

**OFFICIAL STATEMENT DATED NOVEMBER 14, 2018
(REVISED DECEMBER 19, 2018)**

THE DELIVERY OF THE BONDS IS SUBJECT TO THE OPINION OF BOND COUNSEL AS TO THE VALIDITY OF THE BONDS AND TO THE EFFECT THAT INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER STATUTES, REGULATIONS, COURT DECISIONS, AND PUBLISHED RULINGS EXISTING ON THE DATE THEREOF, SUBJECT TO THE MATTERS DESCRIBED UNDER "TAX EXEMPTION" HEREIN.

THE DISTRICT HAS DESIGNATED THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

NEW ISSUE - Book Entry Only

**Insured Rating: S&P "AA" (stable outlook)
See "MUNICIPAL BOND RATING"
and "BOND INSURANCE" herein**

\$1,700,000

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT NO. 8
(A political subdivision of the State of Texas located within El Paso County)
UNLIMITED TAX BONDS, SERIES 2018**

Dated: November 1, 2018

Due: August 15, as shown below

Principal of the Bonds will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrar, initially BOKF, N.A., (the "Paying Agent/Registrar") in Dallas, Texas. Interest on the Bonds will accrue from November 1, 2018 (the "Dated Date"), and is payable on August 15, 2019 and on each February 15 and August 15 thereafter until the earlier of maturity or redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. Interest will be calculated on the basis of a 360 day year of twelve 30 day months. The Bonds are subject to redemption prior to maturity as shown below.

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 will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "BOOK-ENTRY-ONLY SYSTEM."

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due Aug. 15	Principal Amount	Interest Rate	Initial Reoffering Yield ^(a)	CUSIP Number ^(c)	Due Aug. 15	Principal Amount	Interest Rate	Initial Reoffering Yield ^(a)	CUSIP Number ^(c)
2020	\$ 25,000	6.500%	2.350%	702594BT8	2026	\$ 35,000	6.500%	3.350%	702594BZ4
2021	25,000	6.500%	2.500%	702594BU5	2027	35,000	4.750%	3.550%	702594CA8
2022	30,000	6.500%	2.650%	702594BV3	2028	35,000	4.000%	3.750%	702594CB6
2023	30,000	6.500%	2.800%	702594BW1	2029	40,000 ^(b)	4.000%	3.850% ^(d)	702594CC4
2024	30,000	6.500%	3.000%	702594BX9	2030	40,000 ^(b)	4.000%	4.000%	702594CD2
2025	35,000	6.500%	3.150%	702594BY7					

\$135,000 4.000% Term Bonds Due August 15, 2033, Priced to Yield 4.080%^{(a)(b)} - CUSIP^(c): 702594CG5

\$100,000 4.000% Term Bonds Due August 15, 2035, Priced to Yield 4.150%^{(a)(b)} - CUSIP^(c): 702594CJ9

\$260,000 4.000% Term Bonds Due August 15, 2038, Priced to Yield 4.220%^{(a)(b)} - CUSIP^(c): 702594CM2

\$320,000 4.125% Term Bonds Due August 15, 2040, Priced to Yield 4.270%^{(a)(b)} - CUSIP^(c): 702594CP5

\$525,000 4.250% Term Bonds Due August 15, 2043, Priced to Yield 4.330%^{(a)(b)} - CUSIP^(c): 702594CS9

- (a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser (as herein defined) for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. Accrued interest from the Dated Date will be added to the purchase price.
- (b) Bonds maturing on or after August 15, 2029 are subject to redemption prior to maturity at the option of the District, in whole or, from time to time in part, on August 15, 2028, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Bonds maturing on August 15, 2033, 2035, 2038, 2040 and 2043 (the "Term Bonds") are also subject to mandatory sinking fund redemption as described herein. See "THE BONDS – Redemption Provisions."
- (c) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (d) Yield shown is yield to first call date, August 15, 2028.



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. ("AGM") (defined herein).

The Bonds, when issued, will constitute valid and legally binding obligations of Paseo del Este Municipal Utility District No. 8 (the "District") and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, El Paso County, the City of El Paso or any entity other than the District. Investment in the Bonds is subject to special considerations described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Crawford & Jordan LLP, Houston, Texas as Disclosure Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about December 18, 2018.

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The cover page hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Ronald J. Freeman, Attorney, 102 N. Railroad Avenue, Pflugerville, Texas 78660 upon payment of duplication costs.

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

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement.

THE FINANCING

- The Issuer* Paseo del Este Municipal Utility District No. 8 (the “District”), a political subdivision of the State of Texas, is located in El Paso County, Texas. See “THE DISTRICT.”
- The Issue* The \$1,700,000 Unlimited Tax Bonds, Series 2018 (the “Bonds”) are issued pursuant to a resolution (the “Bond Resolution”) of the District’s Board of Directors. The Bonds will be issued as fully registered bonds in denominations of \$5,000 each or integral multiples thereof, maturing on August 15 in each of the years and in the amounts set forth on the cover hereof. Interest on the Bonds will accrue from November 1, 2018 (the “Dated Date”), and is payable on August 15, 2019, and on each February 15 and August 15 thereafter until the earlier of maturity or prior redemption.
- Redemption* The Bonds maturing on and after August 15, 2029, are subject to redemption, in whole or in part, at the option of the District, prior to their maturity dates, on August 15, 2028, or on any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. See “THE BONDS - Redemption Provisions.”
- Source of Payment* The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District (see “TAX PROCEDURES”). The Bonds are obligations of the District and are not obligations of the State of Texas, El Paso County, the City of El Paso or any other political subdivision or agency other than the District. See “THE BONDS - Source of and Security for Payment.”
- Use of Proceeds* Proceeds from sale of the Bonds will be used to reimburse the Developer (as hereinafter defined) for funds advanced on behalf of the District for the District’s pro rata share of costs relating to facilities constructed by or on behalf of Paseo del Este Municipal Utility District No. 1 (the “Master District”) being a portion of costs of certain regional water and sanitary sewer facilities serving the District and the other “Participant Districts” as hereafter defined, including engineering costs (the “Regional Facilities”), and the cost of certain internal water, wastewater and drainage facilities serving the District (the “Internal Facilities”). Bond proceeds will also be used to pay interest to the Developer (hereinafter defined) on funds expended for the foregoing, including engineering costs, to pay 24 months of capitalized interest on the Bonds, and to pay certain costs associated with the issuance of the Bonds. See “THE SYSTEM - Use and Distribution of Bond Proceeds.”
- Payment Record* The District has previously issued \$7,950,000 of unlimited tax bonds, of which \$7,625,000 remains outstanding. The District has never defaulted on its debt service payments.
- Qualified Tax-Exempt Obligations* The District has designated the Bonds as “qualified tax-exempt obligations for financial institutions.” See “TAX EXEMPTION - Qualified Tax Exempt Obligations for Financial Institutions.”
- Municipal Bond Rating and Municipal Bond Insurance* It is expected that S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) will assign its municipal bond rating of “AA” (stable outlook) to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp (“AGM” or the “Insurer”). See “BOND INSURANCE.”
- General Counsel* Ronald J Freeman, Pflugerville, Texas.
- Bond Counsel* McCall, Parkhurst & Horton L.L.P., Austin, Texas.
- Disclosure Counsel* Crawford & Jordan LLP, Houston, Texas.

Financial AdvisorHilltopSecurities, Inc., El Paso, Texas.

EngineerTRE & Associates, LLC, Austin, Texas and El Paso, Texas.

Investment ConsiderationsThe purchase and ownership of the Bonds are subject to special investment considerations and all prospective purchasers are urged to examine carefully the entire Official Statement for a discussion of investment risks, including particularly the section captioned “INVESTMENT CONSIDERATIONS.”

