150	353,150
2045	-	270,000	81,450	351,450	351,450
2046	-	280,000	69,300	349,300	349,300
2047	-	295,000	56,700	351,700	351,700
2048	-	310,000	43,425	353,425	353,425
2049	-	320,000	29,475	349,475	349,475
2050	-	335,000	15,075	350,075	350,075
Total	\$ 27,272,200	\$ 5,090,000	\$ 3,525,600	\$ 8,615,600	\$ 27,909,511

Estimated Average Annual Debt Service Requirements on the Bonds
and the Outstanding Bonds (2026-2050).....\$ 1,116,380

Estimated Maximum Annual Debt Service Requirements on the Bonds
and the Outstanding Bonds (2031).....\$ 1,684,438

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Estimated Overlapping Debt

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

Taxing Jurisdiction	Outstanding Debt August 31, 2025	Overlapping	
		Percent	Amount
Denton County	\$734,040,000	0.19%	\$1,402,237
Denton Independent School District	2,408,300,000	1.22%	29,453,252
Little Elm Independent School District	568,976,058	0.18%	1,006,580
Total Estimated Overlapping Debt			31,862,069
The District (a).....			19,925,000
Total Direct & Estimated Overlapping Debt.....			51,787,069

(a) Includes the Bonds and Outstanding Bonds.

Debt Ratios

Ratios of Direct Debt (a):

As a percentage of the 2025 Taxable Assessed Valuation.....	5.03 %
As a percentage of the Estimate of Value as of July 15, 2025.....	4.87 %

Ratios of Direct and Estimated Overlapping Debt (a):

As a percentage of the 2025 Taxable Assessed Valuation.....	13.07 %
As a percentage of the Estimate of Value as of July 15, 2025.....	12.65 %

(a) Includes the Bonds and Outstanding Bonds.

TAXING PROCEDURES

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

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from taxes that the District may hereafter issue for the purpose of acquiring or constructing the Utility System, the Road System, and to pay the expenses of assessing and collecting such taxes. In the Bond Order, the District agrees to levy such a tax from year to year as described more fully above under "THE BONDS – Source of Payment." The Board is further authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from taxes that the District may hereafter issue for the purpose of acquiring or constructing the Road System and to pay the expenses of assessing and collecting such taxes. In the Bond Order, the District agrees to levy such a tax from year to year as described more fully above under "THE BONDS – Source of Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and

maintenance of the District for the payment of certain contractual obligations. See “TAX DATA – Maintenance Taxes.”

Property Tax Code and County-Wide Appraisal District

Title I of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized 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 Appraisal District has the responsibility of appraising property for all taxing units within Denton County, including the District. Such appraisal values will be subject to review and change by the Denton County Appraisal Review Board (the “Appraisal Review Board”). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years of age 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 the 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 adopted a \$15,000 disabled or over 65 exemption.

Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, 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. This exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. 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 is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead if the surviving spouse has not remarried since the first responder’s death, and said property was the first responder’s residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in 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 before July 1. The District has never adopted a homestead exemption. See "TAX DATA."

Freeport Goods and Goods-in-Transit Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if 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 July 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Valuation of Property for Taxation

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

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

Tax Abatement

Denton County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Denton County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make

specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. At this time, Denton County has not designated any of the area within the District as a reinvestment zone.

Reappraisal of Property after Disaster

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

Tax Payment Installments After Disaster

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

Additionally, the Texas Tax Code authorizes a taxing jurisdiction such as the District, solely at the jurisdictions 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.

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 DEVELOPERS."

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.

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units

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

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, may be required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. However, an election is not required if the adopted tax rate is less than

or equal to the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

Developing Districts

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

The District

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year 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 two separate annual ad valorem taxes, each without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds, the Outstanding Bonds, and any future tax-supported bonds which may be issued from time to time as authorized. Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds and Outstanding Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds and Outstanding Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy

and collect ad valorem taxes, in an amount not to exceed \$1.20 per \$100 of assessed valuation, for operation and maintenance purposes. The District levied a total tax of \$0.759 per \$100 of assessed valuation for the 2025 tax year composed of a maintenance and operations tax rate of \$0.3840, a Utility System debt service tax rate of \$0.1325, and a Road System debt service tax rate of \$0.2425.

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: Unlimited (no legal limit as to rate or amount).

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. 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, the Outstanding Bonds, and any parity bonds which have been issued or may be issued in the future. See "Tax Rate Distribution" below.

Additional Penalties

The Tax Assessor/Collector 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 Property Tax Code.

Historical Tax Collections

The following table illustrates the collection history of the District for the 2021 – 2025 tax years:

Tax Year	Assessed Valuation	Tax Rate	Adjusted Levy	Collections Current Year	Current Year Ended 9/30	Collections 08/31/2025
2021	\$285,091,773	\$0.8400	\$2,394,771	99.82%	2022	100.00%
2022	332,174,931	0.7825	2,599,269	99.89%	2023	100.00%
2023	384,473,993	0.7600	2,922,002	99.89%	2024	99.90%
2024	390,753,614	0.7590	2,965,820	99.82%	2025	99.82%
2025	396,105,070	0.7590	3,006,437	(a)	2026	(a)

(a) In the process of collection.

Tax Rate Distribution

	2025	2024	2023	2022	2021
Road System Debt Service	\$0.2425	\$0.1750	\$0.1850	\$0.2175	\$0.2525
Utility System Debt Service	0.1325	0.1450	0.1500	0.1800	0.2100
Maintenance	0.3840	0.4390	0.4250	0.3850	0.3775
Total	\$0.7590	\$0.7590	\$0.7600	\$0.7825	\$0.8400

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Taxable Assessed Valuation Summary

The following represents the type of property comprising the 2021–2025 tax rolls as certified by the Appraisal District.

Type of Property	2025 Assessed Taxable Valuation	2024 Assessed Taxable Valuation	2023 Assessed Taxable Valuation	2022 Assessed Taxable Valuation	2021 Assessed Taxable Valuation
Land	\$122,682,795	\$107,416,441	\$100,314,162	\$94,542,612	\$66,693,084
Improvements	331,111,862	326,642,552	346,743,884	274,951,848	227,960,281
Personal Property	2,545,046	2,497,675	2,226,819	2,044,709	1,450,387
Exemptions	(60,234,633)	(45,803,054)	(64,810,872)	(39,364,238)	(11,011,979)
Total	\$396,105,070	\$390,753,614	\$384,473,993	\$332,174,931	\$285,091,773

Principal Taxpayers

The following are the principal taxpayers in the District as shown on the Appraisal District's original certification of the appraisal rolls for the 2025 tax year. The values and percentages below are subject to adjustment due to supplemental certifications of the 2025 appraisal rolls by the Appraisal District.

Taxpayer	Types of Property	Taxable Value 2025 Tax Roll	Percent of District Value
Beazer Homes Texas LP (a)	Land & Improvements	\$ 12,829,564	3.24%
GSP Novo LLC	Land & Improvements	8,500,000	2.15%
FKH SFR Propco A LP	Land & Improvements	1,440,000	0.36%
CoServ Electric Co-Op	Personal Property	1,425,380	0.36%
CSH Property One LLC	Land & Improvements	1,327,000	0.34%
Progress Residential Borrower	Land & Improvements	1,062,000	0.27%
Incus Holdings LLC	Land & Improvements	955,000	0.24%
Opendoor Property Trust I	Land & Improvements	757,599	0.19%
High Opportunity Neighborhood II	Land & Improvements	748,000	0.19%
Dr. Ish Enterprise LLC	Land & Improvements	720,000	0.18%
Total		\$ 29,764,543	7.51%

(a) See "DEVELOPMENT OF THE DISTRICT – Homebuilder within the District."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the combined debt service tax rates per \$100 of taxable assessed valuation that would be required to meet certain debt service requirements on the Bonds and the Outstanding Bonds, if no growth in the District's tax base occurs beyond the 2025 Taxable Assessed Valuation (\$396,105,070) or the Estimate of Value as of July 15, 2025 (\$409,358,373). The calculations assume collection of 95% of taxes levied, the sale of the Bonds, but not the sale of any additional bonds by the District.

Estimated Average Annual Debt Service Requirement (2026-2050).....	\$1,116,380
Debt Service Tax Rate of \$0.30 on the 2025 Taxable Assessed Valuation produces	\$1,128,899
Debt Service Tax Rate of \$0.29 on the Estimate of Value as of July 15, 2025, produces	\$1,127,782
Estimated Maximum Annual Debt Service Requirement (2031)	\$1,684,438
Debt Service Tax Rate of \$0.45 on the 2025 Taxable Assessed Valuation produces	\$1,693,349
Debt Service Tax Rate of \$0.44 on the Estimate of Value as of July 15, 2025, produces	\$1,711,118

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 FINANCIAL DATA – Estimated Overlapping 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 2025 taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

Taxing Jurisdiction	District Property within Denton ISD	District Property within Little Elm ISD
The District	\$0.759000	\$0.759000
Denton County	0.185938	0.185938
Denton Independent School District	1.156900	---
Little Elm Independent School District	---	1.225200
Total Tax Rate	\$2.101838	\$2.170138

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not of the State of Texas, Denton County, Texas, the Town of Little Elm, Texas, or any political subdivision other than the District, will be secured by the proceeds of a continuing direct ad valorem tax, without legal limitation as to rate or amount, levied annually by the District against all taxable property located within the District. Therefore, the ultimate security for payment of the principal of and interest on the Bonds and the Outstanding 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 and Outstanding Bonds that the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. See “DEVELOPMENT OF THE DISTRICT,” “TAX DATA,” and “TAXING PROCEDURES.”

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development within the District is directly related to the vitality of the residential, commercial, retail and multi-family 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.

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

Dependence on Principal Taxpayers: The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District’s ability to meet its debt service obligations. As illustrated in this Official Statement under the caption “TAX DATA – Principal Taxpayers,” for the 2025 tax year, the District’s principal taxpayers owned property located within the District the aggregate assessed valuation of which comprised approximately 7.51% of the District’s total taxable assessed valuation as of original certification of the 2025 appraisal rolls. The District’s top taxpayer is Beazer Homes Texas LP with 3.24% of the tax roll. See “THE DISTRICT – Homebuilder within the District.” In the event that the Developers, any other taxpayer, or any combination of taxpayers should default in the payment of taxes in an amount which exceeds the District’s debt service fund surplus, the ability of the District

to make timely payment of debt service on the Bonds and the Outstanding Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its debt service funds. See "TAX DATA – Principal Taxpayers" and "TAXING PROCEDURES – Levy and Collection of Taxes."

ParcHAUS Property: Chapter 394 of the Texas Local Government Code (the "HFC Act") provides for the formation of housing finance corporations ("HFCs") by municipalities and counties for the purpose of providing decent, safe, and sanitary housing at affordable prices to residents of local governments. Public property owned by an HFC, including property for which an HFC holds an equitable interest, is exempt from taxes imposed by the state or any political subdivision of the state, including conservation and reclamation districts such as the District, provided certain conditions are met under the HFC Act. This exemption applies to both ad valorem and sales taxes levied by taxing authorities where the qualified project is located. Section 394.904(d) (as added by H.B. 21, 89th Texas Legislature, Regular Session) provides in part that, for property acquired by an HFC after May 28, 2025, such ad valorem tax exemptions do not apply to taxes levied by a conservation or reclamation district created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution, that provides water, sewer, or drainage service to the multifamily residential development owned by the HFC, unless the applicable HFC has entered into a written agreement with the district to make a payment to the district in lieu of taxation, in the amount specified in the agreement. Further, property acquired by an HFC prior to May 28, 2025, may become subject to taxation by a conservation and reclamation district in future tax years unless certain additional requirements are met under the HFC Act.

