DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 16
(Denton County, Texas)

PRELIMINARY OFFICIAL STATEMENT
DATED: AUGUST 27, 2026

$12,760,000
UNLIMITED TAX ROAD BONDS
SERIES 2026

BIDS TO BE SUBMITTED BY: 9:30 A.M., CENTRAL TIME
THURSDAY, OCTOBER 8, 2026

BIDS TO BE OPENED: 12:00 P.M., CENTRAL TIME
THURSDAY, OCTOBER 8, 2026

CEDAR CREEK
MUNICIPAL ADVISORS

Financial Advisor

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 27, 2026

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

The Bonds will not 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 | Non-Rated

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 16
(A political subdivision of the State of Texas, located within Denton County)

$12,760,000
Unlimited Tax Road Bonds
Series 2026

Interest accrues from: Date of Delivery

Dated: November 1, 2026 | **Due: September 1, as shown on inside cover**

The $12,760,000 Unlimited Tax Road Bonds, Series 2026 (the "Bonds"), are solely obligations of Denton County Municipal Utility District No. 16 (the "District") and are not obligations of the State of Texas; Denton County, Texas (the "County"); the City of Denton, Texas (the "City"); 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 City; nor any entity other than the District is pledged to the payment of the principal of or the interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrar, initially, BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds accrues from the initial date of delivery (on or about November 5, 2026) (the "Date of Delivery"), and is payable March 1, 2027, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date. The Bonds are fully registered bonds in principal denominations of $5,000 or any integral multiple thereof.

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

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

The Bonds constitute the second (2nd) series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing road improvements to serve the District (the "Road System"). When issued, the Bonds will constitute valid and legally binding obligations of the District payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See "THE BONDS—Source of Payment." THE DISTRICT IS IN THE EARLY STAGES OF DEVELOPMENT AND THERE IS A HIGH CONCENTRATION OF OWNERSHIP OF TAXABLE VALUE IN THE DISTRICT. INVESTMENT IN THE BONDS IS SUBJECT TO CERTAIN RISK FACTORS AS DESCRIBED HEREIN. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT TITLED "RISK FACTORS," BEFORE MAKING AN INVESTMENT DECISION.

The Bonds are offered, when, as and if issued by the District to the winning bidder of the Bonds (the "Initial Purchaser"), subject, among other things, to the approval of the Attorney General of Texas and of Coats Rose, P.C., Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about November 5, 2026.

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

$12,760,000 Unlimited Tax Road Bonds, Series 2026

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 24881L (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 24881L (b)
2028	$270,000	___%	___%	___	2040 (c)	$ 510,000	___%	___%	___
2029	285,000	___%	___%	___	2041 (c)	540,000	___%	___%	___
2030	300,000	___%	___%	___	2042 (c)	570,000	___%	___%	___
2031	315,000	___%	___%	___	2043 (c)	600,000	___%	___%	___
2032	330,000	___%	___%	___	2044 (c)	630,000	___%	___%	___
2033 (c)	350,000	___%	___%	___	2045 (c)	665,000	___%	___%	___
2034 (c)	370,000	___%	___%	___	2046 (c)	705,000	___%	___%	___
2035 (c)	390,000	___%	___%	___	2047 (c)	740,000	___%	___%	___
2036 (c)	410,000	___%	___%	___	2048 (c)	785,000	___%	___%	___
2037 (c)	435,000	___%	___%	___	2049 (c)	825,000	___%	___%	___
2038 (c)	460,000	___%	___%	___	2050 (c)	870,000	___%	___%	___
2039 (c)	485,000	___%	___%	___	2051 (c)	920,000	___%	___%	___

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

(b) CUSIP numbers will be 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, 2033, and thereafter, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on November 1, 2032, or any date thereafter at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

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.

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Coats Rose, P.C. ("Bond Counsel") at 16000 North Dallas Parkway, Suite 350, Dallas, Texas 75248, for further information.

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

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

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APPENDIX A Financial Statements of the District

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

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

Prices and Marketability

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

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

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

Securities Laws

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

MUNICIPAL BOND INSURANCE AND RATINGS

The District has made applications for a commitment for municipal bond 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 rating companies, will be at the option and expense of the Initial Purchaser.

The District has not made an application for a municipal bond rating on the Bonds. Furthermore, it is not expected that the District would have been successful in receiving an investment grade municipal bond rating on the Bonds.

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The District ..... Denton County Municipal Utility District No. 16 (the "District"), a political subdivision of the State of Texas, is located within Denton County, Texas. See "THE DISTRICT."

The Bonds ..... The District is issuing its $12,760,000 Unlimited Tax Road Bonds, Series 2026 (the "Bonds"). The Bonds are dated November 1, 2026, and mature on September 1 in the years and amounts set forth on the inside cover page hereof. Interest accrues from the initial date of delivery (on or about November 5, 2026) (the "Date of Delivery"), at the rates per annum set forth on the inside cover page hereof and is payable on March 1, 2027, and on each September 1 and March 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of $5,000 for any one maturity. See "THE BONDS."

Redemption Provisions ..... The Bonds maturing on and after September 1, 2033, are subject to redemption, in whole or from time to time in part, at the option of the District on November 1, 2032, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS—Redemption Provisions."

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

Payment Record ..... The District has never defaulted on the debt service payments on its prior bond indebtedness.

Authority for Issuance ..... The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended; (ii) an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District on the date of the sale of the Bonds; and (iii) an election held within the District on May 7, 2022.

Voters of the District have authorized the District's issuance of $341,490,076 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater, and drainage facilities to serve the District (the "Utility System"); $179,443,286 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District (the "Road System"); $512,235,114 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; and $269,164,929 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

The Bonds represent the second (2nd) series of bonds to be issued for the purpose of constructing, acquiring, improving, maintaining, and operating the Road System. Following the issuance of the Bonds, the District will have the remaining authorized but unissued unlimited tax bonds: $341,490,076 principal amount for Utility System purposes; $158,333,286 principal amount for Road System purposes; $512,235,114 principal amount for Utility System refunding purposes; and $269,164,929 principal amount for Road System refunding purposes.

Outstanding Bonds..... The District has previously issued one (1) series of unlimited tax bonds for the Road System as follows: $8,350,000 Unlimited Tax Road Bonds, Series 2025. As of the Date of Delivery, all the principal amount of such bonds will remain outstanding (the "Outstanding Bonds").

Estimated Use of Bond Proceeds..... Proceeds from the sale of the Bonds will be used to reimburse the Developers (herein defined) for costs associated with certain road improvements serving the District as set out herein under "THE BONDS—Estimated Use and Distribution of Bond Proceeds." Proceeds of the Bonds will also be used to pay nine (9) months of capitalized interest, developer interest, and costs of issuance on the Bonds. See "THE BONDS—Estimated Use and Distribution of Bond Proceeds" for further information.

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

Municipal Bond Insurance and Ratings..... The District has made applications for a commitment for municipal bond 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 rating companies, will be at the option and expense of the Initial Purchaser. The District has not made an application for a municipal bond rating on the Bonds. Furthermore, it is not expected that the District would have been successful in receiving an investment grade municipal bond rating on the Bonds. See "MUNICIPAL BOND INSURANCE AND RATINGS."

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

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

Financial Advisor..... Cedar Creek Municipal Advisors, LLC, Irving, Texas.

THE DISTRICT

Description..... The District was created by Order of the Texas Commission on Environmental Quality ("TCEQ") dated August 11, 2021, as a municipal utility district. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution. The District is subject to the continuing supervision of the TCEQ. Currently, the District consists of approximately 1,025.95 total acres. See "THE DISTRICT."

Location..... The District is located to the west of Farm-to-Market 156 and a portion of the District is bordered by US Highway 380 West on the

north while a portion of the District is bordered by US Highway 380 West on the south. Additionally, the District is approximately 9 miles west from the center of the City of Denton, Texas. The District is located entirely within the extraterritorial jurisdiction of the City of Denton, Texas. See "THE DISTRICT."

Principal Landowners and Developers ..... VS Development LLC, a Texas limited liability company ("VS Development") and related entities, including Jackson 380 Partners, LLC ("Jackson 380"), George Owens 380 Partners, LLC ("George Owens 380"), and Jackson 19 Partners, LLC ("Jackson 19," and collectively with Jackson 380 and George Owens 380, the "Related Entities"), purchased all of the land within the District for purposes of developing the major infrastructure within the District and holding land for investment. VS Development and its Related Entities are managed by Chad Vose and Brad Shelton. To date, VS Development and Related Entities have sold approximately 635 acres to various purchasers for land development and continue to own approximately 368 acres within the District. VS Development has retained all reimbursement rights for the District, of which VS Development has further assigned its reimbursement to Meadows Receivable Fund LLC.

In March 2022, Tri Pointe Homes DFW LLC, a Texas limited liability company ("Tri Pointe") and First Texas Homes Inc ("First Texas") purchased approximately 144 acres in aggregate within the District from VS Development for purposes of developing such acreage as the single-family subdivision of The Meadows and for homebuilding purposes. To date, Tri Pointe and First Texas have developed approximately 72 acres as The Meadows, Phase 1 (272 single-family lots). As of September 1, 2026, Tri Pointe owned approximately 96 vacant developed lots and First Texas owned approximately 70 vacant developed lots and continue to own approximately 72 acres for future development within the District.

In April 2022, M/I Homes of DFW LLC, a Texas limited liability company ("M/I Homes"), purchased approximately 102 acres from VS Development for purposes of developing such acreage as the single-family subdivision of Meadow Park and for homebuilding purposes. To date, M/I Homes has developed such acres as Meadow Park, Phases 1-3 (430 single-family lots). As of September 1, 2026, M/I Homes owned approximately 336 vacant developed lots within the District.

In March 2022, MM Meadows 200 LLC, a Texas limited liability company ("MM Meadows"), purchased approximately 136 acres within the District from VS Development for purposes of developing such acreage as the single-family subdivision of Monarch at the Meadows. To date, MM Meadows has developed approximately 60 acres as Monarch at the Meadows, Phase 1 (260 single-family lots) and sold the remaining acres it owned (approximately 76 acres) to Monarch LBC (herein defined). Monarch LBC purchased such land for purposes of holding for investment for D.R. Horton (hereinafter defined). MM Meadows does not own any land within the District.