THE DISTRICT

DescriptionThe District was created by division of Paseo del Este Municipal Utility District (the “Original District”) pursuant to a division order adopted by the Original District on May 15, 2003, and operates pursuant to Chapter 443, Acts of the Texas Legislature, Regular Session, 1997 (the “Act”) and Chapters 49 and 54, Texas Water Code. Prior to division, Paseo del Este Municipal Utility District was created as a Conservation and Reclamation District on May 29, 1997 by the Act. The District presently contains approximately 373 acres of land (276 developable acres) located in the northwest portion of El Paso County approximately 15 miles east of the central area of the City of El Paso, Texas (the “City”). The District is located just east of Loop 375 and is approximately three miles from the intersection of Interstate Highway 10, the major freeway through El Paso, Texas, and Eastlake Boulevard to its intersection with Emerald Park Drive. The District lies totally within the exclusive extraterritorial jurisdiction of the City. See “AERIAL PHOTOGRAPH” herein.

Master District ContractThe District and nine other districts in the Paseo del Este development in eastern El Paso County known as Paseo del Este Municipal Utility District Nos. 2, 3, 4, 5, 6, 7, 9, 10 and 11 (those ten districts and the Master District being collectively referred to as the “Participant Districts” and individually as “Participant District No. –”) have each entered into a “Master District Contract” with the Master District to coordinate the development of the water, sanitary sewer and drainage facilities to serve the area within all eleven Participant Districts. Under the Master District Contract, the Master District will acquire, construct, own and operate the Regional Facilities to serve the area within all eleven Participant Districts; each Participant District will acquire, construct and own its Internal Facilities serving only area within it and lease the Internal Facilities to the Master District for operation; and the Master District will provide retail water and wastewater service to all retail customers in all of the Participant Districts.

Status of DevelopmentThe District is being developed primarily for single family residential purposes, and is within the Paseo del Este development (“Paseo del Este”). Paseo del Este is being developed primarily by Hunt Communities Group, Inc. (“Hunt”) and certain affiliates, and B&G/Sunrise Joint Venture (“B&G”) and is planned to include approximately 4,300 acres of land. Approximately 10 percent of this land is currently owned by the Texas General Land Office (“GLO”) and is under an option contract to Hunt through Hunt’s arrangement with B&G. In 1998, B&G entered into a purchase option contract with the GLO as to all of the approximately 4,300 acres planned to comprise Paseo del Este. In 2002, a Hunt affiliate purchased an assignment of such option contract as to 3,400 acres planned for residential and interior commercial development, which arrangement allows Hunt to exercise the B&G option with respect to GLO-owned land within Participant Districts 2-11, including the District. Subsequently, B&G conveyed to Hunt certain land located in Participant District 1 on which land B&G had previously exercised its purchase option with GLO. To date, approximately 6,129 single family residential lots have been developed within Paseo del Este, and approximately 5,238 homes are completed or are in various stages of construction in Paseo del Este, including approximately 1,174 homes within the District.

The development within the District includes Paseos at Mission Ridge Unit 1 (originally Mission Ridge Unit 9), Paseos at Mission Ridge Unit 2 (originally Mission Ridge Unit 12), Painted Sky at Mission Ridge (originally Mission Ridge Unit 11), and Paseos at Mission Ridge Unit 3 (originally Mission Ridge Unit 14), which are single family residential subdivisions containing approximately 1,341 single family lots and encompassing approximately 276 acres. Development within the District also includes a portion of the PDE Boulevard, a 120 foot

arterial that runs thru the district. Hunt Mission Ridge, LLC is the developer of all of the above mentioned subdivisions.

Single family home construction in Paseos at Mission Ridge Unit 1 began in March 2014. As of August 31, 2018, a total of 1,174 homes were completed or under construction. Of the 1,174 homes (including 14 irrigation connections), 891 homes were completed and occupied, 4 homes were completed and vacant and 265 homes were in various stages of construction.

Approximately 9 acres of developable land within the District have not yet been furnished with water, sanitary sewer and storm drainage facilities. There are currently 180 lots in the District that are developed but do not yet have a water meter. See "INVESTMENT CONSIDERATIONS – Undeveloped Acreage" and "THE DISTRICT – Status of Development."

The Developer Major water, sewer and drainage facilities and streets to serve land within the District have been developed by Hunt Mission Ridge, LLC, an affiliate of Hunt. The activities of Hunt and its affiliates include investment management, mortgage banking, direct lending, loan servicing, asset management, property management, development, construction, consulting and advisory. Water, sewer and drainage facilities to serve specific sections within the District have been acquired or constructed by Hunt Mission Ridge, LLC, referred to herein as the "Developer." See "THE DEVELOPER."

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SELECTED FINANCIAL INFORMATION

Tax Year 2018 Certified Assessed Valuation	\$	142,380,709	(a)
District Debt:			
Gross Debt Outstanding (after the issuance of the Bonds)	\$	9,325,000	
Estimated Overlapping Debt		5,434,695	(b)
Gross Debt and Estimated Overlapping Debt	\$	14,759,695	
Ratio of Gross Debt to Tax Year 2018 Certified Assessed Valuation			6.55%
Ratio of Gross Debt and Estimated Overlapping Debt to Tax Year 2018 Certified Assessed Valuation			10.37%
Debt Service Funds Available, as of October 12, 2018	\$	1,262	(c)
Capital Projects Funds Available, as of October 12, 2018	\$	119,837	
Operating Funds Available, as of October 12, 2018	\$	342,920	
Tax Year 2018 Tax Rates:			
Debt Service	\$	0.4400	(d)
Contract		0.2700	
Maintenance and Operations		0.0400	
Total	\$	0.7500	/\$100 A.V.
Average Annual Debt Service Requirements (2019 - 2043) of the Bonds ("Average Requirement")	\$	543,554	(e)
Tax rate required to pay Average Requirement based upon Tax Year 2018			
Certified Assessed Valuation at a 98% collection rate			0.3896 /\$100 A.V.
Status of Water Connections as of August 31, 2018:			
Single-family residential - completed and occupied	891		
Single-family residential - completed and vacant	4		
Single-family residential - under construction - builder	265		
Other (Irrigation connections)	14		
Total Connections	1,174		

- (a) As certified by the El Paso Central Appraisal District (the "Appraisal District"). Represents the assessed taxable valuation within the District as of January 1, 2018. See "TAX PROCEDURES."
- (b) See "ESTIMATED OVERLAPPING DEBT STATEMENT" herein.
- (c) The District will capitalize twenty-four (24) months of interest from Bond proceeds (\$149,363.33). Such capitalized interest, along with accrued interest from November 1, 2018, will be deposited into the Debt Service Fund at closing. Neither the Bond Resolution nor Texas law require that the District maintain any particular balance in the Debt Service Fund.
- (d) In connection with its approval of the Bonds, the TCEQ (as defined herein) approved an initial debt service tax rate after issuance of the Bonds of at most \$0.49 per \$100 assessed valuation.
- (e) See "DEBT SERVICE REQUIREMENTS."

OFFICIAL STATEMENT

\$1,700,000

PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT NO. 8
(A political subdivision of the State of Texas located within El Paso County)

UNLIMITED TAX BONDS, SERIES 2018

This Official Statement provides certain information in connection with the issuance by Paseo del Este Municipal Utility District No. 8 (the "District") of its \$1,700,000 Unlimited Tax Bonds, Series 2018 (the "Bonds").

The Bonds are issued pursuant to the Texas Constitution, Chapter 443, Acts of the Texas Legislature, Regular Session, 1997 (the "Act") and Chapters 49 and 54 of the Texas Water Code, as amended, a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board"), and an order of the Texas Commission on Environmental Quality (the "TCEQ").

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District and the Developer of land within the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Ronald J. Freeman, the District's General Counsel, 102 N. Railroad Avenue, Pflugerville, Texas 78660 upon payment of the costs of duplication therefor.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not obligations of the State of Texas, El Paso County, the City of El Paso, or any other political entity other than the District, will be secured by a continuing, direct, annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property or, in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. See "THE BONDS - Source of and Security for Payment." The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "Registered Owners' Remedies and Bankruptcy Limitations" below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors and Interest Rates: A substantial percentage of the taxable value of the District results from the current market value of single-family residences, undeveloped land and developed lots which are currently being marketed by the Developer (as defined herein) to builders for the construction of primary residences. The market value of such homes and lots is related to general economic conditions affecting the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability (see "Credit Markets and Liquidity in the Financial Markets" below), construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values. See "THE DISTRICT - Status of Development."

Future development and construction in the District are highly dependent on the availability of financing. Lenders generally have become more selective in making real estate loans throughout the nation, including in Texas. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds to potential home builders and home purchasers.