Multi-family property owned by a housing authority, including property for which a housing authority holds an equitable interest, is exempt from all taxes and special assessments of a city, county, the state, or another political subdivision, including conservation and reclamation districts such as the District, if certain conditions are met under the Housing Authority Act.

On April 2, 2024, Paloma South, LP sold the Lake Pointe at Paloma Creek (Multi-Family) (221 lots on approximately 26.20 acres) to the Garland Housing Finance Corporation, causing such acreage and improvements to become exempt from all taxes levied by the District pursuant to the HFC Act.

Approximately 221 lots have been developed on approximately 26.20 acres within Lake Pointe at Paloma Creek as rental properties. Paloma South, LP, a developer of the Lake Pointe Project within the District, pursuant to the PILOT Agreement, acknowledged the intention to take certain action that would exempt the multi-family portion of the Lake Pointe Project from all ad valorem taxation assessed by the District. In recognition that the Lake Pointe Project will be served by public water, wastewater, drainage, and road systems constructed by the District, Paloma South, LP agreed to pay the District, on an annual basis as a payment in lieu of ad valorem taxes, an amount equal to 100% of the ad valorem taxes that would otherwise be due for the then-applicable tax year for the purpose of funding the public infrastructure serving the Lake Pointe Project. Payments made under the PILOT Agreement will be available for payment of debt service on the Bonds, but are not pledged for such purpose. See "THE DEVELOPERS – Pilot Agreement" and "THE BONDS – Source of Payment."

Maximum Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2025 Taxable Assessed Valuation of all taxable property located within the District is \$396,105,070 and the Estimate of Value as of July 15, 2025, is \$409,358,373. See "TAX DATA." After issuance of the Bonds, the estimated maximum annual debt service requirement on the Bonds and the Outstanding Bonds (2031) is \$1,684,438, and the estimated average annual debt service requirement on the Bonds and the Outstanding Bonds (2026-2050) is \$1,116,380. Assuming no decrease to the District's 2025 Taxable Assessed Valuation, combined debt service tax rates of \$0.45 and \$0.30 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the estimated maximum annual debt service requirement and the estimated average annual debt service requirement, respectively. Assuming no decrease from the Estimate of Value as of July 15, 2025, combined debt service tax rates of \$0.44 and \$0.29 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the estimated maximum annual debt service requirement and the estimated average annual debt service requirement, respectively.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. For the 2025 tax year, the District levied a total tax of \$0.759 per \$100 of assessed

valuation composed of a maintenance and operations tax rate of \$0.384, a Utility System debt service tax rate of \$0.1325, and a Road System debt service tax rate of \$0.2425.

Competitive Nature of Residential Housing Market: The residential housing industry in the Dallas-Fort Worth, 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.

Upper Trinity Regional Water District Obligations

The Upper Trinity Regional Water District ("Upper Trinity") was created by the State of Texas to construct and operate regional water and wastewater systems in Denton County and surrounding areas. The District entered into two separate contracts (together, the "Contracts") with Upper Trinity as follows: "Upper Trinity Regional Water District Regional Treated Water System Participating Customer Contract With Denton County Fresh Water Supply District No. 8- A" (the "Water Contract"), and "Upper Trinity Regional Water District Northeast Regional Water Reclamation System Participating Customer Contract With Denton County Fresh Water Supply District No. 8-A" (the "Wastewater Contract"), each dated August 29, 2001, and subsequently amended. The District has entered into a Joint Utility Contract (hereinafter defined) for water supply and wastewater treatment with Denton County Fresh Water Supply District No. 8-B ("Denton Fresh Water Supply District No. 8-B"). See "THE UTILITY SYSTEM."

Pursuant to the Contracts, Upper Trinity pledges to deliver certain water supply and wastewater services as required to serve the needs of the property owners within the District and Denton Fresh Water Supply District No. 8-B. Pursuant to the Contracts, the District has agreed to fix and collect water and sewer rates and to levy a contract tax, if funds are not otherwise available from water and wastewater system revenues, sufficient to meet its payment obligations under the Contracts. Until such contract tax is levied, Upper Trinity is not obligated to reimburse the District for the advancement of funds for construction of facilities serving the District. The levy and assessment of a contract tax is subject to the approval of the TCEQ. No application to the TCEQ for approval of a contract tax has been filed to date by the District and no guarantee can be made that a contract tax application would be approved.

Joint Utility Contract

The District and Denton Fresh Water Supply District No. 8-B were created and organized to provide certain facilities and services, including water and sanitary sewer facilities and services to the areas within their respective boundaries. Pursuant to an Amended and Restated Joint Utility Contract, dated as of January 13, 2005 (as subsequently amended, the "Joint Utility Contract"), between Denton Fresh Water Supply District No. 8-B and the District, the District has assumed responsibility for coordinating and securing provision of such services and facilities on behalf of the District and Denton Fresh Water Supply District No. 8-B. In this regard, the District has entered into the Contracts securing water and wastewater service and capacities from the Upper Trinity. Pursuant to the Joint Utility Contract, the District has been allocated 1,090,000 gpd of treated water and 228,000 gpd of wastewater treatment capacity.

Further, pursuant to the Joint Utility Contract, the District and Denton Fresh Water Supply District No. 8-B have established a procedure for sharing the costs of securing treated water and wastewater services, as well as the costs of certain utility facilities. See "THE UTILITY SYSTEM."

The District and Denton Fresh Water Supply District No. 8-B have agreed to establish and collect fees and charges sufficient to pay their respective shares of the obligations under the Contracts with Upper Trinity. Each district has also agreed to levy and, if necessary, annually assess and collect an ad valorem tax, unlimited in rate or amount, sufficient to accomplish full and timely payment of all costs, charges, fees, and expenses referred to therein, including each district's share of the obligations under the Contracts.

The District and Denton Fresh Water Supply District No. 8-B have the statutory authority to levy and collect an annual ad valorem tax to make payments under a contract, if the provisions of the contract have been approved by a majority of the qualified voters of the District, and such tax is approved by the TCEQ. On August 11, 2001, voters in the District approved the Contracts and levy of a contract tax in support thereof without legal

limitation as to rate or amount. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, taxes for any additional tax bonds which may be issued in the future, and taxes for the maintenance of the District's improvements and operational expenses. The District has not made application to the TCEQ for approval of the levy of taxes pursuant to the Contracts and Joint Utility Contract, and the District has not levied such tax. Further, no guarantee can be made that a contract tax application if submitted, would be approved by the TCEQ. If in the future a contract tax were to be approved by the TCEQ and levied by the District, such contract tax, when added to the District's debt service tax and maintenance tax, could result in a total District tax in excess of similar developments and could adversely affect continued development of the District as well as the willingness of taxpayers to pay taxes on their property.

Increase in Costs of Building Materials

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

Tax Collection Limitations

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

Registered Owners' Remedies

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

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers

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

Bankruptcy Limitation to Registered Owners' Rights

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas law; (2) is insolvent or unable to meet its debts as they mature; (3) desired to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must also obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial conditions of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

If the District decides in the future to proceed voluntarily under the federal Bankruptcy Code, the District could develop and file a plan for the adjustment of its debts. If such a plan was confirmed by the bankruptcy court, it could, among other things, affect the Beneficial Owners by reducing or eliminating the interest rate or the principal amount, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Beneficial Owners' claims against the District.

The District may not be placed into bankruptcy involuntarily.

Marketability

The District has no understanding (other than the initial reoffering yields) with the Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold, or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

Future Debt

At an election held on September 11, 2004, voters in the District authorized \$18,950,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System; \$28,425,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; \$16,650,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; and \$53,400,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

The Bonds constitute the fifth series of unlimited tax bonds issued by the District for the purpose of financing the Road System to serve the District. The District has previously issued three series of unlimited tax bonds for the purpose of financing the Utility System and two series of unlimited tax bonds for refunding outstanding bonds of the District. Following the issuance of the Bonds, \$9,095,000 principal amount for the purpose of acquiring or constructing the Utility System; \$28,232,020 principal amount for the purpose of refunding bonds issued by the District for the Utility System; no unlimited tax bonds for the purpose of acquiring or constructing

the Road System will remain authorized but unissued; and \$53,269,580 principal amount for the purpose of refunding bonds issued by the District for the Road System will remain authorized but unissued.

Following reimbursement with proceeds of the Bonds, the District will owe the Developers approximately \$8,868,057 for construction of Utility System facilities on behalf of the District and \$1,810,109 for construction of Road System facilities on behalf of the District based on the most recent information and estimations available to date.

The District entered into agreements with the Developers which call for the Developers to fund costs associated with the construction of utilities, road facilities and other certain non-construction costs, as well as operating advances in order for the District to meet its ongoing financial obligations. Reimbursement to the Developers are expected to be made from the proceeds of bond sales, surplus funds or other lawfully available funds. The District recorded a balance due to the Developers of \$11,759,733 as of year end for fiscal year 2024-2025. This balance increased by \$10,200,517 from the prior fiscal year as a result of the Lake Pointe projects funded by Paloma South completed during the current fiscal year.

Based on present engineering costs estimates and on development plans supplied by the Developers, in the opinion of the Engineer, following the issuance of the Bonds, the remaining principal amount of authorized but unissued bonds may not be sufficient to fully reimburse the Developers for the existing facilities and to finance the water, sewer and drainage facilities and roads necessary to serve the remaining undeveloped but developable land within the District. If the amount of remaining voted authorization is insufficient, the District would need to hold an election to request additional voted bonds.

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

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

Continuing Compliance with Certain Covenants

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

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas, however, does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement. TCEQ approval of the Bonds is not required and, therefore, no engineering report or bond application has been submitted to the TCEQ and neither the Bonds, the project, nor the feasibility of the District will be reviewed, considered or approved by the TCEQ with respect to the Bonds.

Environmental Regulations

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

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

Sanctions against a fresh water supply district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions

to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

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

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

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

Water Supply & Discharge Issues: Water supply and discharge regulations that fresh water supply 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 fresh water supply 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 fresh water supply district’s provision of water for human consumption is subject to extensive regulation as a public water system. Fresh water supply district’s must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future. Further, the EPA has established a NPDWR for six (6) Per- and Polyfluoroalkyl Substances (“PFAS”), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

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

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on August 15, 2024. The MS4 Permit provides authorization for stormwater and certain non-stormwater discharges from Small Municipal Separate Storm Sewer Systems (MS4s) to surface waters of the State. The District qualifies as a regulated MS4. The MS4 Permit requires regulated MS4s to submit a Notice of Intent (NOI) and develop and manage a Stormwater Management Program (SWMP) for all stormwater discharges that reach waters of the United States, regardless of whether the discharge is conveyed through a separately operated storm sewer system. A MS4 Operator that implements its SWMP and the selected Best Management Practices (BMPs) in accordance with the MS4 Permit, will be considered meeting the standard of reducing pollutants to the MEP, and will be deemed in compliance with the MS4 Permit. On or about February 11, 2025, the District submitted its NOI to the TCEQ and filed its SWMP for approval with the TCEQ. The District is awaiting approval of its SWMP from the TCEQ and has budgeted in the upcoming year for potential costs associated with the implementation of its SWMP.