In October 2025, Monarch LBC, LLC, a Texas limited liability company ("Monarch LBC"), purchased approximately 76 acres of land for purposes of holding for investment for D.R. Horton Texas LTD, a Texas limited partnership ("D.R. Horton"). D.R. Horton has since purchased approximately 46 acres from Monarch LBC and is

currently developing such land as Monarch at the Meadows, Phase 2 (221 single-family lots). It is anticipated that D.R. Horton will purchase the remaining 30 acres from Monarch LBC for future development of single-family residential lots.

In January 2025, Lennar Homes of Texas Land and Construction LTD., a Texas Limited partnership ("Lennar"), purchased approximately 249 acres from Jackson 380 for purposes of developing such acreage as the single-family subdivision of Clearwater Ranch and homebuilding purposes. In February 2025, Lennar transferred such acreage to Andiron TX 4 LLC, a Texas limited liability company ("Andiron"), for purposes of holding such land for investment. Lennar has since repurchased approximately 65 acres of such land, on which it is currently developing approximately 207 single-family lots as Clearwater Ranch, Phase 1. Andiron continues to own approximately 184 acres within the District. Additionally, Lennar has assigned a portion of its reimbursement rights to VS Development.

VS Development and its Related Entities, Tri Pointe, First Texas, M/I Homes, Lennar and D.R. Horton are collectively referred to herein as the "Developers." See "PRINCIPAL LANDOWNERS/DEVELOPERS."

Development within the District..... To date, approximately 234 acres within the District have been developed as the single-family subdivisions of The Meadows, Phase 1; Meadow Park, Phases 1-3; and Monarch at the Meadows, Phase 1 (962 single-family lots). As of September 1, 2026, the District consisted of the following: approximately 371 completed homes, approximately 54 homes under construction, and approximately 537 vacant developed lots. Additionally, approximately 111 acres are currently under development within the District. The remainder of the District is comprised of approximately 410 undeveloped but developable acres and approximately 271 undevelopable acres. See "DEVELOPMENT OF THE DISTRICT—Status of Development within the District."

Homebuilders..... Homebuilders currently active within the District include Tri Pointe, First Texas, M/I Homes, D.R. Horton and Risewell Homes. See "DEVELOPMENT OF THE DISTRICT—Homebuilders within the District" for the average square footage and price range for homes currently being constructed within the District.

RISK FACTORS

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

SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2026 Assessed Taxable Valuation	$ 134,290,180	(a)
Estimated Valuation as of September 1, 2026	$ 180,624,905	(b)
Direct Debt		
The Outstanding Bonds	$ 8,350,000	
The Bonds	$ 12,760,000	
Total	$ 21,110,000	
Estimated Overlapping Debt	$ 14,125,238	(c)
Total Direct and Estimated Overlapping Debt	$ 35,235,238	(c)
Direct Debt Ratios:		
As a Percentage of 2026 Assessed Taxable Valuation	15.72 %	
As a Percentage of Estimated Valuation as of September 1, 2026	11.69 %	
Direct and Estimated Overlapping Debt Ratios:		
As a Percentage of 2026 Assessed Taxable Valuation	26.24 %	
As a Percentage of Estimated Valuation as of September 1, 2026	19.51 %	
Road System Debt Service Fund Balance (as of August 27, 2026)	$ 534,421	(d)
General Operating Fund Balance (as of August 27, 2026)	$ 64,344	(e)
2026 Tax Rate		
Road System Debt Service	$ 0.6000	(f)
Maintenance and Operations	$ 0.6000	(f)
Total	$ 1.2000	(f)
Estimated Average Annual Debt Service Requirement (2027–2051)	$ 1,516,185	(g)
Estimated Maximum Annual Debt Service Requirement (2048)	$ 1,567,594	(g)
Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Estimated Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2027–2051):		
Based on 2026 Assessed Taxable Valuation at 95% Tax Collections	$1.19	
Based on Estimated Valuation as of September 1, 2026, at 95% Tax Collections	$0.89	
Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Estimated Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2048):		
Based on 2026 Assessed Taxable Valuation at 95% Tax Collections	$1.23	
Based on Estimated Valuation as of September 1, 2026, at 95% Tax Collections	$0.92	
Single-Family Homes (including 54 homes under construction) as of September 1, 2026	425	(h)

(a) Represents the assessed valuation of all taxable property in the District as of January 1, 2026 as provided by the Appraisal District (hereinafter defined). Such amount includes $1,293,563 amount of uncertified value, which is 80% of the uncertified value under review and is the estimated minimum amount of value that will ultimately be certified by the Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the value of all taxable property located within the District as of September 1, 2026, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2026, to September 1, 2026. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."

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

(d) Nine (9) months of capitalized interest is to be deposited into the Road System Debt Service Fund (herein defined) upon closing of the Bonds. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund (herein defined). Funds in the Road System Debt Service Fund are pledged only to pay the debt service on the Bonds, and any other bonds issued for the purpose of acquiring or constructing the Road System. Funds in the Road System Debt Service Fund are not pledged to pay debt service on bonds issued for the purpose of acquiring or constructing the Utility System.

(e) See "RISK FACTORS—Operating Funds."

(f) See "TAX DATA."

(g) Debt service on the Bonds is estimated at an average interest rate of 5.50%. See "DISTRICT DEBT—Estimated Debt Service Requirement Schedule."

(h) Approximately 308 homes are occupied and 60 homes are unoccupied.

OFFICIAL STATEMENT

relating to

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 16

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

$12,760,000
UNLIMITED TAX ROAD BONDS
SERIES 2026

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Denton County Municipal Utility District No. 16 (the "District") of its $12,760,000 Unlimited Tax Road Bonds, Series 2026 (the "Bonds").

The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended; (ii) an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District on the date of the sale of the Bonds; and (iii) an election held within the District on May 7, 2022.

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

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

RISK FACTORS

General

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

Factors Affecting Taxable Values and Tax Payments

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

Principal Landowners/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," "PRINCIPAL LANDOWNERS/DEVELOPERS," and "TAX DATA—Principal Taxpayers."

Dependence on Principal Taxpayers and the Developers: The top ten principal taxpayers represent $68,894,511 or approximately 51.30% of the 2026 Assessed Valuation, which represents ownership as of January 1, 2026. The Developers collectively represent $63,639,967 or approximately 47.39% of such value. If these or other principal taxpayers were to default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds would be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its debt service funds. See "TAX DATA—Principal Taxpayers" and "TAXING PROCEDURES—Levy and Collection of Taxes."

Maximum Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The taxable assessed valuation as of January 1, 2026, of all taxable property located within the District is $134,290,180 and the Estimated Valuation as of September 1, 2026, is $180,624,905. See "TAX DATA."

After issuance of the Bonds, the estimated maximum annual debt service requirement on the Outstanding Bonds and the Bonds will be $1,567,594 (2048) and the estimated average annual debt service requirement on the Outstanding Bonds and the Bonds will be $1,516,185 (2027–2051). Assuming no decrease to the 2026 Assessed Taxable Valuation, tax rates of $1.23 and $1.19 per $100 of assessed valuation at 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 Estimated Valuation as of September 1, 2026, tax rates of $0.92 and $0.89 per $100 of assessed valuation at 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.

Operating Funds

The District's source of operating revenue is maintenance tax revenue and wastewater revenue from its residents. The District does not collect water revenue from its residents. Currently, the District relies on advances from VS Development (defined herein) to maintain a positive fund balance. The District levied a 2026 maintenance tax of $0.60 per $100 of assessed valuation. The District's general fund balance as of August 27, 2026, was $64,344. The revenue produced from a $0.60 maintenance tax in 2026 or a reduced maintenance tax in subsequent years may not be sufficient to offset the operating expenses of the District. Continued maintenance of a positive general fund balance will depend upon (1) cash subsidies from the VS Development and (2) continued development and increased amounts of maintenance tax revenues. If funds from these sources are not forthcoming, the District would have to increase its maintenance tax rate.

Vacant Developed Lots

As of September 1, 2026, approximately 537 developed lots within the District remained available for construction. Failure of the Developers and/or builders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of the District issued in the future. Future increases in value will result primarily from the construction of homes by builders. The District makes no representation that the lot sales and building program will be successful.

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.

Competitive Nature of Residential Housing Market

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

Tax Collection Limitations

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

Registered Owners' Remedies

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

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the

tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

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

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

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

The District may not be placed into bankruptcy involuntarily.

Marketability

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

Future Debt

At an election held within the District on May 7, 2022, voters of the District authorized the District's issuance of: $341,490,076 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and drainage facilities to serve the District (the "Utility System"); $179,443,286 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District (the "Road System"); $512,235,114 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; and $269,164,929 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

The Bonds represent the second series of bonds issued by the District for the purpose of acquiring or constructing the Road System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: $341,490,076 for the purpose of acquiring or constructing the Utility System; $158,333,286 for the purpose of acquiring or constructing the Road System; $512,235,114 for the purpose of refunding bonds issued by the District for the Utility System; and $269,164,929 for the purpose of refunding bonds issued by the District for the Road System. The District's issuance of the remaining $341,490,076 unlimited tax bonds authorized for the Utility System shall be subject to approval by the TCEQ. The District may also issue any additional bonds as may hereafter be approved by both the Board of Directors

and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Order. See "THE BONDS—Issuance of Additional Debt."

Following reimbursement to the Developers from the proceeds of the Bonds, the District will owe the Developers approximately $62,050,000 of eligible expenses associated with construction of Utility System facilities on behalf of the District and $11,130,000 of eligible expenses for construction of Road System facilities on behalf of the District based on the most recent information provided and estimations available to date.