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which Developer are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition,

since the District is located approximately 15 miles east from the central downtown business district of the City of El Paso, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the El Paso metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions in the El Paso area and/or decline in the nation's real estate and financial markets could continue to adversely affect development and home-building plans in the District and restrain the growth of the District's property tax base.

Competition: The demand for and construction of single-family homes in the District, which is 15 miles east from downtown El Paso, could be affected by competition from other residential developments, including other residential developments located in the northwestern, northeastern and far eastern portion of the El Paso area market. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of the builders in the sale of single-family residential homes within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

Landowner Obligation to the District: There are no commitments from or obligations of any developer or any landowner to the District to proceed at any particular rate or according to any specified plan with the construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to develop undeveloped land or construct taxable improvements on developed lots or developed tracts of land would restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds, taxable property within the District will increase or maintain its taxable value. See "Undeveloped Acreage" below.

Dependence on Principal Taxpayers: The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy additional taxes or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Resolution, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis. See "TAX DATA – Principal Taxpayers".

Impact on District Tax Rates: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2018 certified assessed valuation of the District (see "SELECTED FINANCIAL INFORMATION") is \$142,380,709. After issuance of the Bonds, the maximum annual debt service requirement will be \$676,849 (2020) and the average annual debt service requirement will be \$543,554 (2019-2043). Assuming no increase or decrease from the 2018 assessed valuation and no use of funds other than tax collections, a tax rate of \$0.4851 per \$100 assessed valuation at a 98% collection rate would be necessary to pay the maximum annual debt service requirement of \$676,849 and a tax rate of \$0.3896 per \$100 assessed valuation at a 98% collection rate would be necessary to pay the average annual debt service requirement of \$543,554 (see "SELECTED FINANCIAL INFORMATION"). Such calculated rates may be higher than tax rates presently being levied in utility districts in the general vicinity of the District. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2018 Assessed Valuation, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event the District's assessed valuation does not continue to increase or in the event major taxpayers do not pay their District taxes timely. Increases in taxable values depend primarily on the continuing construction and sale of homes and other taxable improvements within the District. See "TAX PROCEDURES," "FINANCIAL STATEMENT," and "TAX DATA – Tax Adequacy for Debt Service."

Undeveloped Acreage

Approximately 9 acres of developable land within the District have not yet been furnished with water, sanitary sewer and drainage facilities. There are currently 180 lots in the District that are developed but do not yet have a water meter. The District can make no assurances as to whether or when such remaining acreage will be developed. See "THE DISTRICT – Status of Development."

District Operations and Contract Tax

The Master District Contract between the District and the Master District provides that, as partial consideration for the District allowing the Master District to provide retail water and wastewater service to retail customers inside the District's boundaries, the Master District will pay the District's administrative expenses to manage the District pursuant to a budget process outlined below.

The Master District Contracts between the other Participant Districts and the Master Districts have similar provisions regarding those other Participant Districts. The Master District Contract provides that the District will submit annually a budget for its administrative expenses to the Master District for review and approval by the Master District. Once approved, all such expenses will be paid by the Master District. The District's budget must be approved by the Master District if it is no more than 10% higher than the average of the annual budgets of the Participant Districts Nos. 2-11. To date, the District's annual budgets have all been approved by the Master District.

The Master District Contract also provides that the Master District will pay its own operation and administrative expenses and the approved administrative expenses of the Participant Districts from the revenues from the Master District's water and wastewater system. If the Master District's water and wastewater system revenues are insufficient to pay all of those costs, the resulting deficit will be paid by all Participant Districts (including the Master District) from the proceeds of an annual ad valorem contract tax levied by each Participant District on all taxable property within its boundaries in an amount sufficient to pay each Participant District's pro rata share of the deficit. A Participant District's pro rata share of the deficit each year is determined by multiplying the deficit by a fraction, the numerator of which is the Participant District's taxable assessed valuation for the year and the denominator of which is the total of the taxable assessed valuations in all the Participant Districts (including the Master District). See "THE SYSTEM - The Master District Contract."

For the 2019 fiscal year, the District intends to pay its pro rata share of the Master District's budgeted operating deficit from the \$0.27/\$100 assessed value contract tax levied by the District on September 14, 2018.

Future Debt

The District reserves in the Bond Resolution the right to issue the remaining \$17,350,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and the District may issue additional bonds which may be voted hereafter. The District may also issue revenue bonds and refunding bonds. See "THE BONDS - Issuance of Additional Debt" and "THE SYSTEM." The issuance of such future obligations may dilute and adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Board of the District, the Attorney General of Texas and, with respect to bonds for water, sewer and drainage improvements, the Texas Commission on Environmental Quality ("TCEQ"). After sale of the Bonds and reimbursement to the Developer of a portion of the proceeds therefrom, the District will still owe not less than approximately \$600,000 to the Developer for the costs of facilities for which the Developer have not yet been reimbursed. The District expects to sell additional bonds to reimburse the Developer for such costs. See "THE SYSTEM" herein.

Environmental Regulation

Wastewater treatment and water supply facilities are subject to stringent and complex environmental laws and regulations. The Master District currently receives wholesale water and wastewater services from the El Paso Water Utilities Public Service Board ("EPWU") for the areas within the Participant Districts. Facilities must comply with environmental laws at the federal, state, and local levels. These laws and regulations can restrict or prohibit certain activities that affect the environment in many ways such as:

- Requiring permits for construction and operation of water supply wells and wastewater treatment facilities;
- Restricting the manner in which wastes are released into the air, water, or soils;
- Restricting or regulating the use of wetlands or other property;
- Requiring action to prevent or mitigate pollution;
- Imposing substantial liabilities for pollution resulting from facility operations.

Compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Sanctions against a municipal utility district or other type of district ("Utility Districts") 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 injunctive relief as to future compliance of and the ability to operate the Utility District's water supply, wastewater treatment, and drainage facilities. Environmental laws and regulations can also impact an area's ability to grow and develop. It should be noted that changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact 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 (i) cumbersome, time-consuming and expensive collection procedures, (ii) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (iii) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such 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. The costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAX PROCEDURES - District's Rights in the Event of Tax Delinquencies."

Registered Owners' Remedies and Bankruptcy Limitations

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 Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right 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 Resolution. Except for mandamus, the Bond Resolution 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 Resolution 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.

The enforceability of the rights and remedies of Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Texas law requires municipal utility districts such as the District to obtain the approval of the TCEQ as a condition to seeking relief under Chapter 9 of the Federal Bankruptcy Code.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating the collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district.

A district may not be forced into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

The Bond Resolution contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure by the District to comply with such covenants in the Bond Resolution 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 EXEMPTION—Tax Exemption."

Marketability

The District has no agreement with the Initial Purchaser (as defined herein) regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater

than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are generally bought, sold or traded in the secondary market.

The failure by the District to comply with its agreement to provide the information and notices required by Rule 15c(2)-12 of the Securities and Exchange Commission could possibly inhibit the sale of the Bonds in the secondary market. See “CONTINUING DISCLOSURE OF INFORMATION.”

The Effect of FIRREA on Tax Collections of the District

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 (“FIRREA”) contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation (“FDIC”) when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states that (i) no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

To the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes or may affect the valuation of such property.

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.

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THE BONDS

General

Following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution of the Board authorizing the issuance and sale of the Bonds. The Bond Resolution 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 will be dated November 1, 2018, and will accrue interest from November 1, 2018 (the “Dated Date”). Interest is payable on each February 15 and August 15 commencing August 15, 2019, until the earlier of maturity or prior redemption. The Bonds mature on August 15 in the amounts and years shown on the cover page of this Official Statement. Interest calculations are based on a 360-day year comprised of twelve 30-day months. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof.

Authority for Issuance

At a bond election held within the District on May 12, 2012, the voters of the District authorized the issuance of a total of \$27,000,000 principal amount of unlimited tax bonds for water, wastewater and drainage facilities. See “Issuance of Additional Debt” below. The Bonds are the second issuance of debt by the District. The TCEQ has authorized the District to sell the Bonds for the purposes described in “THE SYSTEM - Use and Distribution of Bond Proceeds.”