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 fresh water supply 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. See “TAXING PROCEDURES – Valuation of Property for Taxation.”

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

Changes in Tax Legislation

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

Bond Insurance Risk Factors

The District has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest for the Bonds. The District has yet to determine whether an insurance policy will be purchased with the Bonds, which would be at the discretion and expense of the Initial Purchaser. If an insurance policy is purchased, the following are risk factors relating to bond insurance.

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 "Bond 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 Bond 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 Bond Policy (the "Bond Insurer") at such time and in such amounts as would have been due absent such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

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

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

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

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

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

LEGAL MATTERS

Legal Opinions

The District will furnish to the Underwriter a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, levied without legal limitation as to rate or amount, upon all taxable property within the District.

The District will also furnish the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to sovereign immunity and to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District.

The District will also furnish the legal opinion of Bond Counsel to the District to the effect that interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under existing law, subject to the matters discussed below under "TAX MATTERS."

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

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

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, executed by the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

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

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the Issuer, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the Issuer 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 to the Issuer will rely upon (a) the Issuer's federal tax certificate, and (b) covenants of the Issuer with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the Issuer to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

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 to the Issuer is conditioned on compliance by the Issuer with the covenants and the requirements described in the preceding paragraph, and Bond Counsel to the Issuer 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. The Existing Law is subject to change by the 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 Issuer with respect to the Bonds or the facilities financed or refinanced with the proceeds of the Bonds. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the Issuer that it deems relevant to render such opinion and is not a guarantee of a result. 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 audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Issuer as the taxpayer and the Bondholders 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 maturity amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

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

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

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

stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

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

Collateral Federal Income Tax Consequences

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

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, 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.

Interest on the Bonds may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

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.

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of

foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

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 twenty-percent (20%) as a "financial institution preference item."

The Issuer expects that the Bonds will be designated, or deemed designated, 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

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The financial information and operating data which will be provided 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 FINANCIAL DATA" (except for "Estimated Overlapping Debt"), "TAX DATA," and in "APPENDIX A" – Financial Statements of the District. The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2026. Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year

to the MSRB within such six-month period, and audited financial statements when and if the audit report becomes available.

The District's fiscal year end is currently February 28. Accordingly, it must provide updated information by August 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of 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, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide 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 specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement, or from any statement made pursuant to its agreement, although holders and beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement 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 the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the

holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the United States Securities and Exchange Commission amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

The District has complied in all material respects with its continuing disclosure obligations made in accordance with the Rule.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the Developers, 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 February 28, 2025, were prepared by McCall Gibson Swedlund Barfoot Ellis PLLC, Certified Public Accountants, and have been included herein as “APPENDIX A.” McCall Gibson Swedlund Barfoot Ellis PLLC, Certified Public Accountants, has agreed to the publication of its audit opinion on such financial statements in this Official Statement.

Experts

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 – Use and Distribution of Bond Proceeds,” “THE DISTRICT – Description,” “DEVELOPMENT OF THE DISTRICT – Status of Development within the District,” “THE ROAD SYSTEM,” and “THE UTILITY SYSTEM” has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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 FINANCIAL DATA” 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 appraisal.

Certification as to Official Statement

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

Updating of Official Statement

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial

Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District in writing on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

Forward Looking Statements

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

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

CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which 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 Fresh Water Supply District No. 8-A as of the date shown on the cover page hereof.

/s/ _____
Isaiah Johnson
President, Board of Directors
Denton County Fresh Water Supply District No. 8-A

ATTEST:

/s/ _____
Juan Torres
Secretary, Board of Directors
Denton County Fresh Water Supply District No. 8-A

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
DENTON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FEBRUARY 28, 2025

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

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McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

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

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Denton County Fresh Water
Supply District No. 8-A
Denton County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Denton County Fresh Water Supply District No. 8-A (the "District") as of and for the year ended February 28, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of February 28, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot Ellis PLLC

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

May 27, 2025

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2025**

Management's discussion and analysis of the financial performance of Denton County Fresh Water Supply District No. 8-A (the "District") provides an overview of the District's financial activities for the year ended February 28, 2025. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2025**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements can be found in this report.

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,366,775 as of February 28, 2025. A portion of the District's net position reflects its net investment in capital assets which include roads as well as water, wastewater and drainage facilities less any debt used to acquire those assets that is still outstanding.

The table on the following page presents a comparative analysis of government-wide changes in net position for the current and prior fiscal years.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2025	2024	Change Positive (Negative)
Current and Other Assets	\$ 8,272,193	\$ 7,698,767	\$ 573,426
Capital Assets (Net of Accumulated Depreciation)	23,578,028	13,862,232	9,715,796
Total Assets	\$ 31,850,221	\$ 21,560,999	\$ 10,289,222
Deferred Outflows of Resources	\$ 96,190	\$ 108,548	\$ (12,358)
Due to Developer	\$ 11,759,733	\$ 1,559,216	\$ (10,200,517)
Bonds Payable	15,541,955	16,295,413	753,458
Other Liabilities	1,026,683	1,323,401	296,718
Total Liabilities	\$ 28,328,371	\$ 19,178,030	\$ (9,150,341)
Deferred Inflows of Resources	\$ 1,251,265	\$ 1,292,354	\$ 41,089
Net Position:			
Net Investment in Capital Assets	\$ (1,792,604)	\$ (2,062,693)	\$ 270,089
Restricted	851,260	799,936	51,324
Unrestricted	3,308,119	2,461,920	846,199
Total Net Position	\$ 2,366,775	\$ 1,199,163	\$ 1,167,612

The following table provides a summary of the District's operations for the years ended February 28, 2025, and February 29, 2024.

	Summary of Changes in the Statement of Activities		
	2025	2024	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,992,211	\$ 2,943,187	\$ 49,024
Charges for Services	1,807,337	1,782,688	24,649
Other Revenues	296,764	306,356	(9,592)
Total Revenues	\$ 5,096,312	\$ 5,032,231	\$ 64,081
Expenses for Services	3,928,700	3,493,465	(435,235)
Change in Net Position	\$ 1,167,612	\$ 1,538,766	\$ (371,154)
Net Position, Beginning of Year	1,199,163	(339,603)	1,538,766
Net Position, End of Year	\$ 2,366,775	\$ 1,199,163	\$ 1,167,612

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2025**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of February 28, 2025, were \$6,189,586, an increase of \$873,105 from the prior year.

The General Fund fund balance increased by \$818,629 primarily due to property tax revenues, franchise fees, service revenues, and investment revenues which exceeded operating and administrative expenditures.

The Debt Service Fund fund balance increased by \$40,766, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance increased by \$13,710, due to investment revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted a budget for the current fiscal year. The budget was amended to increase the budgeted amount for property tax revenues. Actual revenues were \$6,696 less than budgeted revenues and actual expenditures were \$134,388 less than budgeted which resulted in a positive variance of \$127,692. See the budget to actual comparison for more detail.

CAPITAL ASSETS

Capital assets as of February 28, 2025, total \$23,578,028 (net of accumulated depreciation) and include land and roads as well as the water, wastewater and drainage systems.

Capital Assets At Year-End			
	2025	2024	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 106,446	\$ 106,446	\$
Capital Assets Subject to Depreciation:			
Roads	7,097,532	7,097,532	
Water System	6,968,148	3,273,302	3,694,846
Wastewater System	8,346,130	4,157,267	4,188,863
Drainage System	5,666,594	3,349,786	2,316,808
Less Accumulated Depreciation	(4,606,822)	(4,122,101)	(484,721)
Total Net Capital Assets	<u>\$ 23,578,028</u>	<u>\$ 13,862,232</u>	<u>\$ 9,715,796</u>

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2025**

LONG-TERM DEBT ACTIVITY

At year-end, bond debt totaled \$15,615,000. The changes in bonds payable during the year ended February 28, 2025, are summarized as follows:

Bonds Payable, March 1, 2024	\$ 16,370,000
Less: Bond Principal Paid	<u>(755,000)</u>
Bonds Payable, February 28, 2025	<u>\$ 15,615,000</u>

The Series 2015 Road Bonds do not have underlying nor insured ratings. The remaining bonds carry underlying ratings of “Baa2” and also carry insured ratings of “AA” and/or “A1” by virtue of bond insurance issued by either Build America Mutual Assurance Company or Assured Guaranty Inc. Credit enhanced ratings provided through bond insurance policies are subject to change based on changes to the ratings of the insurers.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Denton County Fresh Water Supply District No. 8-A, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, TX 77027.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
FEBRUARY 28, 2025

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash	\$ 577,903	\$ 180,019
Investments	4,779,967	1,881,442
Due from Fiscal Agent		263,566
Receivables:		
Property Taxes	59,594	43,339
Service Accounts	132,863	
Prepaid Costs		
Due from Other Districts	68,596	
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 5,618,923</u>	<u>\$ 2,368,366</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	<u>\$ -0-</u>	<u>\$ -0-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,618,923</u>	<u>\$ 2,368,366</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 64	\$ 757,986	\$	\$ 757,986
275,586	6,936,995		6,936,995
	263,566		263,566
	102,933		102,933
	132,863		132,863
		9,254	9,254
	68,596		68,596
		106,446	106,446
		23,471,582	23,471,582
<u>\$ 275,650</u>	<u>\$ 8,262,939</u>	<u>\$ 23,587,282</u>	<u>\$ 31,850,221</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 96,190</u>	<u>\$ 96,190</u>
<u>\$ 275,650</u>	<u>\$ 8,262,939</u>	<u>\$ 23,683,472</u>	<u>\$ 31,946,411</u>

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

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
FEBRUARY 28, 2025

	<u>General Fund</u>	<u>Debt Service Fund</u>
LIABILITIES		
Accounts Payable	\$ 667,549	\$ 2,275
Accrued Interest Payable		
Due to Developer		
Security Deposits	93,293	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 760,842</u>	<u>\$ 2,275</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Property Taxes	<u>\$ 59,594</u>	<u>\$ 1,250,642</u>
FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		1,115,449
Unassigned	4,798,487	
TOTAL FUND BALANCES	<u>\$ 4,798,487</u>	<u>\$ 1,115,449</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 5,618,923</u></u>	<u><u>\$ 2,368,366</u></u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$	\$ 669,824	\$	\$ 669,824
		263,566	263,566
		11,759,733	11,759,733
	93,293		93,293
		780,000	780,000
		14,761,955	14,761,955
<u>\$ -0-</u>	<u>\$ 763,117</u>	<u>\$ 27,565,254</u>	<u>\$ 28,328,371</u>
 <u>\$ -0-</u>	 <u>\$ 1,310,236</u>	 <u>\$ (58,971)</u>	 <u>\$ 1,251,265</u>
 \$ 275,650	 \$ 275,650	 \$ (275,650)	 \$
	1,115,449	(1,115,449)	
	4,798,487	(4,798,487)	
<u>\$ 275,650</u>	<u>\$ 6,189,586</u>	<u>\$ (6,189,586)</u>	<u>\$ -0-</u>
 <u>\$ 275,650</u>	 <u>\$ 8,262,939</u>		
		\$ (1,792,604)	\$ (1,792,604)
		851,260	851,260
		3,308,119	3,308,119
		<u>\$ 2,366,775</u>	<u>\$ 2,366,775</u>