Continuing Compliance with Certain Covenants

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

Approval of the Bonds

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

Environmental Regulations

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

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

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

Air Quality Issues: Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the TCEQ may impact new industrial, commercial and residential development in the Dallas-Fort Worth area. Under the Clean Air Act ("CAA") Amendments of 1990, a ten-county Dallas-Fort Worth area ("2008 DFW Area") – Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Rockwall, Tarrant, and Wise Counties – has been designated a "severe" nonattainment area under the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard"), with an attainment 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 was 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 specific requirements of the EPA's final action.

In order to demonstrate progress toward attainment of the EPA's ozone standards, the TCEQ has established a state implementation plan ("SIP") for the 2008 and 2015 DFW Areas setting emission control requirements,

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

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

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

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

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

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

In 2023, the Supreme Court of the United States issued its decision in *Sackett* v. *EPA*, which clarified the definition of "waters of the United States" and significantly restricted the reach of federal jurisdiction under the CWA. Under the Sackett decision, "waters of the United States" includes only geographical features that are

described in ordinary parlance as "streams, oceans, rivers, and lakes" and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection. Subsequently, the EPA and the USACE issued a final rule amending the definition of "waters of the United States" under the CWA to conform with the Supreme Court decision.

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

Potential Impact of Natural Disaster

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

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.

Cybersecurity

The District's consultants use digital technologies to collect taxes, hold funds and process disbursements. These systems necessarily hold sensitive protected information that is valued on the black market. As a result, the electronic systems and networks of organizations like the District's consultants are considered targets for cyber-attacks and other potential breaches of their systems. To the extent the District is determined to be the party responsible for various electronic systems or suffers a loss of funds due to a security breach, there could be a material adverse effect on the District's finances. Insurance to protect against such breaches may be limited.

The 90th Texas Legislature

The regular sessions of the 90th Texas Legislature (the "Legislature") is scheduled to commence on January 12, 2027. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. Texas Governor Greg Abbott has identified on his agenda property tax relief as a legislative priority. The District cannot predict the likelihood of legislative property tax reform at the legislative level or the impacts therefrom, if implemented.

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 on the Bonds. The purchase of such insurance, if available, will be at the option 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 "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than

any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the provider of the Policy (the "Bond Insurer") at such time and in such amounts as would have been due absence such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

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

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

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

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

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

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, 2026. 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 5, 2026), 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, 2027, 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 as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owner at the risk and expense of such Registered Owner.

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

Book-Entry-Only System

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

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

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

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchase of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial

Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Successor Paying Agent/Registrar

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

Record Date

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

Registration, Transfer and Exchange

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

Mutilated, Lost, Stolen or Destroyed Bonds

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

Redemption Provisions

The Bonds maturing on September 1, 2033, 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, 2032, 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.

Authority for Issuance

At an election held within the District on May 7, 2022, voters of the District authorized the issuance of $341,490,076 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System; $179,443,286 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; $512,235,114 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; and $269,164,929 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended; (ii) the Bond Order adopted by the Board of Directors of the District on the date of the sale of the Bonds; and (iii) an election held within the District on May 7, 2022.

Outstanding Bonds

The District has previously issued one (1) series of unlimited tax bonds for the Road System as follows: $8,350,000 Unlimited Tax Road Bonds, Series 2025. As of the Date of Delivery, all the principal amount of such bonds will remain outstanding (the "Outstanding Bonds").

Source of Payment

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

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

Issuance of Additional Debt

The District may issue additional bonds with the approval of the Texas Commission on Environmental Quality (the "TCEQ") (with respect to the bonds for the Utility System) necessary to provide improvements and facilities consistent with the purposes for which the District was created.

The Bonds represent the second series of bonds issued by the District for the purpose of acquiring or constructing the Road System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: $341,490,076 for the purpose of acquiring or constructing the Utility System; $158,333,286 for the purpose of acquiring or constructing the Road System; $512,235,114 for the purpose of refunding bonds issued by the District for the Utility System; and $269,164,929 for the purpose of refunding bonds issued by the District for the Road System. The District may also issue any additional bonds as may hereafter be approved by both the Board of Directors and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Order. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and, in the case of bonds for the Utility System, approved by the TCEQ).

Based on present engineering cost estimates and development plans, in the opinion of the District's Engineer, the remaining $ 341,490,076 principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing the Utility System will be sufficient to fully finance utility facilities to serve the remaining undeveloped but developable land within the District. Based on present engineering cost estimates and development plans, in the opinion of the District's Engineer, the remaining $158,333,286 principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing the Road System will be sufficient to fully finance road facilities to serve the remaining undeveloped but developable land within the District.

Following reimbursement to the Developers from the proceeds of the Bonds, the District will owe the Developers approximately $62,050,000 of eligible expenses associated with construction of Utility System facilities on behalf of the District and $11,130,000 of eligible expenses for construction of Road System facilities on behalf of the District based on the most recent information provided and estimations available to date. See "RISK FACTORS—Future Debt."

No Arbitrage

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

Annexation

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

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

Effective June 19, 2024, the District entered into a Strategic Partnership Agreement with the City. The agreement provides that the City may annex commercial use areas within the District ("Limited Purpose Property") for the sole and exclusive purpose of imposing and collecting sales and use taxes within such area. The City will pay the District 50% of the sales and use tax revenues collected within the Limited Purpose Property within 30 days after the City receives the sales tax report reflecting such revenues from the Comptroller of the State of Texas. The District may use the sales tax revenues for any lawful purpose. The agreement is in effect until the City annexes the Limited Purpose Property for full purposes or disannexes the Limited Purpose Property. See "THE DISTRICT—Strategic Partnership Agreement."

Consolidation

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

Funds

The Bond Order confirms the District's fund for debt service on the Bonds and any additional unlimited tax bonds issued by the District for the Road System (the "Road System Debt Service Fund"). At closing, nine (9)

months of capitalized interest on the Bonds will be deposited from the proceeds from the sale of the Bonds into 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 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 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 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. Amounts on deposit in the Utility Debt Service Fund may not be used to pay debt service on bonds issued 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 of (ii) by depositing with any place of payment (paying agent) for obligations of the District payable from revenues or from ad valorem taxes or both or with a commercial bank or trust company designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Registered Owners' Remedies

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

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

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Estimated Use and Distribution of Bond Proceeds

Proceeds from the sale of the Bonds will be used to reimburse the Developers for costs associated with certain road improvements serving the District as set out below. Proceeds of the Bonds will also be used to pay nine (9) months of capitalized interest, developer interest, and costs of issuance on the Bonds as described below.

Construction Costs		
1. Mass Grading (a)	$	511,631
2. Utilities (b)		399,147
3. Paving (c)		7,344,702
4. Engineering (d)		778,357
5. Material Testing (e)		88,878
6. SWPPP (f)		44,105
7. Inspection Fees (g)		266,909
8. Miscellaneous Major Infrastructure (h)		166,730
9. Land (i)		629,230
Total Construction Costs	$	10,229,689
Less: Surplus Funds	$	(23,000)
Net Construction Costs	$	10,206,689
Non-Construction Costs		
1. Legal Fees	$	295,200
2. Financial Advisor Fees		241,400
3. Interest		
(a) Capitalized Interest (9 Months @ 5.50%)		526,350
(b) Developer Interest		1,002,091
4. Bond Discount		382,800
5. Bond Engineering Report		44,400
6. Bond Issuance Expense		51,570
7. Attorney General Fee		9,500
Total Non-Construction Costs	$	2,553,311
Total Bond Issue Requirement	**$**	**12,760,000**

(a) Such costs pertain to Meadow Park and Monarch at the Meadows.
(b) Such costs pertain to The Meadows, Phase 1; Meadow Park, Phase 1; and Monarch at the Meadows, Phase 1.
(c) Such costs pertain to The Meadows, Phase 1; Meadow Park, Phases 1-3; and Monarch at the Meadows, Phase 1.
(d) Such costs pertain to major infrastructure for the District; Meadow Park, Phase 1; and Monarch at the Meadows, Phase 1.
(e) Such costs pertain to Meadow Park, Phase 1.
(f) Such costs pertain to major infrastructure for the District; Meadow Park, Phase 1; and Monarch at the Meadows, Phase 1.
(g) Such costs pertain to The Meadows, Phase 1; Meadow Park, Phase 1; and Monarch at the Meadows, Phase 1.
(h) Such costs pertain to major infrastructure for the District.
(i) Such costs pertain to Meadow Park, Phases 2-3; Monarch at the Meadows, Phase 2 right-of-way; and interest related costs.

Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer (herein defined) and the Financial Advisor (herein defined). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and the completion of agreed-upon procedures by the District's Auditor (hereinafter defined). The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used, limited, however, to the purposes for which the Bonds were issued.

The Engineer has advised the District that proceeds of the sale of the Bonds should be sufficient to pay the costs of the above-described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

THE DISTRICT

General

The District was created by Order of the Texas Commission on Environmental Quality dated August 11, 2021, as a municipal utility district. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution. The District is subject to the continuing supervision of the TCEQ. Currently, the District consists of approximately 1,025.95 total acres.

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

Description

The District is located to the west of Farm-to-Market 156 and a portion of the District is bordered by US Highway 380 West on the north while a portion of the District is bordered by US Highway 380 West on the south. Additionally, the District is approximately 9 miles west from the center of the City of Denton, Texas. The District is located entirely within the extraterritorial jurisdiction of the City of Denton, Texas.

Management of the District

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

Name	Position	Term Expires May
Benjamin Raef	President	2030
Blake Ladd	Vice President	2030
Philip Wilson	Secretary	2030
James Hogan Jr.	Assistant Secretary	2028
Kim Reding	Assistant Secretary	2028

Investment Policy

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

Consultants

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

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

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

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

Operator: The District has engaged Inframark as its operator of the Utility System.

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

Tax Assessor/Collector: The District has engaged the Denton County tax office as its tax assessor/collector.

Auditor: As required by the Texas Water Code, the District has engaged an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. A copy of the District's audit prepared by McCall Gibson Swedlund Barfoot Ellis PLLC for the fiscal year ended August 31, 2025, is included as "APPENDIX A" to this Official Statement. McCall Gibson Swedlund Barfoot Ellis PLLC has been engaged by the District to audit its financial statements for the fiscal year ended August 31, 2026.