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution, an Order of the TCEQ, Article XVI, Section 59 of the Texas Constitution, the Act and Chapters 49 and 54 of the Texas Water Code, as amended.

Source of and Security for Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants in the Bond Resolution to levy an annual ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District sufficient to pay the principal of and interest on the Bonds and the Outstanding Bonds, with full allowance being made for delinquencies and costs of collection.

The Bonds are obligations of the District and are not the obligations of the State of Texas, El Paso County, the City of El Paso or any entity other than the District.

Funds

In the Bond Resolution, the Debt Service Fund is created, and the proceeds from all taxes levied, assessed and collected for and on account of the Bonds authorized by the Bond Resolution shall be deposited, as collected, in such fund.

Accrued interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds from sale of the Bonds, including interest earnings thereon, shall be deposited into the Capital Projects Fund, to pay the costs of acquiring or constructing Internal Facilities or the District’s pro rata share of capacity in Regional Facilities, for paying the District’s pro rata share of creation and administrative costs of all Participant Districts and for paying the costs of issuing the Bonds. See “THE SYSTEM - Use and Distribution of Bond Proceeds” for a more complete description of the use of Bond proceeds.

No Arbitrage

The District will certify as of the date the Bonds are delivered and paid for 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 in the Bond Resolution 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.

Redemption Provisions

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on and after August 15, 2029, prior to their scheduled maturities, in whole or in part, in integral multiples of \$5,000 on August 15, 2028, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are optionally redeemed at any time, the maturities and amounts of the Bonds to be redeemed will be selected by the District. If fewer than all the Bonds of a certain maturity are to be optionally redeemed, the particular Bonds to be redeemed will be selected by the Paying Agent/Registrar by lot or other method of random selection.

Mandatory Redemption: The Bonds maturing on August 15 in each of the years 2033, 2035, 2038, 2040 and 2043 (the “Term Bonds”) are subject to mandatory sinking fund redemption in the amounts and at the price of par plus accrued interest to the redemption date on August 15 in the following years:

<u>Term Bond Maturing August 15, 2033</u>		<u>Term Bond Maturing August 15, 2035</u>		<u>Term Bond Maturing August 15, 2038</u>	
	Principal		Principal		Principal
<u>Redemption Date</u>	<u>Amount</u>	<u>Redemption Date</u>	<u>Amount</u>	<u>Redemption Date</u>	<u>Amount</u>
August 15, 2031	\$ 45,000	August 15, 2034	\$ 50,000	August 15, 2036	\$ 55,000
August 15, 2032	45,000	August 15, 2035*	50,000	August 15, 2037	55,000
August 15, 2033*	45,000			August 15, 2038*	150,000
<u>Term Bond Maturing August 15, 2040</u>		<u>Term Bond Maturing August 15, 2043</u>			
	Principal		Principal		
<u>Redemption Date</u>	<u>Amount</u>	<u>Redemption Date</u>	<u>Amount</u>		
August 15, 2039	\$ 155,000	August 15, 2041	\$ 170,000		
August 15, 2040*	165,000	August 15, 2042	175,000		
		August 15, 2043*	180,000		

* Maturity.

At least thirty days prior to the mandatory redemption date, the Paying Agent/Registrar shall select by lot the Term Bonds within the applicable stated maturity to be redeemed. Any Term Bond not selected for prior redemption shall be paid on the date of their stated maturity.

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

Notice of Redemption: Notice of any optional redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for optional redemption by sending written 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 register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if fewer than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest that would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Paying Agent/Registrar

The Board has appointed BOKF, NA., Dallas, Texas, as the initial Paying Agent/Registrar (the “Paying Agent/Registrar”) for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM.”

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution. While the Bonds are in the Book-Entry-Only System, the Bonds will be registered in the name of Cede & Co. and will not be transferred. See “BOOK-ENTRY-ONLY SYSTEM.”

Replacement of Paying Agent/Registrar

Provision is made in the Bond Resolution for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a national or state banking institution, a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar for the Bonds.

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the TCEQ, necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. After issuance of the Bonds, the District will have \$17,350,000 of unlimited tax bonds authorized but unissued for water, sanitary sewer and drainage purposes. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. See “THE SYSTEM - Future Debt.”

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities or acquire contract rights therefor. 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 City of El Paso, the TCEQ and the voters of the District.

Annexation by the City of El Paso

The District lies wholly within the extraterritorial jurisdiction of the City of El Paso (the “City”), and may be annexed by the City in accordance with existing Texas law. Under legislation effective December 1, 2017 (“Senate Bill 6”), the District may be annexed and dissolved by the City only if (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the land owners, consenting to annexation. If the District is annexed, the City must assume the District's assets and obligations (including the Bonds) and dissolve the District within ninety (90) days. Annexation of territory by the City and dissolution of the District is a policy-making matter within the discretion of the Mayor and City Council of the City, subject to Senate Bill 6, and therefore, the District makes no representation that the City will ever annex the District and assume its debt, nor does the District make any representation concerning the ability of the City to pay debt service on the District's bonds if annexation were to occur.

Remedies in Event of Default

Other than a writ of mandamus, the Bond Resolution does not provide a specific remedy for a default. If the District defaults, a Registered Owner could petition for a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the District's officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Resolution. Such remedy might need to be enforced on a periodic basis. Based on recent Texas court decisions, it is unclear whether §49.066, Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if a judgment against the District for money damages could be 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 enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity which permit the exercise of judicial discretion. Certain traditional legal remedies also may not be available. See “INVESTMENT CONSIDERATIONS - Registered Owners' Remedies and Bankruptcy Limitations.”

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to Section 49.186, Texas Water Code, the Bonds, whether rated or unrated, are (a) legal investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees and (b) legal investments for the public funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State. The Bonds are also eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State or any political subdivision or public agency of the State and are lawful and sufficient security for those deposits to the extent of their market value. Most political subdivisions in the State are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose other, more stringent requirements in order for the Bonds to be legal investments for such entity's funds or to be eligible to serve as collateral for their funds.

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which might 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.

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District nor the Financial Advisor takes any 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 requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 2.2 million issues of U.S. and non-U.S. equity, 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating: "AA+." 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 purchaser 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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

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.

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.

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 Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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).

Principal, interest and redemption payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on the 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 principal, interest and redemption payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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-Only System, 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-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Bond Resolution will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the District or the Financial Advisor.

MUNICIPAL BOND RATING

It is expected that S&P will assign its municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. An explanation of the significance of the foregoing rating may be obtained only from S&P, 55 Water Street, New York, New York 10041. The foregoing rating expresses only the view of S&P at the time the rating is given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that the rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as Appendix C to this Official Statement.

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

ASSURED GUARANTY MUNICIPAL CORP.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On June 26, 2018, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On May 7, 2018, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

On January 23, 2018, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Capitalization of AGM

At September 30, 2018:

- The policyholders' surplus of AGM was approximately \$2,203 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,187 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$1,863 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the consolidated net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (filed by AGL with the SEC on February 23, 2018);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018 (filed by AGL with the SEC on May 4, 2018);

- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018 (filed by AGL with the SEC on August 2, 2018); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018 (filed by AGL with the SEC on November 9, 2018).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption “BOND INSURANCE – Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

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

The information above pertaining to AGM has been provided by AGM for use in this Official Statement, and the District takes no responsibility for the accuracy or completeness thereof.

BOND INSURANCE RISKS

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 Bond shall have a claim under the Policy. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the Bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by the insurer at such time and in such amounts as would have been due absent such prepayment by the District unless the bond insurer chooses to pay such amounts at an earlier date.

Under no circumstances does default of payment of principal and interest obligate acceleration of the obligations of the bond insurer without their consent, so long as the bond insurer performs its obligations under the applicable Policy. 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 revenues pledged in the Bond Order.

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. In the event bond insurance is purchased, the long-term rating on the Bonds will be dependent in part on the financial strength of the bond insurer and its claims 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 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 “BOND INSURANCE” herein for a description of the ratings.