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

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FEBRUARY 28, 2025

Total Fund Balances - Governmental Funds	\$ 6,189,586
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Prepaid bond insurance is amortized over the term of the refunding bonds.	9,254
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Capital assets are not current financial resources and, therefore, are not reported as assets in governmental funds.	23,578,028
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Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.	96,190
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Deferred inflows of resources related to property tax revenues for the 2024 and prior maintenance tax levies and the 2023 and prior debt service tax levies became part of recognized revenue in the governmental activities of the District.	58,971
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. These liabilities consist of:

Due to Developer	\$ (11,759,733)	
Accrued Interest Payable	(263,566)	
Bonds Payable	<u>(15,541,955)</u>	<u>(27,565,254)</u>

Total Net Position - Governmental Activities	<u>\$ 2,366,775</u>
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The accompanying notes to the financial
statements are an integral part of this report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED FEBRUARY 28, 2025

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,677,589	\$ 1,286,492
Water Service	821,468	
Wastewater Service	683,175	
Fire Protection Service Revenues	173,030	
Franchise Fees	129,664	
Investment and Miscellaneous Revenues	199,729	83,325
TOTAL REVENUES	<u>\$ 3,684,655</u>	<u>\$ 1,369,817</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 160,813	\$
Contracted Services	1,434,242	22,520
Purchased Water Service	679,359	
Purchased Wastewater Service	429,989	
Repairs and Maintenance	49,650	
Depreciation		
Other	111,973	2,025
Debt Service:		
Bond Principal		755,000
Bond Interest		549,506
TOTAL EXPENDITURES/EXPENSES	<u>\$ 2,866,026</u>	<u>\$ 1,329,051</u>
NET CHANGE IN FUND BALANCES	\$ 818,629	\$ 40,766
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - MARCH 1, 2024	<u>3,979,858</u>	<u>1,074,683</u>
FUND BALANCES/NET POSITION - FEBRUARY 28, 2025	<u><u>\$ 4,798,487</u></u>	<u><u>\$ 1,115,449</u></u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 2,964,081	\$ 28,130	\$ 2,992,211
	821,468		821,468
	683,175		683,175
	173,030		173,030
	129,664		129,664
13,710	296,764		296,764
<u>\$ 13,710</u>	<u>\$ 5,068,182</u>	<u>\$ 28,130</u>	<u>\$ 5,096,312</u>
\$	\$ 160,813	\$	\$ 160,813
	1,456,762		1,456,762
	679,359		679,359
	429,989		429,989
	49,650		49,650
		484,721	484,721
	113,998		113,998
	755,000	(755,000)	
	549,506	3,902	553,408
<u>\$ - 0 -</u>	<u>\$ 4,195,077</u>	<u>\$ (266,377)</u>	<u>\$ 3,928,700</u>
\$ 13,710	\$ 873,105	\$ (873,105)	\$
		1,167,612	1,167,612
261,940	5,316,481	(4,117,318)	1,199,163
<u>\$ 275,650</u>	<u>\$ 6,189,586</u>	<u>\$ (3,822,811)</u>	<u>\$ 2,366,775</u>

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

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2025

Net Change in Fund Balances - Governmental Funds	\$ 873,105
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	28,130
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Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(484,721)
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Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	755,000
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Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(3,902)
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Change in Net Position - Governmental Activities	<u>\$ 1,167,612</u>
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The accompanying notes to the financial
statements are an integral part of this report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2025

NOTE 1. CREATION OF DISTRICT

On June 27, 2000, the Denton County Commissioners Court approved the order creating Denton County Fresh Water Supply District No. 8 of Denton County, Texas (the “Original District”). As a result of another election held on November 7, 2000, the voters approved the Original District’s assumption of certain rights, authority, privileges and functions of a road district and approved for the Original District to purchase, construct, acquire, own, operate, repair, improve and extend the sanitary sewer system. On December 4, 2000, following a hearing, the governing board of the Original District approved the conversion of the Original District to a Water Control and Improvement District operating under Chapter 51 of the Texas Water Code and specifically reserved certain rights under Sections 53.029, 53.030 through 53.034, 53.040 through 53.041, 53.112, 53.121, and 53.125 of the Texas Water Code.

At an election held within the boundaries of the Original District on May 5, 2001, voters approved the division of the Original District into two new districts of which Denton County Fresh Water Supply District No. 8-A (the “District”) was one. The District held its first meeting on May 9, 2001, and sold its first bonds on June 28, 2007. Pursuant to the provisions of Chapters 49, 51 and 53 of the Texas Water Code and Senate Bill No. 1444, Acts of the 77th Legislative, Regular Session, 2001, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, roads, solid waste collection and disposal, and parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

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

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

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

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

Government-Wide Financial Statements

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

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

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

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

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures.

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

Capital Projects Fund – To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

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

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Property taxes considered available by the District and included in revenue include taxes collected during the period and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures. Recognition of tax revenues for the 2024 debt service tax levy levied in the current fiscal year has been deferred to meet the debt service payments due in the next fiscal year.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years.

Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Roads	45
Water, Wastewater and Drainage Systems	10-45

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

Each year, the Board adopts an unappropriated budget for the General Fund which is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered wages subject to federal income tax withholding for payroll purposes only.

Measurement Focus

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

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

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

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

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

The following table summarizes transactions regarding bonds payable for the current fiscal year:

	March 1, 2024	Additions	Retirements	February 28, 2025
Bonds Payable	\$ 16,370,000	\$	\$ 755,000	\$ 15,615,000
Unamortized Discounts	(230,165)		(19,254)	(210,911)
Unamortized Premiums	155,578		17,712	137,866
Bonds Payable, Net	<u>\$ 16,295,413</u>	<u>\$ -0-</u>	<u>\$ 753,458</u>	<u>\$ 15,541,955</u>
		Amount Due Within One Year		\$ 780,000
		Amount Due After One Year		<u>14,761,955</u>
		Bonds Payable, Net		<u>\$ 15,541,955</u>

The District has authorized but unissued bonds in the amount of \$9,095,000 in utility tax bonds, \$28,232,020 in utility refunding bonds, \$53,269,580 in road refunding bonds and \$5,090,000 in road bonds.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2025

NOTE 3. LONG-TERM DEBT (Continued)

	Road Series 2015	Series 2016	Refunding Road Series 2016	Refunding Series 2016
Amount Outstanding – February 28, 2025	\$ 2,455,000	\$ 3,505,000	\$ 1,030,000	\$ 1,185,000
Interest Rates	3.10% - 4.00%	3.00% - 3.25%	4.00%	4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2025/2040	September 1, 2025/2040	September 1, 2025/2032	September 1, 2025/2035
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2023*	September 1, 2024*	September 1, 2024*	September 1, 2024*

	Road Series 2017	Series 2017	Road Series 2018
Amount Outstanding – February 28, 2025	\$ 2,180,000	\$ 2,620,000	\$ 2,640,000
Interest Rates	3.00% - 4.00%	2.25% - 4.75%	3.00% - 3.375%
Maturity Dates – Serially Beginning/Ending	September 1, 2025/2042	September 1, 2025/2042	September 1, 2025/2042
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2024*	September 1, 2025*	September 1, 2023*

* Or any date thereafter at a price of par plus unpaid accrued interest to the date fixed for redemption. The Series 2015 term bonds maturing on September 1, 2036 and 2040 are subject to mandatory redemption beginning September 1, 2035 and 2037, respectively. The Series 2016 Refunding term bonds maturing on September 1, 2023, 2026, 2029, 2032, and 2035 are subject to mandatory redemption beginning September 1, 2021, 2024, 2027, 2030, and 2033, respectively. The Series 2016 Road Refunding term bonds maturing on September 1, 2023, 2026, 2028, 2030, and 2032 are subject to mandatory redemption beginning September 1, 2021, 2024, 2027, 2029, and 2031, respectively. The Series 2017 Road term bonds maturing on September 1, 2027, 2029, 2031, 2033, 2035, 2037, 2039 and 2042, are subject to mandatory redemption beginning September 1, 2025, 2028, 2030, 2032, 2034, 2036, 2038, and 2040, respectively. The Series 2017 term bonds maturing on September 1, 2037 and 2042 are subject to mandatory redemption beginning September 1, 2036 and 2038, respectively. The Series 2018 Road term bonds maturing on September 1, 2031, 2038, and 2042 are subject to mandatory redemption beginning September 1, 2029, 2036, and 2039, respectively.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2025

NOTE 3. LONG-TERM DEBT (Continued)

As of February 28, 2025, the debt service requirements on the bonds outstanding were as follows:

<u>February 28/29</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 780,000	\$ 527,131	\$ 1,307,131
2027	805,000	502,458	1,307,458
2028	840,000	476,581	1,316,581
2029	880,000	449,374	1,329,374
2030	905,000	420,522	1,325,522
2031-2035	4,725,000	1,630,897	6,355,897
2036-2040	4,610,000	848,826	5,458,826
2041-2043	2,070,000	130,259	2,200,259
	<u>\$ 15,615,000</u>	<u>\$ 4,986,048</u>	<u>\$ 20,601,048</u>

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District without legal limit as to rate or amount. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

During year ended February 28, 2025, the District levied an ad valorem utility debt service tax rate of \$0.145 per \$100 of assessed valuation, which resulted in a tax levy of \$566,979 on the adjusted taxable valuation of \$391,020,335 for the 2024 tax year. The 2024 debt service tax levy has been fully deferred.

During year ended February 28, 2025, the District levied an ad valorem road debt service tax rate of \$0.175 per \$100 of assessed valuation, which resulted in a tax levy of \$684,286 on the adjusted taxable valuation of \$391,020,335 for the 2024 tax year. The 2024 road debt service tax levy has been fully deferred.

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

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2025

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

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

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

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$757,986 and the bank balance was \$841,799. The District was not exposed to custodial credit risk at year end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at February 28, 2025, as listed below:

	Cash
GENERAL FUND	\$ 577,903
DEBT SERVICE FUND	180,019
CAPITAL PROJECTS FUND	<u>64</u>
TOTAL DEPOSITS	<u>\$ 757,986</u>

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2025

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

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

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

The District invests in LOGIC (Local Government Investment Cooperative), an external public fund investment pool that is not SEC-registered. LOGIC is organized and existing as a business trust under the laws of the State of Texas with all participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the participants. Hilltop Securities, Inc. and J.P. Morgan Investment Management, Inc. serve as co-administrators of the pool. LOGIC measures all of its portfolio assets at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from LOGIC. The District measures its investments in LOGIC at amortized cost.