Engineer: The District's engineer is Kimley-Horn and Associates, Inc. (the "Engineer").

Strategic Partnership Agreement

The District entered into an Amended and Restated Strategic Partnership Agreement with the City, effective as of February 20, 2025 (the "Amended SPA"). The Amended SPA provides that the City may annex commercial use areas within the District ("Limited Purpose Property") for the sole and exclusive purpose of imposing and collecting sales and use taxes within such area. The City will pay the District 50% of the sales and use tax revenues collected within the Limited Purpose Property within 30 days after the City receives the sales tax report reflecting such revenues from the Comptroller of the State of Texas. The District may use the sales tax revenues for any lawful purpose. The agreement is in effect until the City annexes the Limited Purpose Property for full purposes or disannexes the Limited Purpose Property.

On September 11, 2025, the District approved a Second Amended and Restated Strategic Partnership Agreement with the City (the "Second Amended SPA") to provide for the inclusion of additional acreage annexed into the District. The City approved the Second Amended SPA on December 2, 2025, and the Second Amended SPA is effective as of that date. The Second Amended SPA does not materially alter the terms of the Amended SPA.

DEVELOPMENT OF THE DISTRICT

Status of Development within the District

To date, approximately 234 acres within the District have been developed as the single-family subdivisions of The Meadows, Phase 1; Meadow Park, Phases 1-3; and Monarch at the Meadows, Phase 1 (962 single-family lots). As of September 1, 2026, the District consisted of the following: approximately 371 completed homes, approximately 54 homes under construction, and approximately 537 vacant developed lots. Additionally, approximately 111 acres are currently under development within the District. The remainder of the District is comprised of approximately 410 undeveloped but developable acres and approximately 271 undevelopable acres.

The table below summarizes the status of development and land use within the District as of September 1, 2026.

Section	Acreage	No. of Lots	Homes: Complete	Homes: Under Construction	Vacant Lots
The Meadows, Phase 1	72	272	77	29	166
Meadow Park, Phase 1	38	163	79	15	69
Meadow Park, Phase 2	37	138	-	-	138
Meadow Park, Phase 3	26	129	-	-	129
Monarch at the Meadows, Phase 1	60	260	215	10	35
Total Developed	234	962	371	54	537
Under Development	111				
Undevelopable Land	271				
Remaining Developable	410				
Total District Acreage	1,026				

Homebuilders within the District

Homebuilders currently active within the District include Tri Pointe, First Texas, M/I Homes, D.R. Horton, and Risewell Homes. The table below summarizes the average square footage and price range for homes currently being constructed within the District within each single-family subdivision:

Subdivision	Active Homebuilder	Avg. Square Footage	Avg. Pricing
The Meadows	Tri Pointe	1,486 sq. ft. - 3,270 sq. ft.	$300K - $442K
	First Texas	1,502 sq. ft. - 3,105 sq. ft.	$290K - $435K
Meadow Park	M/I Homes	1,349 sq. ft. - 3,020 sq. ft.	$284K - $415K
	Risewell Homes	1,455 sq. ft. - 2,870 sq. ft.	$313K - $396K
Monarch at the Meadows	D.R. Horton	1,331 sq. ft. - 3,105 sq. ft.	$285K - $400K

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PHOTOGRAPHS TAKEN IN THE DISTRICT

(September 2026)

PHOTOGRAPHS TAKEN IN THE DISTRICT

(September 2026)

PRINCIPAL LANDOWNERS/DEVELOPERS

Role of the Developer

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

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

Neither the Developers (herein defined), nor any affiliate entities, are obligated to pay principal of or interest on the Bonds. Furthermore, neither the Developers, nor any affiliate entities, have a binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the 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.

Developers and Principal Landowner

VS Development LLC, a Texas limited liability company ("VS Development") and related entities, including Jackson 380 Partners, LLC ("Jackson 380"), George Owens 380 Partners, LLC ("George Owens 380"), and Jackson 19 Partners, LLC ("Jackson 19," and collectively with Jackson 380 and George Owens 380, the "Related Entities"), purchased all of the land within the District for purposes of developing the major infrastructure within the District and holding land for investment. VS Development and its Related Entities are managed by Chad Vose and Brad Shelton. To date, VS Development and Related Entities have sold approximately 635 acres to various purchasers for land development and continue to own approximately 368 acres within the District. VS Development has retained all reimbursement rights for the District, of which VS Development has further assigned its reimbursement to Meadows Receivable Fund LLC.

In March 2022, Tri Pointe Homes DFW LLC, a Texas limited liability company ("Tri Pointe") and First Texas Homes Inc ("First Texas") purchased approximately 144 acres in aggregate within the District from VS Development for purposes of developing such acreage as the single-family subdivision of The Meadows and for homebuilding purposes. To date, Tri Pointe and First Texas have developed approximately 72 acres as The Meadows, Phase 1 (272 single-family lots). As of September 1, 2026, Tri Pointe owned approximately 96 vacant developed lots and First Texas owned approximately 70 vacant developed lots and continue to own approximately 72 acres for future development within the District.

In April 2022, M/I Homes of DFW LLC, a Texas limited liability company ("M/I Homes"), purchased approximately 102 acres from VS Development for purposes of developing such acreage as the single-family subdivision of Meadow Park and for homebuilding purposes. To date, M/I Homes has developed such acres as

Meadow Park, Phases 1-3 (430 single-family lots). As of September 1, 2026, M/I Homes owned approximately 336 vacant developed lots within the District.

M/I Homes of Texas, LLC is a subsidiary of and controlled by M/I Homes, Inc. ("M/I"). M/I is a publicly traded corporation whose stock is listed on the New York Stock Exchange under the ticker symbol "MHO." Audited financial statements for M/I can be found online at https://investor.mihomes.com. M/I is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the SEC. Reports, proxy statements, and other information filed by M/I can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements, and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at http://www.sec.gov that contains reports, proxy information statements, and other information regarding registrants that file electronically with the SEC.

In March 2022, MM Meadows 200 LLC, a Texas limited liability company ("MM Meadows"), purchased approximately 136 acres within the District from VS Development for purposes of developing such acreage as the single-family subdivision of Monarch at the Meadows. To date, MM Meadows has developed approximately 60 acres as Monarch at the Meadows, Phase 1 (260 single-family lots) and sold the remaining acres it owned (approximately 76 acres) to Monarch LBC (herein defined). Monarch LBC purchased such land for purposes of holding for investment for D.R. Horton (herein defined). MM Meadows does not own any land within the District.

In October 2025, Monarch LBC, LLC, a Texas limited liability company ("Monarch LBC"), purchase approximately 76 acres of land for purposes of holding for investment for D.R. Horton Texas LTD, a Texas limited partnership ("D.R. Horton"). D.R. Horton has since purchased approximately 46 acres from Monarch LBC and is currently developing such land as Monarch at the Meadows, Phase 2 (221 single-family lots). It is anticipated that D.R. Horton will purchase the remaining 30 acres from Monarch LBC for future development of single-family residential lots.

D.R. Horton is a subsidiary of and controlled by D.R. Horton, Inc. D.R. Horton, Inc. is a publicly traded corporation whose stock is listed on the New York Stock Exchange. Audited financial statements for D.R. Horton, Inc. can be found online at https://investor.drhorton.com. D.R. Horton, Inc. is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the SEC. Reports, proxy statements and other information filed by D.R. Horton, Inc. can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at http://www.sec.gov that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

Certain financial information concerning D.R. Horton is included as part of the consolidated financial statements of D.R. Horton, Inc. However, D.R. Horton, Inc. is not legally obligated to provide funds for the development of the District, to provide funds to pay taxes on property in the District owned by D.R. Horton, or to pay any other obligations of D.R. Horton. Further, neither D.R. Horton nor D.R. Horton, Inc. is responsible for, is liable for or has made any commitment for payment of the Bonds or other obligations of the District, and the inclusion of such financial statements and description of financial arrangements by reference herein should not be construed as an implication to that effect. Neither D.R. Horton nor D.R. Horton, Inc. has any legal commitment to the District or owners of the Bonds to continue development of the land within the District and D.R. Horton may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of D.R. Horton and D.R. Horton, Inc. is subject to change at any time.

In January 2025, Lennar Homes of Texas Land and Construction LTD., a Texas limited partnership ("Lennar"), purchased approximately 249 acres from Jackson 380 for purposes of developing such acreage as the single-family subdivision of Clearwater Ranch and homebuilding purposes. In February 2025, Lennar transferred such acreage to Andiron TX 4 LLC, a Texas limited liability company ("Andiron"), for purposes of holding such land for investment. Lennar has since repurchased approximately 65 acres of such land, on which it is currently

developing approximately 207 single-family lots as Clearwater Ranch, Phase 1. Andiron continues to own approximately 184 acres within the District. Additionally, Lennar has assigned a portion of its reimbursement rights to VS Development.

The General Partner of Lennar is U.S. Home LLC, a Delaware limited liability company that is wholly-owned by Lennar Corporation. Lennar Corporation is a publicly traded corporation whose stock is listed on the New York Stock Exchange. Audited financial statements for Lennar Corporation can be found online at http://phx.corporate-ir.net/phoenix.zhtml?c=65842&p=irol-irhome. Lennar Corporation is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements and other information filed by Lennar Corporation can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at http://www.sec.gov that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

VS Development and its Related Entities, Tri Pointe, First Texas, M/I Homes, Lennar and D.R. Horton are collectively referred to herein as the "Developers."

Lot-Sales Contracts

M/I Homes has entered into a lot sales contract with Risewell Homes for 60 lots within Meadow Park, Phase 1. The contract for the sale of lots between M/I Homes and Risewell Homes requires that earnest money be deposited with a title company, typically between 10-20% of the total price of the completed lots. The sales contracts establish certain required lot purchases quarterly, with the earnest money deposits being returned pro-rata to the builders upon purchase of the lots under each contract. M/I Homes' sole remedy for builders not purchasing lots in accordance with the contracts is cancellation of the contract and retention of the remaining earnest money on deposit. According to M/I Homes, Risewell Homes has purchased 31 of the 60 lots under contract as of September 1, 2026 and is in compliance with such contract. It is anticipated that Risewell Homes will purchase the remaining 29 lots by October 2026.