The obligations of the bond insurer are general obligations of the bond insurer and in an event of default by the bond insurer the remedies may be limited by applicable bankruptcy law. Neither the District nor the Financial Advisor have made an independent investigation into the claims paying ability of any potential bond insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential bond insurer is given.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

Moody's Investor Services, Inc., S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, and Fitch Ratings (the "Rating Agencies") have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers are possible. Thus, when making an investment decision, potential investors should carefully consider the ability of any such bond insurer to pay principal and interest on the Bonds and the claims-paying ability of any such bond insurer, particularly over the life of the Bonds.

THE DISTRICT

General

Paseo del Este Municipal Utility District No. 8 (the "District") is a conservation and reclamation district created by division of Paseo del Este Municipal Utility District pursuant to a division order adopted by the Original District on May 15, 2003, and operates pursuant to the Act and Chapters 49 and 54, Texas Water Code. Prior to division, Paseo del Este Municipal Utility District was created as a Conservation and Reclamation District by the Act. The District is located wholly within the extraterritorial jurisdiction of the City of El Paso, Texas ("El Paso" or the "City").

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants, and contract rights therefore, necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities or contract rights therefor. 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 City of El Paso, the TCEQ and the voters of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of the City which limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities or contract rights therefor, and the refunding of outstanding debt obligations; place restrictions on the terms and provisions and conditions on the sale of the District's bonds so long as such restraints and conditions do not render the bonds unmarketable; require approval by the City of District construction plans; and permit connections only to platted lots and reserves which have been approved by the City. Construction and operation of the District's drainage system are subject to the regulatory jurisdiction of additional government agencies. See "THE SYSTEM."

The District presently contains approximately 373 acres of land (276 developable acres) located in the northwest portion of El Paso County approximately 15 miles east of the central area of the City of El Paso, Texas. The District is located just east of Loop 375 and is approximately three miles from the intersection of Interstate Highway 10, the major freeway through El Paso, Texas, and Eastlake Boulevard to its intersection with Emerald Park Drive. See "AERIAL PHOTOGRAPH" herein.

Validation of Creation of Participant Districts

The creation of the Original District and its division into Participant District Nos. 1-9 has been validated by a final judgment of the County Court-at-Law of El Paso County, TX. Likewise, creation of Participant District Nos. 10 and 11 has been validated by a final judgment of the District Court of El Paso County, TX. Each of the Participant Districts, including the District, has held a confirmation, bond, refunding bond, maintenance tax and contract tax election. All such election propositions have been approved by voters of the Participant Districts, including the District.

Status of Development

The District is being developed primarily for single family residential purposes, and is within the Paseo del Este development ("Paseo del Este"). Paseo del Este is being developed primarily by Hunt Communities Group, Inc. ("Hunt"), and B&G/Sunrise Joint Venture ("B&G") and is planned to include approximately 4,300 acres of land. Approximately 10 percent of this land is currently owned by the Texas General Land Office ("GLO") and is under an option contract to Hunt through Hunt's arrangement with B & G. In 1998, B&G entered into a purchase option contract with the GLO as to all of the approximately 4,300 acres planned to comprise Paseo del Este. In 2002, a Hunt affiliate purchased an assignment of such option contract as to 3,400 acres planned for residential and interior commercial development, which arrangement allows Hunt to exercise the B&G option with respect to GLO-owned land within Participant Districts 2-11, including the District. Subsequently, B&G conveyed to Hunt certain land located in Participant District 1 on which land B&G had previously exercised its purchase option with GLO. To date, approximately 6,129

single family residential lots have been developed within Paseo del Este, and approximately 5,238 homes are completed or are in various stages of construction in Paseo del Este, including approximately 1,174 homes within the District.

The development within the District includes Paseos at Mission Ridge Unit 1 (originally Mission Ridge Unit 9), Paseos at Mission Ridge Unit 2 (originally Mission Ridge Unit 12), Painted Sky at Mission Ridge (originally Mission Ridge Unit 11), and Paseos at Mission Ridge 3 (originally Mission Ridge Unit 14), which are single family residential subdivisions containing approximately 1,341 single family lots and encompassing approximately 276 acres. Development within the District also includes a portion of the PDE Boulevard, a 120 foot arterial that runs thru the district. Hunt Mission Ridge, LLC is the developer of all of the above mentioned subdivisions.

Single family home construction in Paseos at Mission Ridge Unit 1 began in March 2014. As of August 31, 2018, a total of 1,174 homes (including 14 irrigation connections) were completed or under construction. Of the 1,174 homes (including 14 irrigation connections), 891 homes were completed and occupied, 4 homes were completed and vacant and 265 homes were in various stages of construction.

Approximately 9 acres of developable land within the District have not yet been furnished with water, sanitary sewer and storm drainage facilities. There are currently 180 lots in the District that are developed but do not yet have a water meter. See “INVESTMENT CONSIDERATIONS – Undeveloped Acreage.”

Community Facilities

Community facilities are located in the general vicinity of the District. Neighborhood shopping facilities, including supermarkets, pharmacies, cleaners, restaurants, banking facilities and other retail and service establishments are located within five miles of the District along areas adjacent to Loop 375. Fire protection for residents of the District is provided by the El Paso County Emergency Services District No. 2. Police protection is provided by the El Paso County Sheriff. Medical care for District residents is available from various facilities in the City of El Paso within 15 miles of the District. The land within the District is located within the boundaries of Socorro Independent School District, and children within the District attend elementary and middle schools of Socorro Independent School District located within two (2) miles of the District.

MANAGEMENT

Board of Directors

The District is governed by the Board of Directors, consisting of five directors, which has control over and management supervision of all affairs of the District. None of the Directors listed below reside within the District; however, each Director owns a small parcel of land in the District. Directors are elected by the voters within the District for four-year staggered terms. Director elections are held in February in even numbered years. The Directors and Officers of the District are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Manuel A. Quiñones	President	2022
A.J. Silva	Vice-President	2022
Suzan Spurlin	Secretary	2020
Sylvia Touchstone	Assistant Secretary	2020
Alejandro Contreras	Assistant Secretary	2020

While the District does not employ any full time employees, it has contracted for certain services as follows:

Tax Assessor/Collector

Land and improvements within the District are appraised for ad valorem taxation purposes by the El Paso Central Appraisal District. The District's Tax Assessor/Collector is appointed by the Board of Directors of the District and the District has appointed the City of El Paso Tax Assessor/Collector to serve in this capacity for the District.

Operations

The District contracts with Inframark, LLC for maintenance and operation of the District's System. Inframark, LLC also serves as the operator of the Master District's System.

Bookkeeper

The District has engaged Municipal Accounts & Consulting, L.P., to serve as the District's bookkeeper.

Engineer

The consulting engineer for the District is TRE & Associates, LLC. (the “Engineer”).

General Counsel

The District engages Ronald J. Freeman, Pflugerville, Texas, as General Counsel. The fees payable to General Counsel are not contingent upon the issuance sale and delivery of the Bonds.

Bond Counsel

The District has engaged McCall, Parkhurst & Horton, Austin, Texas as Bond Counsel. Mr. Freeman, in a separate, individual capacity, is also Of Counsel to the firm of McCall, Parkhurst, & Horton L.L.P. The fees payable to Bond Counsel are contingent upon the issuance, sale and delivery of the Bonds.

Disclosure Counsel

The District has engaged Crawford & Jordan LLP, Houston, Texas, as Disclosure Counsel. The fees payable to Disclosure Counsel are contingent upon the sale, issuance and delivery of the Bonds.

Financial Advisor

HilltopSecurities, Inc., El Paso, Texas (the “Financial Advisor”) serves as financial advisor to the District. The fee to be paid the Financial Advisor is contingent upon sale and delivery of the Bonds.

Auditor

The District’s financial statements for the fiscal year ending September 30, 2017 have been audited by West, Davis & Company, LLP.

THE DEVELOPER

Role of a Developer

In general, the activities of a landowner or developer in a district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of roads and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other Developer or third parties. In most instances, a landowner or developer will be required by the TCEQ to pay thirty percent (30%) of the cost of placing the water distribution, wastewater collection, and storm drainage facilities in a district, exclusive of water supply and storage and wastewater treatment plants of which the district incurs one hundred percent (100%) of the cost. While a developer is required by the TCEQ to pave streets, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Neither the Developer (as hereinafter defined) nor any of its affiliates, is obligated to pay principal of or interest on the Bonds. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.” Furthermore, neither the Developer nor any of its affiliates has any binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developer 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 boundaries of the District.