The District invests in the Texas Short Term Asset Reserve Program ("TexSTAR"), an external public funds investment pool that is not SEC-registered. J.P. Morgan Investment Management Inc. provides investment management and Hilltop Securities Inc., provides participant services. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investors Services Co. Investments held by TexSTAR are marked to market daily. The investments are considered to be Level 1 investments because their value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from TexSTAR.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2025

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of February 28, 2025, the District had the following investments and maturities:

Funds and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
LOGIC	\$ 2,648,047	\$ 2,648,047
TexSTAR	2,131,920	2,131,920
<u>DEBT SERVICE FUND</u>		
LOGIC	987,733	987,733
TexSTAR	893,709	893,709
<u>CAPITAL PROJECTS FUND</u>		
LOGIC	275,586	275,586
TOTAL INVESTMENTS	<u><u>\$ 6,936,995</u></u>	<u><u>\$ 6,936,995</u></u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District's investments in LOGIC and TexSTAR were rated AAAM by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in LOGIC and TexSTAR to have maturities of less than one year since the share positions can usually be redeemed each day at the discretion of the District unless there have been significant changes in value.

Restrictions

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

All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2025

NOTE 6. CAPITAL ASSETS

Capital asset activity for the current fiscal year is summarized in the following table:

	March 1, 2024	Increases	Decreases	February 28, 2025
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 106,446	\$ - 0 -	\$ - 0 -	\$ 106,446
Capital Assets Subject to Depreciation				
Roads	\$ 7,097,532	\$	\$	\$ 7,097,532
Water System	3,273,302	3,694,846		6,968,148
Wastewater System	4,157,267	4,188,863		8,346,130
Drainage System	3,349,786	2,316,808		5,666,594
Total Capital Assets Subject to Depreciation	\$ 17,877,887	\$ 10,200,517	\$ - 0 -	\$ 28,078,404
Less Accumulated Depreciation				
Roads	\$ 1,665,121	\$ 157,723	\$	\$ 1,822,844
Water System	829,891	103,875		933,766
Wastewater System	941,766	129,501		1,071,267
Drainage System	685,323	93,622		778,945
Total Accumulated Depreciation	\$ 4,122,101	\$ 484,721	\$ - 0 -	\$ 4,606,822
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 13,755,786	\$ 9,715,796	\$ - 0 -	\$ 23,471,582
Total Capital Assets, Net of Accumulated Depreciation	\$ 13,862,232	\$ 9,715,796	\$ - 0 -	\$ 23,578,028

NOTE 7. MAINTENANCE TAX

On January 20, 2001, voters of the District approved the levy and collection of a maintenance tax of an unlimited amount per \$100 of assessed valuation of taxable property within the District. During the fiscal year, the District levied an ad valorem maintenance tax rate of \$0.439 per \$100 of assessed valuation which resulted in a tax levy of \$1,716,579 on the adjusted taxable valuation of \$391,020,335 for the 2024 tax year.

The maintenance tax will be used for maintenance purposes including planning, maintaining, repairing and operating all necessary plants, properties, owned or contracted facilities and improvements of the District and for proper services, engineering, legal fees, and operational and administrative costs in accordance with Section 49.107 of the Texas Water Code.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2025

NOTE 8. CONTRACT TAX

On August 11, 2001, the voters approved the levy and collection of an annual contract tax imposed on all taxable property within the boundaries of the District in an unlimited amount per \$100 of assessed valuation for purposes of making payments pursuant to certain contracts with Upper Trinity Regional Water District relative to water supply and wastewater treatment capacity and services. Upon approval of the Texas Commission on Environmental Quality, the contract tax may be levied in a sufficient amount to make payments related to the District's contracts for treated water supply and wastewater treatment with Upper Trinity Regional Water District to the extent other funds are not available to the District to make such payments. During the current fiscal year, the District did not levy a contract tax.

NOTE 9. WATER SUPPLY AGREEMENT

On August 29, 2001, the District executed an agreement with the Upper Trinity Regional Water District (the "UTRWD") to provide treated water to the District as a Participating Customer of the UTRWD, as well as other areas within the proximity of the District. The First Amendment to Participating Customer Contract was executed on September 6, 2001. The Second Amendment to Participating Customer Contract was executed on May 2, 2002. The Third Amendment to Participating Customer contract was executed on February 24, 2004. The Fourth Amendment to Participating Customer contract was executed on March 1, 2019. The UTRWD has agreed to use its best efforts to build the facilities called for in this agreement and to issue debt to fund the cost of the facilities to serve the District. The UTRWD is governed by a Board of directors that are appointed by the governing bodies of members and by the County. The District, as a Participating Customer, is not entitled to appoint a representative to the Board; however, the District will be represented by a Board member serving Denton County at-large.

Pursuant to the Fourth Amendment, the supply of water on a minimum demand decreased from 2.17 to 1.87 million gallons of water per day (MGD). The District is required to take or pay for the minimum amount of water to assure adequate funds to the UTRWD to fulfill its obligations under the contract. The District may adjust the regular service amount upon mutual agreement with the UTRWD. A determination of demand on an annual basis that takes into account actual usage for the most recent five water years and projected needs for the next water year will be made. Payments will be comprised of three components including an Operation and Maintenance Component, a Capital Component and a special reserve for operation and maintenance cost of the system. Annual budgets will be prepared for the system. The District will pay its part of the annual requirement in monthly installments.

The agreement provides for water conservation and drought contingency issues. The term of the contract is 25 years or as long as the bonds issued remain outstanding. The contract further has a 20-year extension provision.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2025

NOTE 10. SEWAGE TREATMENT SERVICE AGREEMENT

On August 29, 2001, the District executed an agreement (the “UTRWD Wastewater Agreement”) with the UTRWD to provide wastewater treatment service to the District as a Participating Customer of the UTRWD, as well as other areas within the proximity of the District. The UTRWD has agreed to use its best efforts to build the facilities called for in this agreement and to issue debt, if necessary, to fund the cost of the facilities. During a prior fiscal year, the District’s Developer advanced monies on behalf of the District to the UTRWD for the District’s share of the construction cost of the Riverbend Wastewater Treatment Plant.

The UTRWD is governed by a Board of directors that are appointed by the governing bodies of members and by the County. The District, as a Participating Customer, is not entitled to appoint a representative to the Board; however, the District will be represented by a Board member serving Denton County at-large.

The construction of the Riverbend Plant was completed in two phases. After completion of the first phase, the District was entitled to wastewater capacity of 0.05 MGD on a minimum flow basis and 0.11 MGD for average annual flow. After completion of the second phase, the District was entitled to wastewater capacity of 0.10 MGD on a minimum flow basis and 0.36 MGD for average annual flow. Pursuant to an amendment to the UTRWD Wastewater Agreement, dated December 14, 2010, the District is entitled to treatment capacity of 0.130 MGD on a minimum flow basis and 0.454 MGD for average annual flow.

Capacity and costs relating to wastewater treatment are allocated between the District and District 8-B (as hereinafter defined) pursuant to a joint utility contract described in Note 12. The District is required to pay based on the minimum flow basis of wastewater, whether or not the District actually delivers this amount of wastewater to the UTRWD, to assure adequate funds to the UTRWD to fulfill its obligations under the contract.

Payments will be comprised of three components including an Operation and Maintenance Component, a Capital Component and a special reserve for operation and maintenance cost of the system. Annual budgets will be prepared for the system. The District will pay its part of the annual requirement in monthly installments.

The agreement provides for water conservation and drought contingency issues. The term of the contract is 25 years or as long as the bonds issued remain outstanding. The Contract further has a 20-year extension provision.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2025

NOTE 11. WATER AND SEWER SERVICE AGREEMENT

On July 10, 2001, the District approved a Water Service Agreement and a Sewer Service Agreement with Mustang Water Supply Corporation, now known as Mustang Special Utility District (“Mustang”). Mustang holds Certificates of Convenience and Necessity Nos. 11856 and 20930 (“CCN”) to provide retail water and wastewater services to certain areas within Denton County, Texas, in which area the District is located. In addition, the District holds CCN Nos. 13018 and 20924 to provide retail water and wastewater services to the areas within the District.

Effective October 1, 2007, the District entered into a Merged, Amended and Restated Agreement Relating to Water and Sanitary Sewer Service with Mustang. The purpose of this agreement is to merge, amend and restate the original agreements with Mustang to (1) facilitate the provisions of wholesale water supply and wastewater treatment services to the District by the UTRWD, see Notes 9 and 10, (2) facilitate the provision of retail water supply and distribution service and wastewater collection and treatment service by the District within the District service area, and (3) establish the terms and provisions by which Mustang will operate and maintain the District’s water and sanitary sewer facilities located within the District’s service area, and provide for compensation for such services.

During the term of this agreement, Mustang agrees to perform the schedule of services as outlined in Exhibit “B” of the agreement. Mustang will be responsible for the monthly meter reading and billing of each customer of the District. Mustang will collect the amounts due the District for water and wastewater services and will remit the funds collected on behalf of the District at least once per month. In addition, Mustang will bill and collect for solid waste collection from each District customer.

Compensation to Mustang for Exhibit “B” services will be based on an annual operations and maintenance budget beginning October 1 and ending September 30. The costs contained in the annual budget will be categorized as follows: 1.) Mustang only costs; 2.) District only costs; 3.) shared costs which are allocated based on the District’s pro rata share of connections; and 4.) indirect shared administration costs, of which 20% will be allocated to the districts Mustang is providing service to. The District will be invoiced for actual costs plus a 15% overhead charge. The summation of categories 2 through 4 above plus a 15% charge will be allocated to the District based upon the number of active equivalent single-family connections for the District. The number of District connections will be determined monthly and the District’s pro rata share of costs for the upcoming month will be adjusted accordingly. In addition, the District will pay Mustang 30% of any disconnection, re-connection and return check fees charged by the District.

For other services provided by Mustang for installations, maintenance or repair of the District’s system not listed on Exhibit “B”, the District will pay for such costs based upon Mustang’s actual and direct expenses. Mustang may add a 15% overhead charge to its actual and direct expenses for these services. The District will pay for such services within 30 days from the date of the invoice.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2025

NOTE 11. WATER AND SEWER SERVICE AGREEMENT (Continued)

No sooner than 10 years after the effective date of this agreement, and upon full payment of all the District's bonded indebtedness and all outstanding reimbursements due to the Developer, Mustang shall have the option to purchase the District's water and wastewater systems in its then present condition at Mustang's sole option at a cost of \$500, provided that at that time of the exercise of the option, Mustang delivers an opinion of counsel satisfactory to UTRWD and the District that certifies that Mustang or its successor is a governmental unit within the meaning of Section 141 of the Internal Revenue Code. The term of this agreement is 25 years from the effective date, unless terminated by Mustang pursuant to the option to purchase the District's water and wastewater systems.

NOTE 12. JOINT UTILITY CONTRACT

On November 12, 2001, the District and Denton County Fresh Water Supply District No. 8-B ("District 8-B") entered into a Joint Utility Contract. Amendment No. 1 to the Joint Utility Contract was approved on June 11, 2002, and an Amendment was approved on February 24, 2004. The District has entered into the UTRWD contracts, see Notes 9 and 10, on behalf of itself and District 8-B and any additional contract service areas that may request utility services.

The UTRWD will look solely to the District to fulfill the obligations of the contracts. This agreement establishes the pro rata allocation of the costs to be incurred under the contracts. The share of the fixed costs shall be paid based upon the reserved capacity each District holds in comparison to the total capacity reserved for all Districts. Variable costs will be paid in proportion to actual usage each month based upon the individual meters within the District and District 8-B.