Assignment of District Bond Proceeds

On or about July 19, 2024, the Public Finance Authority issued its $51,150,000 Special Revenue Bonds (The Meadows Project, Denton County, Texas) Series 2024 (the "PFA Bonds"). The PFA Bonds are payable from the proceeds of bonds issued by the District, and Meadows Receivable Fund LLC has assigned its rights to be reimbursed from the proceeds of bonds issued by the District to the trustee for the PFA Bonds on behalf of the owners of the PFA Bonds. A limited offering memorandum for the PFA Bonds was prepared and can be found on the MSRB's (hereinafter defined) EMMA (hereinafter defined) system; however, the District is not obligated in any way with respect to the PFA Bonds and did not participate in the preparation of the Limited Offering Memorandum for the PFA Bonds, and the District makes no representation as to the accuracy or completeness of the information therein.

THE SYSTEM

General

The District's roadway facilities and water, sewer, and drainage facilities have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities. According to the Engineer, the design of all such facilities has been approved by all governmental agencies that have jurisdiction over the District.

Operation of the District's water, wastewater, and drainage 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 revision.

Description of the System

Water Supply and Distribution System: Water supply and distribution for the District is provided by the Bolivar Water Supply Corporation ("Bolivar"). VS Development entered into a "Non-Standard Service Agreement" (the "Agreement") with Bolivar, which establishes that Bolivar has the exclusive right to furnish water to the District. Pursuant to the Agreement, the District has constructed a 345 gallon per minute ("GPM") groundwater well, a 240 GPM well, and 400,000 gallon elevated storage tank to fulfill Bolivar's commitment to provide water service. The District will construct additional improvements in the future to provide the necessary water supply to meet the needs of the District through full buildout. The District's current water supply capacity is sufficient to serve the 962 equivalent single-family connections ("ESFC(s)") active within the District. Bolivar is obligated to provide maintenance, operation and repair of such facilities.

Wastewater Treatment and Conveyance System: The District is the wastewater provider and the holder of a 2.2 million gallons per day ("MGD") Wastewater Discharge Permit No. WQ0015920-001. The District has constructed a 0.125 MGD first phase of the Wastewater Treatment Plant (the "WWTP") and a 0.274 MGD second phase of the WWTP, totaling 0.399 MGD. The District will construct additional improvements in the future to provide the necessary wastewater treatment capacity to meet the needs of the District through full buildout. The District's current wastewater capacity is sufficient to serve the 962 ESFCs active within the District.

Drainage: The storm water runoff within the District will be directed within the streets via curb and gutters to storm drain lines provided by the District. The storm drain system will convey the 100-year storm within the pipe network to existing drainage courses including South Hickory Creek, its tributaries, and existing culverts and bridge under FM 156 and Old Stoney Road.

Roads: Construction of the roads within the boundaries of the District has been financed with funds advanced by the Developers. Roadways within the District are constructed of reinforced concrete with curbs on lime-stabilized subgrade. Roads vary in width but are sized to accommodate the anticipated traffic demands of the full build-out of the project. The District owns and maintains the roads constructed within the District.

100-Year Flood Plain

According to the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map No. 48121C0335G, for Denton County, Texas dated April 18, 2011, and affected by Letter of Map Revision (LOMR) No. 24-06-1044P, effective July 15, 2025, there is currently Zone AE and Zone X floodplain located within the District. FEMA approved the Conditional Letter of Map Revision (CLOMR) No. 21-06-1428R on January 10, 2022, and approved the CLOMR No. 25-06-0597R on November 3, 2025. These CLOMRs include all reclamation necessary to remove all lots within the District from the 100-year floodplain.

Atlas 14

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

Interlocal Cooperation Agreement with the County

The District entered into an Interlocal Cooperation Agreement Between the County and the District for Fire Protection Services and Emergency Ambulance Services, for the provision of fire protection services and emergency ambulance services to residents of the District. Under said agreement, the District agrees to levy an ad valorem tax equal to $0.16 per $100 of assessed valuation annually (the "Fire Tax"), and is to transfer all of the Fire Tax revenues to the County with the first payment due by February 15th of each year. Additionally, the District is to pay the County any subsequently collected Fire Tax revenues received after February 15th of the applicable year within thirty (30) days of collection of such Fire Tax revenues.

Historical Operations of the System

The following is a summary of the District's Operating Fund. The figures for the fiscal year ended 2024-2025 were obtained from the District's audited financial statements, 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 Ended August 31,	
Revenues	**2025**	**2024 (a)**
Property Taxes	$ 329,866	$ 1,407
Connection & Inspection Fees	69,662	-
Investment & Misc. Revenues	5,393	-
Total	$ 404,921	$ 1,407
Expenditures		
Professional Fees	$ 144,847	$ 78,902
Contracted Services	21,289	11,823
Repairs & Maintenance	26,117	4,627
Other	189,816	16,819
Total	$ 382,069	$ 112,171
Net Revenues (Deficits)	$ 22,852	$ (110,764)
Developer Advances	$ 60,000	$ 104,000
Beginning Fund Balance	$ 27,703	$ 34,467
Ending Fund Balance	$ 110,555	$ 27,703

(a) The District conducted its initial audit in 2024.

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DISTRICT DEBT

2026 Assessed Taxable Valuation	$ 134,290,180	(a)
Estimated Valuation as of September 1, 2026	$ 180,624,905	(b)
Direct Debt		
The Outstanding Bonds	$ 8,350,000	
The Bonds	$ 12,760,000	
Total	$ 21,110,000	
Estimated Overlapping Debt	$ 14,125,238	(c)
Total Direct and Estimated Overlapping Debt	$ 35,235,238	(c)
Direct Debt Ratios:		
As a Percentage of 2026 Assessed Taxable Valuation	15.72 %	
As a Percentage of Estimated Valuation as of September 1, 2026	11.69 %	
Direct and Estimated Overlapping Debt Ratios:		
As a Percentage of 2026 Assessed Taxable Valuation	26.24 %	
As a Percentage of Estimated Valuation as of September 1, 2026	19.51 %	
Road System Debt Service Fund Balance (as of August 27, 2026)	$ 534,421	(d)
General Operating Fund Balance (as of August 27, 2026)	$ 64,344	(e)
2026 Tax Rate		
Road System Debt Service	$ 0.6000	(f)
Maintenance and Operations	$ 0.6000	(f)
Total	$ 1.2000	(f)
Estimated Average Annual Debt Service Requirement (2027–2051)	$ 1,516,185	(g)
Estimated Maximum Annual Debt Service Requirement (2048)	$ 1,567,594	(g)
Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Estimated Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2027–2051):		
Based on 2026 Assessed Taxable Valuation at 95% Tax Collections	$1.19	
Based on Estimated Valuation as of September 1, 2026, at 95% Tax Collections	$0.89	
Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Estimated Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2048):		
Based on 2026 Assessed Taxable Valuation at 95% Tax Collections	$1.23	
Based on Estimated Valuation as of September 1, 2026, at 95% Tax Collections	$0.92	

(a) Represents the assessed valuation of all taxable property in the District as of January 1, 2026 as provided by the Appraisal District. Such amount includes $1,293,563 amount of uncertified value, which is 80% of the uncertified value under review and is the estimated minimum amount of value that will ultimately be certified by the Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the value of all taxable property located within the District as of September 1, 2026, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2026, to September 1, 2026. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."

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

(d) Nine (9) months of capitalized interest is to be deposited into the Road System Debt Service Fund upon closing of the Bonds. 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 pledged only to pay the debt service on the Bonds, and any other bonds issued for the purpose of acquiring or constructing the Road System. Funds in the Road System Debt Service Fund are not pledged to pay debt service on bonds issued for the purpose of acquiring or constructing the Utility System.

(e) See "RISK FACTORS—Operating Funds."

(f) See "TAX DATA."

(g) Debt service on the Bonds is estimated at an average interest rate of 5.50%. See "DISTRICT DEBT—Estimated Debt Service Requirement Schedule."

Estimated Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements of the Outstanding Bonds, plus the annual principal and estimated interest requirements on the Bonds, assuming the Bonds are issued at an interest rate of 5.50%. Totals may not sum due to rounding.

		The Bonds			
Year Ending 12/31	**Outstanding Debt Service**	**Principal**	**Interest**	**Debt Service**	**Total Debt Service**
2027	$ 592,350	$ -	$ 584,833	$ 584,833	$ 1,177,183
2028	585,000	270,000	701,800	971,800	1,556,800
2029	582,325	285,000	686,950	971,950	1,554,275
2030	584,000	300,000	671,275	971,275	1,555,275
2031	579,700	315,000	654,775	969,775	1,549,475
2032	574,750	330,000	637,450	967,450	1,542,200
2033	569,450	350,000	619,300	969,300	1,538,750
2034	573,825	370,000	600,050	970,050	1,543,875
2035	572,563	390,000	579,700	969,700	1,542,263
2036	575,875	410,000	558,250	968,250	1,544,125
2037	578,550	435,000	535,700	970,700	1,549,250
2038	580,588	460,000	511,775	971,775	1,552,363
2039	581,188	485,000	486,475	971,475	1,552,663
2040	586,113	510,000	459,800	969,800	1,555,913
2041	585,138	540,000	431,750	971,750	1,556,888
2042	588,025	570,000	402,050	972,050	1,560,075
2043	589,988	600,000	370,700	970,700	1,560,688
2044	591,025	630,000	337,700	967,700	1,558,725
2045	590,063	665,000	303,050	968,050	1,558,113
2046	593,125	705,000	266,475	971,475	1,564,600
2047	594,969	740,000	227,700	967,700	1,562,669
2048	595,594	785,000	187,000	972,000	1,567,594
2049	595,000	825,000	143,825	968,825	1,563,825
2050	598,000	870,000	98,450	968,450	1,566,450
2051		920,000	50,600	970,600	970,600
	$ 14,037,200	$ 12,760,000	$ 11,107,433	$ 23,867,433	$ 37,904,633

Estimated Average Annual Debt Service Requirements (2027–2051).....$ 1,516,185
Estimated Maximum Annual Debt Service Requirements (2048) .....$ 1,567,594

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Direct and Estimated Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt July 31, 2026	Overlapping Percent	Overlapping Amount
Denton County	$ 700,610,000	0.07%	$ 490,771
Krum Independent School District	217,363,000	6.27 %	13,634,467
Total Estimated Overlapping Debt			$ 14,125,238
Direct Debt (a)			$ 21,110,000
Total Direct and Estimated Overlapping Debt			$ 35,235,238

(a) Includes the Bonds.