The Developer

Major water, sewer and drainage facilities and streets to serve land within the District are being developed by Hunt Mission Ridge, LLC, an affiliate of Hunt. The activities of Hunt and its affiliates include investment management, mortgage banking, direct lending, loan servicing, asset management, property management, development, construction, consulting and advisory. Water, sewer and

drainage facilities to serve specific sections within the District have been acquired or constructed by Hunt Mission Ridge, LLC, referred to herein as the “Developer.”

Land within the District is a portion of the development known as Paseo del Este. Eleven municipal utility districts have been formed to include approximately 4,300 acres of land in and adjacent to the District, approximately 10 percent of which is currently owned by the GLO and under option to Hunt through Hunt’s arrangement with B&G. See “THE DISTRICT - Status of Development.”

The Developer is not responsible for, liable for, and has made no commitment for payment of the Bonds or other obligations of the District. The Developer may sell or otherwise dispose of its property within the District, or any other assets, at any time. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments - Landowner Obligation to the District”.

Developer Reimbursement Agreements

Each Participant District, including the District, has entered into reimbursement agreements with the Developer of the Regional Facilities serving all Participant Districts pursuant to which the Participant District agrees to reimburse the Developer for the Participant District’s pro rata share of the costs of the Regional Facilities based on the Participant District’s total ultimate estimated connections as compared to the total connections in all eleven Participant Districts. In addition, such reimbursement agreements contemplate the Participant District will reimburse the Developer for the Participant District’s pro rata share of (i) the Developer costs for creation of all eleven Participant Districts and (ii) the administrative and operation advances to all eleven Participant Districts by the Developer, with each Participant District’s pro rata share of such expenses based on the ratio of 1 to 11. Finally, each Participant District, including the District, has entered into reimbursement agreements with the Developer of the Internal Facilities serving the specific Participant District pursuant to which the Participant District agrees to reimburse the Developer for the Internal Facilities serving only the specific Participant District. Before such Internal Facilities are purchased by a Participant District, the developer leases them to the Master District for its use in serving the retail customers within the Participant District. After purchase of such Internal Facilities by a Participant District, the Master District will continue to lease the Internal Facilities from the Participant District.

THE SYSTEM

Regulation

According to the Engineer, the District's water supply and distribution, wastewater collection, and storm drainage facilities (collectively, the “System”) have been designed in accordance with accepted engineering practices and the then current requirements of various entities having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the System was required to be accomplished in accordance with the standards and specifications of the District, the TCEQ and EPWU and is subject to inspection by each such entity. Operation of the System is conducted by the Master District; however, EPWU operates the water treatment and storage and sewer treatment facilities providing wholesale service to the Master District. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. In particular, additional or revised requirements in the future in connection with any permit held by the EPWU for the wastewater treatment plant from which the District receives service could result in the need to construct additional facilities in the future.

The Master District Contract

The District and nine other districts in the Paseo del Este development in eastern El Paso County known as Paseo del Este Municipal Utility District Nos. 2, 3, 4, 5, 6, 7, 9, 10 and 11 (those ten districts and the Master District being collectively referred to as the “Participant Districts” and individually as “Participant District No. –”) have each entered into a “Master District Contract” with the Master District to coordinate the development of the water, sanitary sewer and drainage facilities to serve the area within all eleven Participant Districts. Under the Master District Contract, the Master District will acquire, construct, own and operate the Regional Facilities to serve the area within all eleven Participant Districts; each Participant District will acquire, construct and own its Internal Facilities serving only area within it and lease the Internal Facilities to the Master District for operation; and the Master District will provide retail water and wastewater service to all retail customers in all of the Participant Districts.

Master District Facilities

Source of Water Supply: The District receives its water supply pursuant to the Paseo del Este Wholesale Potable Water Supply and Wastewater Treatment and Transportation Contract (the “Water Supply and Wastewater Agreement”) between the Master District and EPWU. Pursuant to terms of the Agreement, which expires in 2063, EPWU is obligated to provide wholesale water to meet the needs of the area served by the Master District, including land within the boundaries of the District. EPWU currently supplies

water to the Master District facilities from its existing three million gallon elevated storage tank and 12.3 MGD booster pump station. The major components of the EPWU's system serving the Master District's water supply system will serve the anticipated 16,995 equivalent single-family connections and contractually up to 20,000 equivalent single-family connections, of which 1,707 are allocated to the District. As of August 31, 2018, the Master District is serving approximately 5,238 active water connections, of which 1,174 (including 14 irrigation connections) are within the District. According to the Engineer, the District's currently allocated water supply capacity (1,707 equivalent connections) is sufficient to serve the District at ultimate build-out.

In order to fully provide water supply to all of the Participant Districts in Paseo del Este, the Master District Facilities will need to be expanded from time to time to meet the demand for such facilities.

Source of Wastewater Treatment: The District is provided wastewater treatment capacity by EPWU. The Master District entered into the Water Supply and Wastewater Agreement with EPWU. Pursuant to the terms of the contract, EPWU is obligated to provide wholesale wastewater service to meet the needs of the area served by the Master District, including land within the boundaries of the District. The agreement expires in 2063. Wastewater flows are routed to EPWU's Bustamante plant, which has a current permitted capacity of 39 MGD. Current wastewater treatment capacity can serve the anticipated 16,995 equivalent single-family connections and contractually up to 20,000 equivalent single-family connections committed to the Master District. As of August 31, 2018, the Master District is serving approximately 5,238 active wastewater connections, of which 1,174 (including 14 irrigation connections) are within the District. The Master District currently receives wholesale water and wastewater services from the EPWU for the areas within Participant Districts. According to the Engineer, the District's currently allocated wastewater treatment capacity (1,707 equivalent connections) is sufficient to serve the District at ultimate build-out.

Distribution and Wastewater Collection: Water distribution facilities consist of waterlines ranging in size from 8-inch to 16-inch, generally located within the rights-of-way. These water distribution facilities supply water from the EPWU to each Paseo del Este MUD's internal facilities.

The current wastewater collection facilities include sanitary sewer lines ranging in size from 8-inch to 27-inch generally located within the rights-of-way of collector roads. These collection lines collect wastewater from each Participant District and transport it to an EPWU wastewater interceptor.

Drainage: The Master District will provide the Participant Districts with drainage facilities when it is determined that the facilities benefit two or more Paseo del Este Municipal Utility Districts. These Regional Facilities will be capable of handling a 100 year storm event and will include storm sewers, drainage channels and retention ponds.

Internal Water Distribution, Wastewater Collection and Storm Drainage Facilities

Internal water distribution, wastewater collection and storm drainage facilities ("Internal Facilities") have been constructed by the District with funds advanced by the Developer to serve Paseos at Mission Ridge Units 1-3 and Painted Sky at Mission Ridge, which are single family residential subdivisions containing approximately 1,341 single family lots and encompassing approximately 276 acres. A portion of the proceeds from sale of the Bonds will be used to reimburse the Developer for certain of the advances.

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Use and Distribution of Bond Proceeds

The estimated use and distribution of Bond proceeds is shown below. Of proceeds to be received from sale of the Bonds, \$1,313,042 is estimated for construction costs, and \$386,958 is estimated for non-construction costs. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after sale of the Bonds and review by an independent auditor.