On January 13, 2005, the District and District No. 8-B executed an Amended and Restated Joint Utility Contract. The agreement provides that for wastewater treatment purposes, the total reserved capacity for wastewater is 0.360 MGD, of which the District was entitled to 0.110 MGD and District No. 8-B was entitled to 0.250 MGD. Effective March 1, 2011, the District and District No. 8-B executed the First Amendment to Amended and Restated Joint Utility Contract. Pursuant to this amendment, completed improvements to the UTRWD Riverbend Plant resulted in the allocation of an additional 0.094 MGD in wastewater treatment capacity to the District so that the District was entitled to 0.204 MGD of wastewater treatment capacity and District No. 8-B remained entitled to 0.250 MGD (See Note 10). For potable water purposes the Districts have reserved a total of 1.87 MGD of water capacity in the UTRWD water contract as of fiscal year-end. The Contract makes provision for the purchase of wastewater services and water supply from UTRWD, expansion of the systems, the pledge of contract tax revenues if needed to meet obligations and the possibility of oversizing requirements by the UTRWD wastewater contract.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2025

NOTE 12. JOINT UTILITY CONTRACT (Continued)

The agreement provides for each party to pay its pro rata share of usage, operation and maintenance for the UTRWD systems. The share of fixed cost payable by each party holding reserved capacity will be in the same proportion as the party's reserved capacity bears to the total capacity reserved for the Districts. Both Districts will pay variable costs based upon actual metered usage within each respective district. The Boards of the Districts will meet at least once annually to review the prior year's budget and to establish the following year's budget for each respective district. The term of the contract is 40 years from the date of its execution. The contract is renewable for 20-year periods. During the current fiscal year, the District recorded purchased water and purchased wastewater costs of \$679,359 and \$429,989, respectively, in accordance with the contract.

Effective April 17, 2012, the District and District No. 8-B executed the Second Amendment to Amended and Restated Joint Utility Contract. The share of the fixed costs, including Demand Charges and Joint Facilities Charges under the UTRWD Contracts, shall be paid based upon the reserved capacity each district holds in comparison to the total capacity reserved for both districts. This Second Amendment provides that relative to charges under the UTRWD Water Contract, each district will pay variable costs, including Volume Charges, in proportion to their relative wholesale water usage on a monthly basis as approximated by the proportion of each District's retail customer water billings during any monthly period to the total retail customer water billings of the two districts. Relative to charges under the UTRWD Wastewater Contract, each District will pay variable costs, including Volume Charges, in proportion to their relative wholesale wastewater usage on a monthly basis based on the proportion of equivalent single-family connections (ESFCs) in each District to the total number of ESFCs in both districts.

On November 1, 2006, the District, District 11-A, District 11-B, and District 11-C executed a Cost Sharing Agreement Related to Joint Utility Facilities (Agreement). In accordance with this Agreement, each district agrees to pay its pro rata share of the construction costs and operating and maintenance costs of the Joint Facilities in the amounts and percentages provided for in the Agreement. Upon payment of its pro rata share, each district will become the owner of an equitable and beneficial interest in the capacity of the Joint Facilities. The term of the contract is 40 years from the date of its execution. The contract is renewable for 20-year periods.

Effective June 1, 2017, the District and District No. 8-B entered into a Third Amendment to Amended and Restated Joint Utility Contract whereby the District is allocated 0.228 MGD and District No. 8-B is allocated 0.226 MGD of reserved wastewater treatment capacity.

Effective March 1, 2019, the District and District No. 8-B entered into a Fourth Amendment to Amended and Restated Joint Utility Contract. Under this Fourth Amendment, the District is allocated 0.939 MGD and District No. 8-B is allocated 0.931 MGD of reserved water capacity. The reserved wastewater allocations did not change under the Fourth Amendment.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2025

NOTE 13. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant changes in coverage of the District and there have been no settlements of claims exceeding coverage in the last three years.

NOTE 14. FIRE PROTECTION SERVICES AGREEMENT

The District, District 8-B, District 11-A, District 11-B, and District 11-C (the “Districts”) have entered into a Fire Protection Services Agreement with the Town of Little Elm, Texas (the “City”), dated December 19, 2023. The Agreement has a 5-year term and the City began providing services to the Districts on December 1, 2024.

The City agrees to provide fire protection services to persons, buildings and property located within the Districts, including land added to the Districts by annexation, in the same manner and to the same extent as it would within the City. The Districts agree to make monthly payments to the City based on the number of equivalent single-family connections multiplied by a monthly rate that is set in the Agreement for each year of the term of the Agreement. For the upcoming year 2025, that rate is \$16.73 per month per equivalent single-family connection.

NOTE 15. PEACE OFFICER SERVICES AGREEMENTS

Effective August 28, 2018, the District and District Nos. 8-B, 11-A, 11-B, and 11-C entered into a Joint Interlocal Agreement for School Resource Officer Services with Denton Independent School District (“DISD”) to assist the Town of Little Elm and DISD to provide school resource peace officers and patrol vehicles to enhance the safety and security of public schools. The term of the Agreement will cover three years and automatically renew on a year-to-year basis unless terminated by any party.

As of May 30, 2019, the District and District Nos. 8-B, 11-A, 11-B and 11-C entered into a Joint Interlocal Cooperation Agreement for Law Enforcement Services with the Town of Little Elm (“Little Elm”). The Agreement was amended effective October 1, 2022. Under the Little Elm Agreement, Little Elm has agreed to provide full time law enforcement services to the Districts in the same manner that such police services are provided to the residents of Little Elm. Each District has agreed to pay its pro-rata share of any law enforcement costs arising out of this Little Elm Agreement, including vehicles and equipment. Each District’s pro-rata share is determined by the District bookkeeper on a quarterly basis and is based on the number of equivalent single-family connections active in each District in proportion to the total number of connections active in all Districts. Security costs incurred for the District’s current fiscal year totaled \$551,092.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2025

NOTE 16. STRATEGIC PARTNERSHIP AGREEMENT

Effective March 3, 2015, the District entered into a Strategic Partnership Agreement with the Town and Denton County Fresh Water Supply District No. 8-B (“District No. 8-B”) for the limited purpose annexation by the Town of certain tracts of land, including portions of Navo Road and an existing elementary school site, located within the District and District No. 8-B. Such tracts were annexed by the Town for limited purposes of providing road maintenance and public safety services, as well as certain other regulatory authority permissions granted to the Town, in the areas to be annexed. In addition, this agreement further provides for the acknowledgment and acceptance by the District and District No. 8-B of a proposed road alignment of Navo Road and Union Park Boulevard, and for the provision of sidewalks and street lighting by the Town along portions of Navo Road.

NOTE 17. AGREEMENT REGARDING ALLOCATION OF WHOLESALE WATER AND WASTEWATER VOLUME CHARGES

Effective May 1, 2016, the District and District 11-A executed an Agreement Regarding Allocation of Wholesale Water and Wastewater Volume Charges. The agreement is intended to provide for a more effective and accurate allocation of UTRWD’s water and wastewater volume charges to the District and Districts 8-B, 11-A, 11-B and 11-C (Paloma Creek Districts). See also Notes 9, 10 and 12. The water volume charges will be allocated monthly to each district based on the proportion of its monthly retail water usage to the total monthly retail water usage of all Paloma Creek Districts. A district’s monthly retail water usage is calculated as the total gallons of water billed to such district’s retail customers each month as reported by Mustang plus the total gallons of water used by such district itself each month as reported by Mustang. The wastewater volume charges will be allocated monthly to each district based on the proportion of ESFCs served by such district to the total number of ESFCs in all of the Paloma Creek Districts. The number of ESFCs must be updated for such cost-allocation purposes at least quarterly.

NOTE 18. UNREIMBURSED DEVELOPER COSTS

The District entered into agreements with the Developer which call for the Developer to fund costs associated with the construction of utilities, road facilities and certain non-construction costs, as well as operating advances in order for the District to meet its ongoing financial obligations. Reimbursement to the Developer is expected to be made from the proceeds of future bond sales, surplus funds or other lawfully available funds. The District recorded a balance due to the Developer of \$11,759,733 as of year end. This balance increased by \$10,200,517 from the prior fiscal year as a result of the Lake Pointe Addition Developer funded projects completed during the current fiscal year.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2025

NOTE 19. PILOT AGREEMENT

On or about March 5, 2024, the District entered into an Agreement for Payment in Lieu of Taxes with Paloma South, LP, a Texas limited partnership and a developer of the Lake Pointe project within the District. Under the Agreement, Paloma South, LP acknowledged the intention to take certain action that would exempt the Lake Pointe Project from all ad valorem taxation assessed by the District. In recognition that the Lake Pointe Project will be served by public water, wastewater, drainage, and road systems constructed by the District, Paloma South, LP agreed to pay the District, on an annual basis as a payment in lieu of ad valorem taxes, an amount equal to 100% of the ad valorem that would otherwise be due for the then-applicable tax year for the purpose of funding the public infrastructure serving Lake Pointe.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A

REQUIRED SUPPLEMENTARY INFORMATION

FEBRUARY 28, 2025

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED FEBRUARY 28, 2025

	Original Budget	Amended and Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 1,622,677	\$ 1,711,358	\$ 1,677,589	\$ (33,769)
Water Service	845,606	845,606	821,468	(24,138)
Wastewater Service	685,316	685,316	683,175	(2,141)
Fire Protection Service Revenues	176,400	176,400	173,030	(3,370)
Franchise Fees	142,671	142,671	129,664	(13,007)
Investment and Miscellaneous Revenues	<u>130,000</u>	<u>130,000</u>	<u>199,729</u>	<u>69,729</u>
TOTAL REVENUES	<u>\$ 3,602,670</u>	<u>\$ 3,691,351</u>	<u>\$ 3,684,655</u>	<u>\$ (6,696)</u>
EXPENDITURES				
Service Operations:				
Professional Fees	\$ 199,106	\$ 199,106	\$ 160,813	\$ 38,293
Contracted Services	1,546,115	1,546,115	1,434,242	111,873
Purchased Water Service	668,386	668,386	679,359	(10,973)
Purchased Wastewater Service	434,572	434,572	429,989	4,583
Other	<u>152,235</u>	<u>152,235</u>	<u>161,623</u>	<u>(9,388)</u>
TOTAL EXPENDITURES	<u>\$ 3,000,414</u>	<u>\$ 3,000,414</u>	<u>\$ 2,866,026</u>	<u>\$ 134,388</u>
NET CHANGE IN FUND BALANCE	\$ 602,256	\$ 690,937	\$ 818,629	\$ 127,692
FUND BALANCE - MARCH 1, 2024	<u>3,979,858</u>	<u>3,979,858</u>	<u>3,979,858</u>	
FUND BALANCE - FEBRUARY 28, 2025	<u>\$ 4,582,114</u>	<u>\$ 4,670,795</u>	<u>\$ 4,798,487</u>	<u>\$ 127,692</u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
FEBRUARY 28, 2025

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

2. RETAIL SERVICE PROVIDERS

The following rates are based on the rate order dated January 17, 2023.