Debt Ratios

Direct Debt Ratios (a):	
As a Percentage of 2026 Assessed Taxable Valuation	15.72 %
As a Percentage of Estimated Valuation as of September 1, 2026	11.69 %
Direct and Estimated Overlapping Debt Ratios (a):	
As a Percentage of 2026 Assessed Taxable Valuation	26.24 %
As a Percentage of Estimated Valuation as of September 1, 2026	19.51 %

(a) Includes the Bonds.

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TAXING PROCEDURES

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

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully above under "THE BONDS—Source of Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and for the payment of certain contractual obligations. The District levied a total tax of $1.20 per $100 of assessed valuation for the 2026 tax year composed a maintenance and operations tax rate of $0.60 and a Road System debt service tax rate of $0.60. See "TAX DATA—Tax Rate Limitation."

Property Tax Code and County-Wide Appraisal District

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

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

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

is not known what frequency of future reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

Property Subject to Taxation by the District

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

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

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

Freeport Goods Exemption and "Goods-in-Transit"**:** A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011

and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Valuation of Property for Taxation

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

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% 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.

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

Tax Abatement

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

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. As of January 1, 2025, no land within the District was classified as qualified agricultural land. See "TAX DATA—Analysis of Tax Base" and "PRINCIPAL LANDOWNERS/DEVELOPERS."

Notice and Hearing Procedures

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

District and Taxpayer Remedies

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

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board on an annual basis. For the 2026 tax year, the District was classified as a Developing District by the Board. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

Levy and Collection of Taxes

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

Taxes are payable October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person at least sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas Law is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes

without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in equal installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes within the District in the preceding 24 months.

District's Rights in the Event of Tax Delinquencies

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

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

TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds and any future tax-supported bonds which may be issued from time to time as authorized. Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, at a rate not to exceed $1.20 per $100 of assessed valuation, for operation and maintenance purposes. The District levied a total tax of $1.20 per $100 of assessed valuation for the 2026 tax year composed of a maintenance and operations tax rate of $0.60 and a Road System debt service tax rate of $0.60.

Tax Rate Limitation

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

Maintenance Taxes

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. The Board is authorized by the District's voters to levy such maintenance tax in an amount not to exceed $1.200 per $100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. In 2026, the District levied a maintenance and operations tax rate of $0.60 per $100 of assessed valuation. See "—Tax Rate Distribution" below.

Additional Penalties

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

Historical Tax Collections

The following table illustrates the collection history of the District for the 2022-2026 tax years:

Tax Year	Certified Taxable Value	Tax Rate	Adjusted Tax Levy	Collections Current Year	Current Year Ending 09/30	Collections 8/31/2026
2022	$ 108,750	$1.200	$ 1,305	100.00%	2023	100.00%
2023	117,250	1.200	1,407	100.00%	2024	100.00%
2024	27,488,821	1.200	329,866	100.00%	2025	100.00%
2025	74,365,886	1.200	892,391	99.99% (a)	2026	99.99%
2026	134,290,180	1.200	1,611,482	(b)		(b)

(a) Collections as of August 31, 2026.
(b) Collections for the 2026 tax year begin October 1.

Tax Rate Distribution

The following table sets out the components of the District's tax levy for each of the 2022-2026 tax years:

	2026	2025	2024	2023	2022
Utility System Debt Service	$ –	$ –	$ –	$ –	$ –
Road System Debt Service	0.6000	–	–	–	–
Maintenance & Operation	0.6000	1.2000	1.2000	1.2000	1.2000
Total	$1.2000	$1.2000	$1.2000	$1.2000	$1.2000

Analysis of Tax Base

The following represents the types of property comprising the District assessed taxable value for the 2022-2026:

Type of Property	2026 Assessed Taxable Valuation	2025 Assessed Taxable Valuation	2024 Assessed Taxable Valuation	2023 Assessed Taxable Valuation	2022 Assessed Taxable Valuation
Land	$ 87,263,469	$ 79,450,066	$ 27,410,916	$ 117,250	$ 108,750
Improvements	53,073,528	261,266	45,415	0	0
Personal Property	519,974	532,788	32,490	0	0
Exemptions	(6,566,791)	(5,878,234)	0	0	0
Total	$134,290,180	$ 74,365,886	$ 27,488,821	$ 117,250	$ 108,7500

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2026:

Taxpayer	Type of Property	Assessed Valuation 2026 Tax Roll	Percent of District 2026Value
M/I Homes of DFW LLC (a)(b)	Land & Improvements	$17,807,405	13.26%
DR Horton Texas LTD (a)(b)	Land & Improvements	12,328,216	9.18%
First Texas Homes Inc. (b)	Land & Improvements	11,605,827	8.64%
Tri Pointe Homes DFW LLC (b)	Land & Improvements	8,836,598	6.58%
Monarch LBC LLC (a)	Land	5,165,785	3.85%
VS Development LLC (a)	Land	4,690,120	3.49%
Andiron TX 4 LLC (a)	Land	3,206,016	2.39%
Antares Acquisition LLC (c)	Land	2,215,841	1.65%
Trent380 SEI LLC	Land	1,805,998	1.34%
Tri Pointe Homes DFW LLC & First Texas Homes Inc. (a)	Land	1,232,705	0.92%
		$68,894,511	51.30%

(a) See "PRINCIPAL LANDOWNERS/DEVELOPERS."
(b) See "DEVELOPMENT OF THE DISTRICT—Homebuilders within the District."
(c) Entity related to Risewell Homes. See "PRINCIPAL LANDOWNERS/DEVELOPERS—Lot-Sales Contracts."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of assessed taxable valuation that would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District's tax base occurs beyond the 2026 Assessed Taxable Valuation ($134,290,180) or the Estimated Valuation as of September 1, 2026 ($180,624,905). 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, and an estimated interest rate on the Bonds of 5.500%.

Estimated Average Annual Debt Service Requirement (2027–2051) ..... $ 1,516,185
Debt Service Tax Rate of $1.19 on the 2026 Assessed Taxable Valuation produces ..... $ 1,518,150
Debt Service Tax Rate of $0.89 on the Estimated Valuation as of September 1, 2026, produces ..... $ 1,527,184

Estimated Maximum Annual Debt Service Requirement (2048) ..... $ 1,567,594
Debt Service Tax Rate of $1.23 on the 2026 Assessed Taxable Valuation produces ..... $ 1,569,181
Debt Service Tax Rate of $0.92 on the Estimated Valuation as of September 1, 2026, produces ..... $ 1,578,662

Estimated Overlapping Taxes

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

Set forth below is an estimation of all 2026 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	2026 Tax Rate
Denton County	$0.183394
Krum ISD	1.195200
The District	1.200000
Total	$2.578594

LEGAL MATTERS

Legal Opinions

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

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

Tax Exemption

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

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

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

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Registered Owners may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

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

Collateral Federal Income Tax Consequences

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

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

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

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

Qualified Tax-Exempt Obligations for Financial Institutions

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

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

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

Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period, and audited financial statements when and if the audit report becomes available.

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

Event Notices

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

Availability of Information from EMMA

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

Limitations and Amendments

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

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

Compliance with Prior Undertaking

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

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the 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 August 31, 2025, were prepared by McCall Gibson Swedlund Barfoot Ellis PLLC, and have been included herein as "APPENDIX A." McCall Gibson Swedlund Barfoot Ellis PLLC, has consented to the publication of 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," and "THE SYSTEM" has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as an expert in the field of civil engineering.

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

Certification as to Official Statement

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

Updating of Official Statement

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

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Denton County Municipal Utility District No. 16 as of the date shown on the cover page.

/s/ _____
President, Board of Directors
Denton County Municipal Utility District No. 16

ATTEST:

/s/ _____
Secretary, Board of Directors
Denton County Municipal Utility District No. 16

APPENDIX A

Financial Statements of the District

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 16

DENTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

AUGUST 31, 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 Municipal Utility District No. 16
Denton County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Denton County Municipal Utility District No. 16 (the "District") as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of August 31, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Board of Directors
Denton County Municipal Utility District No. 16

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

December 18, 2025

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 16
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2025

Management's discussion and analysis of the financial performance of Denton County Municipal Utility District No. 16 (the "District") provides an overview of the District's financial activities for the fiscal year ended August 31, 2025. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Fund Balance Sheet and (2) the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. 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 and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund type. The General Fund accounts for maintenance tax revenues, service revenues, operating costs, and administrative expenditures.

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 Fund Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by $1,111,130 as of August 31, 2025.