<u>Construction Costs</u>	<u>District's Share</u>
A. Developer Contribution Items	
1. Paseos at Mission Ridge 2.....	\$ 589,768
2. Paseos at Mission Ridge 3.....	506,391
3. Engineering.....	156,318
Total Developer Contribution Items	<u>\$ 1,252,477</u>
B. District Items (Regional Facilities)	
1. Painted Desert Regionals	\$ 13,689
2. Engineering	2,525
3. Land Acquisition Costs	
a. Pond 8.1	4,761
b. Pond 8.2	5,323
c. Pond 8.3a	677
d. Pond 8.3b	2,446
e. Pond 8.4	2,643
f. Pond 8.5	1,847
g. Pond 8.6	26,654
Total District Items	<u>\$ 60,565</u>
TOTAL CONSTRUCTION COSTS (77.24% of Bond Issue)	<u>\$ 1,313,042</u>
<u>Non-Construction Costs</u>	
A. Legal Fees.....	\$ 34,000
B. Fiscal Agent Fees	21,250
C. Interest	
1. Capitalized Interest.....	149,363
2. Developer Interest.....	21,757
D. Bond Discount	51,000
E. Bond Issuance Expenses	29,801
F. Bond Application Report Costs.....	60,000
G. Attorney General's Fee (0.10%).....	1,700
H. TCEQ Bond Issuance Fee (0.25%).....	4,250
I. Contingency (a).....	13,837
TOTAL NON-CONSTRUCTION COSTS	<u>\$ 386,958</u>
TOTAL BOND ISSUE REQUIREMENT	<u>\$ 1,700,000</u>

(a) TCEQ approved maximum amount of 24 months capitalized interest. Contingency represents the difference between the estimated and the actual amounts of capitalized interest and bond discount and may be used for purposes allowable and approved by TCEQ

In the event approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses in accordance with the rules of the TCEQ. In the event actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required.

Future Debt

In addition to the costs of facilities being financed with proceeds from sale of the Bonds, the Developer has financed the engineering and construction of certain other Regional Facilities. After reimbursement from sale of the Bonds, the Developer will have expended approximately \$200,000 (as of August, 2018) for design, construction and acquisition of the District's share of Regional Facilities

not yet reimbursed and \$600,000 (as of August, 2018) for District Facilities not yet reimbursed. It is anticipated that proceeds from future issues of District bonds will be used, in part, to reimburse the Developer for the District's pro rata share of the costs of the Regional Facilities and all of the costs of the District Facilities and future costs of developing currently undeveloped land, to the extent allowed by the TCEQ.

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
5/12/2012	Water, Sanitary Sewer and Drainage	\$27,000,000	\$9,650,000*	\$17,350,000

* Includes the Bonds.

FINANCIAL STATEMENT

Tax Year 2018 Certified Assessed Valuation	\$142,380,709(a)
District Debt:	
Currently Outstanding Bonds	\$7,625,000
The Bonds	<u>\$ 1,700,000</u>
Gross Debt Outstanding (after issuance of the Bonds).....	\$ 9,325,000
Ratio of Gross Debt to 2018 Certified Assessed Valuation.....	6.55%

Approximate Area of District – 373 acres (276 developable acres)

(a) As certified by the El Paso Central Appraisal District (the "Appraisal District"). Represents the assessed valuation within the District as of January 1, 2018. See "TAX PROCEDURES."

Cash and Investment Balances (unaudited as of October 12, 2018)

Operating Fund	Cash and Temporary Investments	\$342,919.74
Capital Projects	Cash and Temporary Investments	\$119,836.79
Debt Service Fund	Cash and Temporary Investments	\$1,261.74(a)

See "SELECTED FINANCIAL INFORMATION."

(a) Balance as of delivery of Bonds. Twenty-four (24) months of capitalized interest will be deposited into such fund from Bond proceeds (\$149,363.33) along with accrued interest from November 1, 2018. Neither the Bond Resolution nor Texas law requires that the District Maintain any particular balance in the Debt Service Fund.

ESTIMATED OVERLAPPING DEBT STATEMENT

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of the overlapping Tax Debt of the District.

Taxing Jurisdiction	Outstanding	As of	Overlapping	
	Bonds		Percent	Amount
El Paso County	\$ 176,611,402	10/1/2018	0.17%	\$ 300,239
El Paso County Hospital District	341,275,000	10/1/2018	0.17%	580,168
Socorro Independent School District	650,612,614	10/1/2018	0.70%	4,554,288
Total Estimated Overlapping Debt.....				\$ 5,434,695
The District.....				\$ 9,325,000 ^(a)
Total Direct and Estimated Overlapping Debt.....				\$ 14,759,695
Ratio of Total Direct and Estimated Overlapping Debt to 2018 Certified Assessed Valuation.....				10.37%

(a) Includes the Bonds.

Overlapping Tax Rates for 2018

Taxing Jurisdiction	2018 Tax Rate per \$100 Assessed Valuation
The District	\$ 0.750000
El Paso County	0.452694
El Paso County Emergency Services District No. 2	0.092349
El Paso Community College District	0.141638
Socorro Independent School District	1.274794
University Medical Center	0.251943
Total Overlapping Tax Rate	\$ 2.963418

TAX DATA

Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from District records. Reference is made to these records for further and more complete information.

Tax Year	Assessed Valuation	Tax Rate	Tax Levy	Current Collections		Total Collections		Fiscal Year Ending
				Amount	Percent	Amount	Percent	
2014	\$ 3,814,336	\$ 0.7500	\$ 30,525	\$ 30,525	100.00%	\$ 30,525	100.00%	9/30/2015
2015	17,993,617	0.7500	135,922	135,813	99.92%	135,813	99.92%	9/30/2016
2016	39,802,919	0.7500	299,050	298,942	99.96%	299,050	100.00%	9/30/2017
2017	83,929,241	0.7500	629,469	629,232	99.96%	628,571	99.86%	9/30/2018 ^(a)
2018	142,380,709	0.7500	1,067,855	n/a	n/a	n/a	n/a	9/30/2019 ^(a)

(a) Tax Collections billed on October 1. Collections as of August 31, 2018.

Taxes are due October 1 and become delinquent if not paid before February 1 of the year following the year in which imposed. No split payments are allowed and no discounts are allowed.

Tax Rate Distribution

	2018	2017	2016	2015	2014
Debt Service	\$0.4400	\$0.3000	\$0.0000	\$0.0000	\$0.0000
Contract (a)	0.2700	0.3600	0.1592	0.2143	0.2825
Maintenance and Operations	0.0400	0.0900	0.5908	0.5357	0.4675
Total	\$0.7500	\$0.7500	\$0.7500	\$0.7500	\$0.7500

(a) See “INVESTMENT CONSIDERATIONS – District Operations and Contract Tax.”

Tax Rate Limitations

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

Maintenance and Operations: \$1.00 per \$100 Assessed Valuation.

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. In connection with the approval of the Bonds, the TCEQ has approved an initial debt service rate of at most \$0.4900 per \$100 assessed valuation.

Contract Tax

Under the Master District Contract, each Participant District has agreed to levy and collect a tax (the “Contract Tax”) to make payments to the Master District for (i) the Participant District’s pro rata share of any operating deficits incurred by the Master District and (ii) the debt service on any bonds issued by the Master District for Regional Facilities payable from the Contract Tax (“Master District Bonds”), with the Participant District’s pro rata share based on the Participant District’s total taxable assessed valuation as compared to the total taxable assessed valuation in all eleven Participant Districts. However, the Master District Contract contemplates that the Master District would not issue Master District Bonds for purposes of reimbursing the Developer for the initial construction of the Regional Facilities. Thus, for the foreseeable future, the District contemplates levying a Contract Tax only for its pro rata share of the operating deficits of the Master District. The District levied a total tax of \$0.7500 per \$100 of Assessed Valuation for Tax Year 2018, as follows: \$0.44 for debt service tax, \$0.27 for contract tax and \$0.04 for maintenance tax.

Maintenance Tax

The Board of Directors of the District 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. On May 12, 2012, the Board was authorized to levy such a maintenance tax in an amount not to exceed \$1.00 per \$100 of assessed valuation. For the 2018 tax year, the Board has levied a maintenance tax in the amount of \$0.04 per \$100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds.

Tax Exemptions

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect delinquent taxes. Pursuant to the contract and in accordance with the Texas Property Tax Code, the District recovers certain costs, expenses and fees associated with tax collection suits, including reasonable attorney's fees in the amount of twenty percent (20%) of the total amount of taxes, penalties, and interest due to the District.