District employs winter averaging for wastewater usage?	<u>Yes</u>	<u>X</u> No
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See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
SERVICES AND RATES
FOR THE YEAR ENDED FEBRUARY 28, 2025

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>953</u>	<u>953</u>	x 1.0	<u>953</u>
1"	<u>2</u>	<u>2</u>	x 2.5	<u>5</u>
1½"			x 5.0	
2"			x 8.0	
3"			x 15.0	
4"	<u>4</u>	<u>4</u>	x 25.0	<u>100</u>
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>959</u>	<u>959</u>		<u>1,058</u>
Total Wastewater Connections	<u>955</u>	<u>953</u>	x 1.0	<u>953</u>

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons billed to customers: 108,735,000 ⁽¹⁾

⁽¹⁾ The District is part of an integrated water system with Denton County Fresh Water Supply District Nos. 8-B, 11-A, 11-B and 11-C. The districts purchase water from the Upper Trinity Regional Water District.

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
SERVICES AND RATES
FOR THE YEAR ENDED FEBRUARY 28, 2025

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

Does the District have Debt Service standby fees? Yes ☐ No ☒

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes ☒ No ☐

County in which District is located:

Denton County, Texas

Is the District located within a city?

Entirely ☐ Partly ☐ Not at all ☒

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

Entirely ☒ Partly ☐ Not at all ☐

ETJ in which District is located:

Town of Little Elm, Texas

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED FEBRUARY 28, 2025

PROFESSIONAL FEES:	
Auditing	\$ 22,250
Engineering	35,600
Legal	<u>102,963</u>
TOTAL PROFESSIONAL FEES	<u>\$ 160,813</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 679,359
Purchased Wastewater Service	<u>429,989</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 1,109,348</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 34,557
Operations and Billing	448,222
Solid Waste Disposal	244,244
Security	551,092
Fire Fighting	<u>156,127</u>
TOTAL CONTRACTED SERVICES	<u>\$ 1,434,242</u>
UTILITIES	<u>\$ 6,554</u>
REPAIRS AND MAINTENANCE	<u>\$ 49,650</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 35,505
Consulting	33,564
Insurance	11,030
Legal Notices	1,596
Election	11,361
Meetings, Travel and Other	<u>5,082</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 98,138</u>
OTHER EXPENDITURES:	
Regulatory Assessment	<u>\$ 7,281</u>
TOTAL EXPENDITURES	<u><u>\$ 2,866,026</u></u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
INVESTMENTS
FEBRUARY 28, 2025

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
LOGIC	XXXX8001	Varies	Daily	\$ 2,648,047	\$
TexSTAR	XXXX1110	Varies	Daily	2,131,920	
TOTAL GENERAL FUND				<u>\$ 4,779,967</u>	<u>\$ -0-</u>
<u>DEBT SERVICE FUND</u>					
LOGIC	XXXX8002	Varies	Daily	\$ 987,733	\$
TexSTAR	XXXX0230	Varies	Daily	893,709	
TOTAL DEBT SERVICE FUND				<u>\$ 1,881,442</u>	<u>\$ -0-</u>
<u>CAPITAL PROJECTS FUND</u>					
LOGIC	XXXX8003	Varies	Daily	\$ 275,586	\$ -0-
TOTAL - ALL FUNDS				<u><u>\$ 6,936,995</u></u>	<u><u>\$ -0-</u></u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED FEBRUARY 28, 2025

	Maintenance Taxes		Debt Service Taxes - Utility		Debt Service Taxes - Road	
TAXES RECEIVABLE -						
MARCH 1, 2024	\$	30,835	\$	10,883	\$	13,424
Adjustments to Beginning						
Balance		<u>(7,666)</u>		<u>(3,331)</u>		<u>(4,101)</u>
		\$ 23,169		\$ 7,552		\$ 9,323
Original 2024 Tax Levy	\$	1,728,652	\$	570,967	\$	689,098
Adjustment to 2024 Tax Levy		<u>(12,073)</u>		<u>(3,988)</u>		<u>(4,812)</u>
		1,716,579		566,979		684,286
TOTAL TO BE						
ACCOUNTED FOR		\$ 1,739,748		\$ 574,531		\$ 693,609
TAX COLLECTIONS:						
Prior Years	\$	23,885	\$	7,832	\$	9,666
Current Year		<u>1,656,269</u>		<u>547,059</u>		<u>660,244</u>
		1,680,154		554,891		669,910
TAXES RECEIVABLE -						
FEBRUARY 28, 2025		<u>\$ 59,594</u>		<u>\$ 19,640</u>		<u>\$ 23,699</u>
TAXES RECEIVABLE BY						
YEAR:						
2024	\$	60,310	\$	19,920	\$	24,042
2023 and prior		<u>(716)</u>		<u>(280)</u>		<u>(343)</u>
TOTAL		<u>\$ 59,594</u>		<u>\$ 19,640</u>		<u>\$ 23,699</u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED FEBRUARY 28, 2025

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
PROPERTY VALUATIONS:				
Land	\$ 107,416,441	\$ 100,314,162	\$ 95,661,650	\$ 67,493,303
Improvements	326,642,552	346,743,884	274,951,847	227,944,737
Personal Property	2,497,675	2,191,438	1,812,859	1,547,645
Exemptions	<u>(45,536,333)</u>	<u>(63,472,266)</u>	<u>(38,410,053)</u>	<u>(10,739,137)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 391,020,335</u>	<u>\$ 385,777,218</u>	<u>\$ 334,016,303</u>	<u>\$ 286,246,548</u>
TAX RATES PER \$100 VALUATION:				
Debt Service - Utility	\$ 0.145	\$ 0.150	\$ 0.1800	\$ 0.2100
Maintenance	0.439	0.425	0.3850	0.3775
Debt Service - Road	<u>0.175</u>	<u>0.185</u>	<u>0.2175</u>	<u>0.2525</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.7590</u>	<u>\$ 0.760</u>	<u>\$ 0.7825</u>	<u>\$ 0.8400</u>
ADJUSTED TAX LEVY*	<u>\$ 2,967,844</u>	<u>\$ 2,931,907</u>	<u>\$ 2,613,678</u>	<u>\$ 2,404,471</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>96.49 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>99.99 %</u>

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

Maintenance Tax – Maximum tax rate of an unlimited amount per \$100 of assessed valuation approved by voters on January 20, 2001.

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2025

S E R I E S - 2 0 1 5 R O A D			
Due During Fiscal Years Ending February 28/29	Principal Due September 1	Interest Due March 1/ September 1	Total
2026	\$ 110,000	\$ 91,206	\$ 201,206
2027	115,000	87,796	202,796
2028	115,000	84,116	199,116
2029	125,000	80,379	205,379
2030	130,000	76,129	206,129
2031	135,000	71,579	206,579
2032	140,000	66,719	206,719
2033	145,000	61,644	206,644
2034	155,000	56,387	211,387
2035	160,000	50,575	210,575
2036	165,000	44,575	209,575
2037	175,000	38,181	213,181
2038	185,000	31,400	216,400
2039	190,000	24,000	214,000
2040	200,000	16,400	216,400
2041	210,000	8,400	218,400
2042			
2043			
	<u>\$ 2,455,000</u>	<u>\$ 889,486</u>	<u>\$ 3,344,486</u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2025

S E R I E S - 2 0 1 6			
Due During Fiscal Years Ending February 28/29	Principal Due September 1	Interest Due March 1/ September 1	Total
2026	\$ 170,000	\$ 107,169	\$ 277,169
2027	175,000	102,068	277,068
2028	185,000	96,819	281,819
2029	190,000	91,268	281,268
2030	190,000	85,569	275,569
2031	200,000	79,869	279,869
2032	205,000	73,869	278,869
2033	210,000	67,719	277,719
2034	215,000	61,419	276,419
2035	225,000	54,969	279,969
2036	230,000	48,219	278,219
2037	245,000	41,319	286,319
2038	255,000	33,969	288,969
2039	260,000	26,000	286,000
2040	270,000	17,875	287,875
2041	280,000	9,100	289,100
2042			
2043			
	<u>\$ 3,505,000</u>	<u>\$ 997,220</u>	<u>\$ 4,502,220</u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2025

S E R I E S - 2 0 1 6 R O A D R E F U N D I N G			
Due During Fiscal Years Ending February 28/29	Principal Due September 1	Interest Due March 1/ September 1	Total
2026	\$ 110,000	\$ 41,200	\$ 151,200
2027	115,000	36,800	151,800
2028	120,000	32,200	152,200
2029	130,000	27,400	157,400
2030	130,000	22,200	152,200
2031	135,000	17,000	152,000
2032	145,000	11,600	156,600
2033	145,000	5,800	150,800
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
	<u>\$ 1,030,000</u>	<u>\$ 194,200</u>	<u>\$ 1,224,200</u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2025

S E R I E S - 2 0 1 6 R E F U N D I N G			
Due During Fiscal Years Ending February 28/29	Principal Due September 1	Interest Due March 1/ September 1	Total
2026	\$ 85,000	\$ 47,400	\$ 132,400
2027	90,000	44,000	134,000
2028	95,000	40,400	135,400
2029	95,000	36,600	131,600
2030	105,000	32,800	137,800
2031	105,000	28,600	133,600
2032	110,000	24,400	134,400
2033	115,000	20,000	135,000
2034	125,000	15,400	140,400
2035	125,000	10,400	135,400
2036	135,000	5,400	140,400
2037			
2038			
2039			
2040			
2041			
2042			
2043			
	<u>\$ 1,185,000</u>	<u>\$ 305,400</u>	<u>\$ 1,490,400</u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2025

S E R I E S - 2 0 1 7 R O A D			
Due During Fiscal Years Ending February 28/29	Principal Due September 1	Interest Due March 1/ September 1	Total
2026	\$ 90,000	\$ 74,331	\$ 164,331
2027	90,000	71,631	161,631
2028	95,000	68,933	163,933
2029	100,000	66,083	166,083
2030	100,000	63,081	163,081
2031	105,000	60,081	165,081
2032	110,000	56,669	166,669
2033	115,000	53,094	168,094
2034	115,000	49,356	164,356
2035	120,000	45,618	165,618
2036	125,000	41,418	166,418
2037	130,000	37,044	167,044
2038	135,000	32,494	167,494
2039	140,000	27,768	167,768
2040	145,000	22,694	167,694
2041	150,000	17,438	167,438
2042	155,000	11,813	166,813
2043	160,000	6,000	166,000
	<u>\$ 2,180,000</u>	<u>\$ 805,546</u>	<u>\$ 2,985,546</u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2025

S E R I E S - 2 0 1 7			
Due During Fiscal Years Ending February 28/29	Principal Due September 1	Interest Due March 1/ September 1	Total
2026	\$ 105,000	\$ 82,456	\$ 187,456
2027	110,000	80,094	190,094
2028	115,000	77,344	192,344
2029	120,000	74,325	194,325
2030	125,000	71,025	196,025
2031	130,000	67,588	197,588
2032	130,000	63,688	193,688
2033	135,000	59,788	194,788
2034	140,000	55,738	195,738
2035	145,000	51,538	196,538
2036	150,000	47,006	197,006
2037	155,000	42,132	197,132
2038	160,000	36,900	196,900
2039	170,000	31,500	201,500
2040	175,000	25,550	200,550
2041	180,000	19,425	199,425
2042	185,000	13,125	198,125
2043	190,000	6,650	196,650
	<u>\$ 2,620,000</u>	<u>\$ 905,872</u>	<u>\$ 3,525,872</u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2025