A portion of the District's net position reflects its net investment in capital assets which includes utilities and road infrastructure less any debt used to acquire those assets that is still outstanding.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	Summary of the Changes in the Statement of Net Position		
	2025	2024	Change Positive (Negative)
Current and Other Assets	$ 236,188	$ 45,277	$ 190,911
Capital Assets (Net of Accumulated Depreciation)	48,852,907	11,519,709	37,333,198
Total Assets	$ 49,089,095	$ 11,564,986	$ 37,524,109
Due to Developer	$ 50,074,592	$ 11,978,621	$ (38,095,971)
Other Liabilities	125,633	17,574	(108,059)
Total Liabilities	$ 50,200,225	$ 11,996,195	$ (38,204,030)
Net Position:			
Net Investment in Capital Assets	$ (919,519)	$ (216,746)	$ (702,773)
Unrestricted	(191,611)	(214,463)	22,852
Total Net Position	$ (1,111,130)	$ (431,209)	$ (679,921)

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

	Summary of the Changes in the Statement of Activities		
	2025	2024	Change Positive (Negative)
Revenues:			
Property Taxes	$ 329,866	$ 1,407	$ 328,459
Service Revenues	69,662		69,662
Other Revenues	5,393		5,393
Total Revenues	$ 404,921	$ 1,407	$ 403,514
Total Expenses	1,084,842	328,917	(755,925)
Change in Net Position	$ (679,921)	$ (327,510)	$ (352,411)
Net Position, Beginning of Year	(431,209)	(103,699)	(327,510)
Net Position, End of Year	$ (1,111,130)	$ (431,209)	$ (679,921)

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The General Fund fund balance increased by $82,852, primarily due to property tax revenues and developer advances exceeding professional fees, contracted services, maintenance costs, and administrative costs during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted a budget for the General Fund for the current fiscal year. The budget was not amended. Actual revenues were $81,653 more than budgeted revenues, actual expenditures were $221,389 more than budgeted expenditures, and actual developer advances were $60,000 more than budgeted which resulted in a negative variance of $79,736. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets totaled $48,852,907 as of August 31, 2025, and include paving as well as the water, wastewater and drainage facilities.

Capital Assets At Year-End

	2025	2024	Change Positive (Negative)
Capital Assets Subject to Depreciation:			
Water Facilities	$ 13,879,312	$ 2,466,490	$ 11,412,822
Wastewater Facilities	11,437,499		11,437,499
Drainage System	16,385,937	9,269,965	7,115,972
Paving	8,069,678		8,069,678
Less Accumulated Depreciation	(919,519)	(216,746)	(702,773)
Total Net Capital Assets	$ 48,852,907	$ 11,519,709	$ 37,333,198

COMMITMENTS AND CONTINGENCIES

As of August 31, 2025, the District recorded a Developer liability of $50,074,592 which consisted of operating advances made since inception as well as the construction of certain infrastructure within the District. Such costs may be reimbursable to the Developer by the District from proceeds of future District bond issues, subject to approval by the Commission.

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 Municipal Utility No. 16, c/o Coats Rose, P.C., 16000 North Dallas Parkway, Suite 350, Dallas, Texas 77548.

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 16
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
AUGUST 31, 2025

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	$ 153,521	$	$ 153,521
Prepaid Costs	82,667		82,667
Capital Assets (Net of Accumulated Depreciation)		48,852,907	48,852,907
TOTAL ASSETS	$ 236,188	$ 48,852,907	$ 49,089,095
LIABILITIES			
Accounts Payable	$ 125,633	$	$ 125,633
Due to Developer		50,074,592	50,074,592
TOTAL LIABILITIES	$ 125,633	$ 50,074,592	$ 50,200,225
FUND BALANCE			
Nonspendable: Prepaid Costs	$ 82,667	$ (82,667)	$
Unassigned	27,888	(27,888)	
TOTAL FUND BALANCE	$ 110,555	$ (110,555)	$ -0-
TOTAL LIABILITIES AND FUND BALANCE	$ 236,188		
NET POSITION			
Net Investment in Capital Assets		$ (919,519)	$ (919,519)
Unrestricted		(191,611)	(191,611)
TOTAL NET POSITION		$ (1,111,130)	$ (1,111,130)

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

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 16
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION
AUGUST 31, 2025

Total Fund Balance - Governmental Fund	$ 110,555
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	48,852,907
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of operating advances and construction costs paid by the Developer.	(50,074,592)
Total Net Position - Governmental Activities	$ (1,111,130)

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

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 16
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED AUGUST 31, 2025

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	$ 329,866	$	$ 329,866
Connection and Inspection Fees	69,662		69,662
Investment and Miscellaneous Revenues	5,393		5,393
TOTAL REVENUES	$ 404,921	$ -0-	$ 404,921
EXPENDITURES/EXPENSES			
Service Operations:			
Professional Fees	$ 144,847	$	$ 144,847
Contracted Services	21,289		21,289
Repairs and Maintenance	26,117		26,117
Depreciation		702,773	702,773
Other	189,816		189,816
TOTAL EXPENDITURES/EXPENSES	$ 382,069	$ 702,773	$ 1,084,842
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	$ 22,852	$ (702,773)	$ (679,921)
OTHER FINANCING SOURCES (USES)			
Developer Advances	$ 60,000	$ (60,000)	$ -0-
NET CHANGE IN FUND BALANCE	$ 82,852	$ (82,852)	$
CHANGE IN NET POSITION		(679,921)	(679,921)
FUND BALANCE/NET POSITION - SEPTEMBER 1, 2024	27,703	(458,912)	(431,209)
FUND BALANCE/NET POSITION - AUGUST 31, 2025	$ 110,555	$ (1,221,685)	$ (1,111,130)

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

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 16
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED AUGUST 31, 2025

Net Change in Fund Balance - Governmental Fund	$	82,852
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds do not account for depreciation. In governmental activities, capital assets are depreciated over the estimated useful lives.		(702,773)
Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances are recorded as a liability.		(60,000)
Change in Net Position - Governmental Activities	$	(679,921)

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

NOTE 1. CREATION OF DISTRICT

Denton County Municipal Utility District No. 16 was created by Order of the Texas Commission on Environmental Quality (the "Commission") dated August 11, 2021, as a municipal utility district. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution. The District is subject to the continuing supervision of the Commission. The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water; and roads located inside its boundaries. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the Commission and the voters of the District.

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

Financial Statement Presentation

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted Net Position – This component of net position consists of net position that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Balance.

Governmental Fund

The District has one governmental fund and considers it to be a major fund.

General Fund - To account for maintenance tax revenues, service revenues, operating costs, and administrative expenditures.

Basis of Accounting

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

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital 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. 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 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 over the estimated useful life of 45 years.

Budgeting

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

Pensions

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

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Governmental fund types are accounted for on a spending or financial flow measurement focus. Current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources.

Fund balances in governmental funds are classified using the following hierarchy:

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.

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. The District does not have any restricted fund balances.

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

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

At an election held within the District on May 7, 2022, voters authorized the issuance of bonds as follows: $341,490,076 for the purchase or construction of water, wastewater, drainage, and storm drainage facilities; $179,443,286 for the purchase or construction of roads; $512,235,114 for refunding water, wastewater, drainage, and storm drainage facilities bonds; and $269,164,929 for refunding road bonds.

At an election held on May 3, 2025, voters approved a fire plan and authorized the Board to implement the fire plan and assess charges for the provision of fire protection services. The voters also authorized the issuance of $18,303,513 of bonds for fire protection facilities and equipment and $27,455,269 of bonds for refunding fire protection facilities and equipment.

NOTE 4. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant changes in coverage from the prior year and settlements have not exceeded coverage in since inception.

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 $153,521 and the bank balance was $154,022. The District was not exposed to custodial credit risk at year-end.

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 which is reviewed annually and which may be more restrictive than the Public Funds Investment Act.

NOTE 6. CAPITAL ASSETS

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

	September 1, 2024	Increases	Decreases	August 31, 2025
Capital Assets Subject to Depreciation				
Water Facilities	$ 2,466,490	$ 11,412,822	$	$ 13,879,312
Wastewater Facilities		11,437,499		11,437,499
Drainage System	9,269,965	7,115,972		16,385,937
Paving		8,069,678		8,069,678
Total Capital Assets Subject to Depreciation	$ 11,736,455	$ 38,035,971	$ - 0 -	$ 49,772,426
Less Accumulated Depreciation				
Water Facilities	$ 10,182	$ 208,289	$	$ 218,471
Wastewater Facilities		174,759		174,759
Drainage System	206,564	272,724		479,288
Paving		47,001		47,001
Total Accumulated Depreciation	$ 216,746	$ 702,773	$ - 0 -	$ 919,519
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 11,519,709	$ 37,333,198	$ - 0 -	$ 48,852,907

NOTE 7. MAINTENANCE TAX

On May 7, 2022, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed $1.20 per $100 of assessed valuation of taxable property within the District which may be used to pay any lawfully authorized expenditures of the District. During the current fiscal year, the District levied an ad valorem maintenance tax rate of $1.20 per $100 of assessed valuation, which resulted in a tax levy of $329,866 on the adjusted taxable valuation of $27,488,821 for the 2024 tax year.

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

NOTE 8. COMMITMENTS AND CONTINGENCIES

The District and the Developers have entered into agreements which require the Developers to fund costs associated with construction of roads as well as utility infrastructure serving the residents of the District in addition to operating advances during the early stages of District development. Reimbursement to the Developers for these projects and operating advances is contingent upon the future sale of bonds.

The following table summarizes the activity for the current fiscal year:

Due to Developers, beginning of year	$ 11,978,621
Current year additions	38,095,971
Due to Developers, end of year	$ 50,074,592

NOTE 9. NON-STANDARD SERVICE AGREEMENT

Water supply and distribution for the District is provided by the Bolivar Water Supply Corporation ("Bolivar"). VS Development entered into a "Non-Standard Service Agreement" (the "Agreement") with Bolivar, which establishes that Bolivar has the exclusive right to furnish water to the District. Pursuant to the Agreement, the District has constructed a 345 GPM groundwater well and 400,000-gallon elevated storage tank to fulfill Bolivar's commitment to provide water service. The District will construct additional improvements in the future to provide the necessary water supply to meet the needs of the District through full buildout. The District's current water supply capacity is sufficient to serve the 695 equivalent single-family connections ("ESFC(s)") active within the District.

NOTE 9. NON-STANDARD SERVICE AGREEMENT (Continued)

Bolivar uses water facilities constructed by the District to provide water service to customers within the District. While Bolivar is obligated to provide maintenance, operation and repair of such facilities, the District maintains ownership of such facilities. The rates charged by Bolivar are in accordance with Bolivar's approved tariff.

Pursuant to a separate Contract for Billing and Collecting Sewer Service Charges, Bolivar agrees to serve as an agent of the District for purposes of billing and collecting District sewer service charges.