S E R I E S - 2 0 1 8 R O A D			
Due During Fiscal Years Ending February 28/29	Principal Due September 1	Interest Due March 1/ September 1	Total
2026	\$ 110,000	\$ 83,369	\$ 193,369
2027	110,000	80,069	190,069
2028	115,000	76,769	191,769
2029	120,000	73,319	193,319
2030	125,000	69,718	194,718
2031	130,000	65,968	195,968
2032	135,000	62,068	197,068
2033	135,000	58,018	193,018
2034	140,000	53,968	193,968
2035	145,000	49,768	194,768
2036	150,000	45,418	195,418
2037	155,000	40,732	195,732
2038	165,000	35,694	200,694
2039	170,000	30,332	200,332
2040	175,000	24,806	199,806
2041	180,000	18,900	198,900
2042	185,000	12,826	197,826
2043	195,000	6,582	201,582
	<u>\$ 2,640,000</u>	<u>\$ 888,324</u>	<u>\$ 3,528,324</u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2025

ANNUAL REQUIREMENTS FOR ALL SERIES			
Due During Fiscal Years Ending February 28/29	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2026	\$ 780,000	\$ 527,131	\$ 1,307,131
2027	805,000	502,458	1,307,458
2028	840,000	476,581	1,316,581
2029	880,000	449,374	1,329,374
2030	905,000	420,522	1,325,522
2031	940,000	390,685	1,330,685
2032	975,000	359,013	1,334,013
2033	1,000,000	326,063	1,326,063
2034	890,000	292,268	1,182,268
2035	920,000	262,868	1,182,868
2036	955,000	232,036	1,187,036
2037	860,000	199,408	1,059,408
2038	900,000	170,457	1,070,457
2039	930,000	139,600	1,069,600
2040	965,000	107,325	1,072,325
2041	1,000,000	73,263	1,073,263
2042	525,000	37,764	562,764
2043	545,000	19,232	564,232
	<u>\$ 15,615,000</u>	<u>\$ 4,986,048</u>	<u>\$ 20,601,048</u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED FEBRUARY 28, 2025

Description	Original Bonds Issued	Bonds Outstanding March 1, 2024
Denton County Fresh Water Supply District No. 8-A Unlimited Tax Road Bonds - Series 2015	\$ 3,170,000	\$ 2,560,000
Denton County Fresh Water Supply District No. 8-A Unlimited Tax Bonds - Series 2016	4,765,000	3,675,000
Denton County Fresh Water Supply District No. 8-A Unlimited Tax Road Refunding Bonds - Series 2016	1,825,000	1,135,000
Denton County Fresh Water Supply District No. 8-A Unlimited Tax Refunding Bonds - Series 2016	1,715,000	1,265,000
Denton County Fresh Water Supply District No. 8-A Unlimited Tax Road Bonds - Series 2017	2,775,000	2,265,000
Denton County Fresh Water Supply District No. 8-A Unlimited Tax Bonds - Series 2017	3,190,000	2,725,000
Denton County Fresh Water Supply District No. 8-A Unlimited Tax Road Bonds - Series 2018	<u>3,215,000</u>	<u>2,745,000</u>
TOTAL	<u>\$ 20,655,000</u>	<u>\$ 16,370,000</u>

Bond Authority:	Tax Bonds (Utilities)	Refunding Bonds	Road Bonds
Amount Authorized by Voters	\$ 18,950,000	\$ 53,400,000	\$ 16,650,000
Amount Issued	<u>9,855,000</u>	<u>130,420</u>	<u>11,560,000</u>
Remaining to be Issued	<u><u>\$ 9,095,000</u></u>	<u><u>\$ 53,269,580</u></u>	<u><u>\$ 5,090,000</u></u>

Debt Service Fund cash and investment balances as of February 28, 2025: \$ 2,061,461

Average annual debt service payment for remaining term of all bond debt: \$ 1,144,503

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

See accompanying independent auditor's report.

Current Year Transactions			Bonds Outstanding February 28, 2025	Paying Agent
Bonds Sold	Retirements			
	Principal	Interest		
\$	\$ 105,000	\$ 94,356	\$ 2,455,000	Amegy Bank N.A. Houston, TX
	170,000	110,569	3,505,000	Amegy Bank N.A. Houston, TX
	105,000	45,400	1,030,000	Amegy Bank N.A. Houston, TX
	80,000	50,600	1,185,000	Amegy Bank N.A. Houston, TX
	85,000	76,456	2,180,000	Amegy Bank N.A. Houston, TX
	105,000	85,606	2,620,000	Amegy Bank N.A. Houston, TX
	105,000	86,519	2,640,000	Amegy Bank N.A. Houston, TX
<u>\$ - 0 -</u>	<u>\$ 755,000</u>	<u>\$ 549,506</u>	<u>\$ 15,615,000</u>	

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	\$ 1,677,589	\$ 1,644,496	\$ 1,258,613
Water Service	821,468	800,679	795,761
Wastewater Service	683,175	685,712	661,705
Fire Protection Service Revenues	173,030	173,477	158,283
Franchise Fees	129,664	122,820	137,739
Investment and Miscellaneous Revenues	<u>199,729</u>	<u>197,733</u>	<u>113,764</u>
TOTAL REVENUES	<u>\$ 3,684,655</u>	<u>\$ 3,624,917</u>	<u>\$ 3,125,865</u>
EXPENDITURES			
Professional Fees	\$ 160,813	\$ 167,395	\$ 195,374
Contracted Services	1,434,242	1,079,739	1,383,264
Purchased Water Service	679,359	634,823	602,463
Purchased Wastewater Service	429,989	410,938	377,310
Other	<u>161,623</u>	<u>108,675</u>	<u>136,191</u>
TOTAL EXPENDITURES	<u>\$ 2,866,026</u>	<u>\$ 2,401,570</u>	<u>\$ 2,694,602</u>
NET CHANGE IN FUND BALANCE	\$ 818,629	\$ 1,223,347	\$ 431,263
BEGINNING FUND BALANCE	<u>3,979,858</u>	<u>2,756,511</u>	<u>2,325,248</u>
ENDING FUND BALANCE	<u><u>\$ 4,798,487</u></u>	<u><u>\$ 3,979,858</u></u>	<u><u>\$ 2,756,511</u></u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2022	2021	2025	2024	2023	2022	2021
\$ 1,088,075	\$ 944,993	45.6 %	45.3 %	40.2 %	40.2 %	38.3 %
690,524	686,884	22.3	22.1	25.5	25.5	27.9
610,538	588,272	18.5	18.9	21.2	22.6	23.9
163,130	121,498	4.7	4.8	5.1	6.0	4.9
100,485	87,161	3.5	3.4	4.4	3.7	3.5
54,153	37,356	5.4	5.5	3.6	2.0	1.5
<u>\$ 2,706,905</u>	<u>\$ 2,466,164</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 144,652	\$ 123,219	4.4 %	4.6 %	6.3 %	5.3 %	5.0 %
1,115,570	1,181,803	38.9	29.8	44.3	41.2	47.9
566,748	559,357	18.4	17.5	19.3	20.9	22.7
364,424	372,083	11.7	11.3	12.1	13.5	15.1
74,934	76,537	4.4	3.0	4.4	2.8	3.1
<u>\$ 2,266,328</u>	<u>\$ 2,312,999</u>	<u>77.8 %</u>	<u>66.2 %</u>	<u>86.4 %</u>	<u>83.7 %</u>	<u>93.8 %</u>
\$ 440,577	\$ 153,165	22.2 %	33.8 %	13.6 %	16.3 %	6.2 %
<u>1,884,671</u>	<u>1,731,506</u>					
<u>\$ 2,325,248</u>	<u>\$ 1,884,671</u>					

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	\$ 1,286,492	\$ 1,318,802	\$ 1,320,619
Investment and Miscellaneous Revenues	<u>83,325</u>	<u>93,823</u>	<u>32,032</u>
TOTAL REVENUES	<u>\$ 1,369,817</u>	<u>\$ 1,412,625</u>	<u>\$ 1,352,651</u>
EXPENDITURES			
Tax Collection Expenditures and Fees	\$ 24,545	\$ 44,725	\$ 18,923
Debt Service Principal	755,000	730,000	700,000
Debt Service Interest	<u>549,506</u>	<u>571,406</u>	<u>592,176</u>
TOTAL EXPENDITURES	<u>\$ 1,329,051</u>	<u>\$ 1,346,131</u>	<u>\$ 1,311,099</u>
NET CHANGE IN FUND BALANCE	\$ 40,766	\$ 66,494	\$ 41,552
BEGINNING FUND BALANCE	<u>1,074,683</u>	<u>1,008,189</u>	<u>966,637</u>
ENDING FUND BALANCE	<u>\$ 1,115,449</u>	<u>\$ 1,074,683</u>	<u>\$ 1,008,189</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>959</u>	<u>959</u>	<u>983</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>953</u>	<u>959</u>	<u>962</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2022	2021	2025	2024	2023	2022	2021
\$ 1,324,425	\$ 1,356,814	93.9 %	93.4 %	97.6 %	99.8 %	98.8 %
2,130	16,747	6.1	6.6	2.4	0.2	1.2
<u>\$ 1,326,555</u>	<u>\$ 1,373,561</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 16,401	\$ 19,915	1.8 %	3.2 %	1.4 %	1.2 %	1.4 %
685,000	655,000	55.1	51.7	51.8	51.6	47.7
<u>613,099</u>	<u>631,994</u>	<u>40.1</u>	<u>40.4</u>	<u>43.8</u>	<u>46.2</u>	<u>46.0</u>
<u>\$ 1,314,500</u>	<u>\$ 1,306,909</u>	<u>97.0 %</u>	<u>95.3 %</u>	<u>97.0 %</u>	<u>99.0 %</u>	<u>95.1 %</u>
\$ 12,055	\$ 66,652	3.0 %	4.7 %	3.0 %	1.0 %	4.9 %
<u>954,582</u>	<u>887,930</u>					
<u>\$ 966,637</u>	<u>\$ 954,582</u>					
<u>984</u>	<u>985</u>					
<u>963</u>	<u>964</u>					

See accompanying independent auditor's report.

District Mailing Address - Denton County Fresh Water Supply District No. 8-A
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

District Telephone Number - (713) 860-6400

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DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8-A
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
FEBRUARY 28, 2025

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended February 28, 2025</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	01/01/23	\$ 99,774	General Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	12/17/02	\$ 22,250	Auditor
Dye & Toverly, LLC	07/27/06	\$ 34,557	Bookkeeper
Blue Line Management and Consulting	01/28/25	\$ 20,955	Engineer and Project Manager
Pettit-ECD	10/25/22	\$ 34,527	Prior Engineer
Robert W. Baird & Co. Incorporated	03/17/15	\$ -0-	Financial Advisor
Mustang Special Utility District	03/19/02	\$ 448,222*	Operator

* Includes amounts which were estimated and accrued but unpaid as of year-end due to lack of invoicing from Mustang.

See accompanying independent auditor's report.