NOTE 10. STRATEGIC PARTNERSHIP AGREEMENT

Effective June 19, 2024, the District entered into a Strategic Partnership Agreement with the City of Denton, Texas (the "SPA"). The SPA was amended by that certain Amended and Restated Strategic Partnership Agreement by and between the District and the City, effective as of February 20, 2025, and further amended by that certain Second Amended and Restated Strategic Partnership Agreement by and between the District and the City, effective December 2, 2025 (the "Second Amended SPA"). The Second Amended SPA provides that the City may annex commercial use areas within the District ("Limited Purpose Property") for the sole and exclusive purpose of imposing and collecting sales and use taxes within such area. The City will pay the District 50% of the sales and use tax revenues collected within the Limited Purpose Property within 30 days after the City receives the sales tax report reflecting such revenues from the Comptroller of the State of Texas. The District may use the sales tax revenues for any lawful purpose. The Second Amended SPA is in effect until the City annexes the Limited Purpose Property for full purposes or disannexes the Limited Purpose Property.

NOTE 11. LEASE

On February 20, 2025, the District entered into a lease agreement with AUC Group to finance a 0.399 MGD wastewater treatment plant in the amount of $2,353,850 at an interest rate of 6.85%. Payments in the amount of $40,090 will be due the first day of each month. The initial term of this lease is 60 months. At the end of the initial term, the District has the option to purchase the wastewater treatment plant. Monthly lease payments of $23,140 are required for any additional months beyond the initial term. As of August 31, 2025, construction of the wastewater treatment plant is still in progress and the District has not made any payments.

NOTE 12. SUBSEQUENT EVENT – BOND SALE

On December 18, 2025, subsequent to year-end, the District issued its $8,350,000 Unlimited Tax Road Bonds, Series 2025. Proceeds from the bonds were used to reimburse the Developer for mass grading; paving for Meadow Park – Phase 1 and Monarch at the Meadows – Phase 1; engineering; and land costs. Additional proceeds were used to pay for capitalized interest, Developer interest, and bond issuance costs.

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 16

REQUIRED SUPPLEMENTARY INFORMATION

AUGUST 31, 2025

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 16
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND FOR THE YEAR ENDED AUGUST 31, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	$ 323,268	$ 329,866	$ 6,598
Connection and Inspection Fees		69,662	69,662
Investment and Miscellaneous Revenues		5,393	5,393
TOTAL REVENUES	$ 323,268	$ 404,921	$ 81,653
EXPENDITURES			
Service Operations:			
Professional Fees	$ 110,000	$ 144,847	$ (34,847)
Contracted Services	17,200	21,289	(4,089)
Repairs and Maintenance	12,000	26,117	(14,117)
Other	21,480	189,816	(168,336)
TOTAL EXPENDITURES	$ 160,680	$ 382,069	$ (221,389)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 162,588	$ 22,852	$ (139,736)
OTHER FINANCING SOURCES (USES)			
Developer Advances	$ -0-	$ 60,000	$ 60,000
NET CHANGE IN FUND BALANCE	$ 162,588	$ 82,852	$ (79,736)
FUND BALANCE - SEPTEMBER 1, 2024	27,703	27,703	
FUND BALANCE - AUGUST 31, 2025	$ 190,291	$ 110,555	$ (79,736)

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 16

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

AUGUST 31, 2025

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 16
SERVICES AND RATES
FOR THE YEAR ENDED AUGUST 31, 2025

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

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

_____ Participates in a joint venture, regional system and/or wastewater service

_____ Other (specify): _____

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

The following rates are based on the rate order approved July 31, 2025.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
SEWER:	$ 40.00	-0-	N	$5.00	0,001 – 2,000
				6.00	2,001 – 10,000
				7.00	10,001 – 20,000
				8.00	20,001 and over

District employs winter averaging for wastewater usage? _____ Yes X No

Total monthly charges per 10,000 gallons usage: Wastewater: $98.00

See accompanying independent auditor's report.

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 16
SERVICES AND RATES
FOR THE YEAR ENDED AUGUST 31, 2025

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"			x 1.0	
1"			x 2.5	
1½"			x 5.0	
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	N/A	N/A		N/A
Total Wastewater Connections	N/A	N/A	x 1.0	N/A

3. TOTAL WATER CONSUMPTION:

Water is provided to District customers by Bolivar Water Supply Corporation – see Note 9.

See accompanying independent auditor's report.

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 16
SERVICES AND RATES
FOR THE YEAR ENDED AUGUST 31, 2025

4. STANDBY FEES: NOT APPLICABLE

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No _____

County in which District is located:

Denton County, Texas

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

Entirely X Partly _____ Not at all _____

ETJ in which District is located:

City of Denton, Texas

Is the District located within a city?

Entirely _____ Partly _____ Not at all X

Are Board Members appointed by an office outside the District?

Yes _____ No X

See accompanying independent auditor's report.

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 16
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2025

PROFESSIONAL FEES:		
Auditing	$	10,000
Engineering		23,688
Legal		111,159
TOTAL PROFESSIONAL FEES	$	144,847
CONTRACTED SERVICES:		
Tax Assessment and Collection Costs	$	2,309
Bookkeeping		7,877
Operations and Billing		11,103
TOTAL CONTRACTED SERVICES	$	21,289
REPAIRS AND MAINTENANCE	$	26,117
ADMINISTRATIVE EXPENDITURES:		
Director Fees, Including Payroll Taxes	$	8,565
Insurance		5,045
Website and Other		3,487
TOTAL ADMINISTRATIVE EXPENDITURES	$	17,097
OTHER EXPENDITURES:		
Connection and Inspection Fees	$	6,647
Sludge Hauling		166,072
TOTAL OTHER EXPENDITURES	$	172,719
TOTAL EXPENDITURES	$	382,069

See accompanying independent auditor's report.

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 16
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2025

	Maintenance Taxes	
TAXES RECEIVABLE - SEPTEMBER 1, 2024	$ -0-	
Adjustments to Beginning Balance		$ -0-
Original 2024 Tax Levy	$ 329,866	
Adjustment to 2024 Tax Levy		329,866
TOTAL TO BE ACCOUNTED FOR		$ 329,866
TAX COLLECTIONS:		
Prior Years	$	
Current Year	329,866	329,866
TAXES RECEIVABLE - AUGUST 31, 2025		$ -0-

See accompanying independent auditor's report.

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 16
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2025

	2024	2023
PROPERTY VALUATIONS:		
Land	$ 27,410,916	$ 117,250
Improvements	45,415	
Personal Property	32,490	
TOTAL PROPERTY VALUATIONS	$ 27,488,821	$ 117,250
MAINTENANCE TAX RATE PER $100 VALUATION	$ 1.20	$ 1.20
ADJUSTED TAX LEVY*	$ 329,866	$ 1,407
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	100.00 %	100.00 %

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

* Maintenance Tax – Maximum tax rate of $1.20 per $100 assessed valuation was approved by voters on May 7, 2022.

See accompanying independent auditor's report.

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 16
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – TWO YEARS

	Amounts		Percentage of Total Revenues	
	2025	2024	2025	2024
REVENUES				
Property Taxes	$ 329,866	$ 1,407	81.5 %	100.0 %
Connection and Inspection Fees	69,662		17.2	
Investment and Miscellaneous Revenues	5,393		1.3	
TOTAL REVENUES	$ 404,921	$ 1,407	100.0 %	100.0 %
EXPENDITURES				
Professional Fees	$ 144,847	$ 78,902	35.8 %	5,607.8 %
Contracted Services	21,289	11,823	5.3	840.3
Repairs and Maintenance	26,117	4,627	6.4	328.9
Other	189,816	16,819	46.9	1,195.4
TOTAL EXPENDITURES	$ 382,069	$ 112,171	94.4 %	7,972.4 %
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 22,852	$ (110,764)	5.6 %	(7,872.4) %
OTHER FINANCING SOURCES				
Developer Advances	$ 60,000	104,000		
NET CHANGE IN FUND BALANCE	$ 82,852	$ (6,764)		
BEGINNING FUND BALANCE	27,703	34,467		
ENDING FUND BALANCE	$ 110,555	$ 27,703		
TOTAL ACTIVE RETAIL WATER CONNECTIONS	N/A	N/A		
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	N/A	N/A		

See accompanying independent auditor's report.

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 16
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
AUGUST 31, 2025

District Mailing Address - Denton County Municipal Utility District No. 16
c/o Coats Rose, P.C.
16000 North Dallas Parkway, Suite 350
Dallas, Texas 77548

District Telephone Number - (972) 788-1600

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended August 31, 2025	Expense Reimbursements for the year ended August 31, 2025	Title
Benjamin Raef	05/22 05/26 (Elected)	$ 1,547	$ 235	President
Rich Johnson	05/25 05/26 (Appointed)	$ -0-	$ -0-	Vice President
Philip Wilson	05/22 05/26 (Elected)	$ 1,768	$ 293	Secretary
James Hogan, Jr.	05/24 05/28 (Elected)	$ 1,989	$ 439	Assistant Secretary
Kim Reding	02/25 05/28 (Appointed)	$ 884	$ 11	Assistant Secretary

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants. The limit on Fees of Office that a Director may receive during a fiscal year is $7,200. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

The most recent submission date of the District Registration Form was on December 1, 2025.

Director Johnson resigned October 2025 and was replaced by William Bishop.

See accompanying independent auditor's report.

DENTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 16
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
AUGUST 31, 2025

Consultants:	Date Hired	Fees for the year ended August 31, 2025	Title
Coats Rose, P.C.	08/31/21	$ 111,159	General Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	09/19/24	$ 10,000	Auditor
L & S District Services, LLC	08/31/21	$ 7,877	Bookkeeper/
Debra Loggins		$ -0-	Investment Officer
Kimley-Horn & Associates	08/31/21	$ 32,313	Engineer
Robert W. Baird	02/14/22	$ -0-	Financial Advisor
Inframark, LLC	10/26/23	$ 209,940	Operator

See accompanying independent auditor's report.