Principal Taxpayers

The following list of principal taxpayers is based upon the 2018 tax roll, which reflects ownership at January 1, 2018.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation</u>
Desert View Construction Inc.	Home Builder	\$ 1,725,205
Casas de Leon LLC	Home Builder	1,713,045
Hakes Brothers Texas LLC	Home Builder	1,535,084
Saratoga Homes Inc.	Home Builder	1,273,157
Classic American Homes II	Home Builder	1,257,593
Palo Verde Homes	Home Builder	1,135,220
Edward's Homes of El Paso LLC	Home Builder	1,127,771
Carefree Homes II LP	Home Builder	885,875
D R Horton-Texas Ltd	Home Builder	869,507
Edward's Homes of El Paso LLC	Home Builder	809,248
Total		<u>\$12,331,705</u>
% of Total 2018 Tax Roll		8.66%

Summary of Assessed Valuation

The following summary of the Assessed Valuation is provided by the District's Tax Assessor/Collector based on information contained in the 2014-2018 tax rolls of the District. Differences in totals may vary slightly from other information herein due to differences in dates of data.

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Land and Improvements	\$ 145,060,074	\$ 85,012,286	\$ 40,017,833	\$ 18,157,606	\$ 3,820,962
Personal Property	73,051	33,058	2,610	-	-
Exemptions	(2,752,416)	(1,116,103)	(217,524)	(163,989)	(6,626)
Total Assessed Valuation	<u>\$ 142,380,709</u>	<u>\$ 83,929,241</u>	<u>\$ 39,802,919</u>	<u>\$ 17,993,617</u>	<u>\$ 3,814,336</u>

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purpose of illustration, no increase or decrease in assessed valuation over the 2018 Certified Assessed Valuation, no use of available funds, and utilization of a tax rate necessary to pay the District's average annual debt service requirements on the Bonds.

Average Annual Debt Service Requirements, 2019-2043	\$ 543,554
\$0.3896 Tax Rate on the 2018 Certified Assessed Valuation at 98% Collection Produces.....	\$ 543,621

TAX PROCEDURES

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 an amount sufficient to pay the principal of and interest on the Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS - Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully herein under "THE BONDS - Source of and Security for Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations. See "TAX DATA."

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. The District must also follow tax procedures found in the Texas Water Code. These statutory provisions are complex and are not fully summarized here.

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 El Paso Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units within El Paso County, including the District. Such appraisal values are subject to review and change by the El Paso County Appraisal Review Board (the "Appraisal Review Board").

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; however, no effort is expected to be made by the Appraisal District to include on a tax roll tangible or intangible personal property not devoted to commercial or industrial use. 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; income producing tangible personal property or mineral interest with a taxable value of less than \$500; certain property used for the control of air, water or land pollution; solar and wind powered energy devices; certain non-profit cemeteries, farm products owned by the producer; and certain property owned by qualified charitable, religious, veterans, youth development, fraternal organizations, designated historical sites, travel trailers, and most individually owned automobiles. Goods, wares, ores and merchandise (other than oil, gas, or petroleum products) that are acquired in or imported into the state and forwarded out of state within 175 days thereafter are also exempt. Article VIII, Section 1-a of the Texas Constitution grants a \$3,000 homestead exemption for all homesteads taxed by counties for farm-to-market roads and flood control purposes. Property owned by a disabled veteran or by the spouse of certain children of a deceased disabled veteran or a veteran who died while on active duty is partially exempt to between \$5,000 and \$12,000 of assessed value depending upon the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse or a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. The surviving spouse of a member of the armed services who was killed in action is entitled to an exemption from taxation of the total appraised value of the surviving spouse's residence homestead where certain condition are met 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, 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. Also partially exempt are residence homesteads of certain persons who are disabled or at least 65 years old, not less than \$3,000 of appraised value or such higher amount as the Board or the District's voters may approve. Subject to certain conditions, the surviving spouse of a person 65 or older is entitled to an exemption for the same property in an amount equal to that which the deceased spouse was qualified. The District's tax assessor 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's tax assessor/collector is authorized by statute to disregard such exemptions for the elderly and disabled if granting the exemptions would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemptions by the District. See "TAX DATA."

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than \$5,000) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District has not adopted a general residential homestead exemption. See "TAX DATA."

Freeport Goods Exemption: Freeport goods are goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas and other petroleum products, which have been acquired or brought into the state for assembling, storing, manufacturing, repair, maintenance, processing or fabricating purposes, or used to repair or maintain aircraft of a certified air carrier, and shipped out of the state within one hundred seventy-five (175) days. Freeport goods are exempt from taxation by the District.

Goods-in-Transit Exemptions: A "Goods-in-Transit Exemption" may apply to certain tangible personal property that is acquired in or imported into Texas for assembling, storing, manufacturing or fabrication purposes which is destined to be forwarded to another location in Texas not later than 175 days after acquisition or importation, so long as the location where said goods are detained is not directly or indirectly owned by the owner of the goods. The District has not taken action to allow taxation of goods-in-transit, and accordingly, the exemption is available within the District. However, the District may determine in the future to take action to tax exempt goods-in-transit personal property. A taxpayer may not claim both a Freeport Goods Exemption and a Goods-in-Transit Exemption on the same property.

Tax Abatement

El Paso County may designate all or part of the area within the District as a reinvestment zone. Thereafter, El Paso County, Socorro Independent School District, the District, and, if the District is annexed and dissolved, the City of El Paso, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Generally, assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. Substantially all of the undeveloped land in the District is valued based on agricultural use. 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. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real

property inventory designation must apply for the designation and the appraiser 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 while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

District and Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Rollback of Operation and Maintenance Tax Rate

The qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rates plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service and contract tax rates cannot be changed by a rollback election.

Levy and Collection of Taxes

The District is responsible for the levy and, unless it elects to transfer such functions to another governmental entity, collection of its taxes. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected.

The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units (see "ESTIMATED OVERLAPPING DEBT STATEMENT - Overlapping Tax Rates for 2018"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the cost of suit and sale, 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 (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership or conservatorship by the FDIC. See "INVESTMENT CONSIDERATIONS – The Effect of FIRREA on Tax Collections of the District."

GENERAL FUND OPERATIONS

General

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Surplus revenues, if any, of the District's general fund are not pledged to the payment of the Bonds but are available for any lawful purpose including payment of debt service on the Bonds, at the discretion and upon action of the Board. It is not expected that significant net revenue, if any, will be available for payment of debt service on the Bonds.

Contract Tax

Under the Master District Contract, each Participant District has agreed to levy and collect a tax (the "Contract Tax") to make payments to the Master District for (i) the Participant District's pro rata share of any operating deficits incurred by the Master District and (ii) the debt service on any bonds issued by the Master District for Regional Facilities payable from the Contract Tax ("Master District Bonds"), with the Participant District's pro rata share based on the Participant District's total taxable assessed valuation as compared to the total taxable assessed valuation in all eleven Participant Districts. However, the Master District Contract contemplates that the Master District would not issue Master District Bonds for purposes of reimbursing the Developer for the initial construction of the Regional Facilities. Thus, for the foreseeable future, the District contemplates levying a Contract Tax only for its pro rata share of the operating deficits of the Master District. The District levied a total tax of \$0.7500 per \$100 of Assessed Valuation for Tax Year 2018, as follows: \$0.44 for debt service tax, \$0.27 for contract tax and \$0.04 for maintenance tax.

District Operation and Maintenance Expense

Because the Master District provides retail water and sanitary sewer service to all customers in the area within all eleven Participant Districts, including the District, the District does not expect to incur significant operating expenses; rather it expects to mainly incur administrative expenses. The Master District Contract provides that the Master District will pay each Participant District's ordinary administrative expenses, including the District's, if approved by the Master District as part of an annual budget. The Master District Contract provides an annual budget process where each Participant District submits its budget for approval by the Master District. So long as a Participant District's expenses are no more than ten percent higher than the average of the budgets for Participant Districts Nos. 2-11, the budget must be approved by the Master District. In addition, the District may levy its own maintenance tax to pay such expenses. However, because the Master District provides retail water and sanitary sewer service to all customers in the area within all eleven Participant Districts, including the District, the District does not expect to have any revenues from water and sanitary sewer operations to pay its operation and expenses.

No Water and Sanitary Sewer Revenues

Because the Master District provides retail water and sanitary sewer service to all customers in the area within all eleven Participant Districts, including the District, the District does not expect to have any revenues from water and sanitary sewer operations to pay its operation and expenses.

Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements and the District's bookkeeping records. Reference is made to such statements and records for further and more complete information.

	Fiscal Year Ended September 30,		
	2017	2016	2015
Revenues:			
Transfer From Master District	\$ 64,518	\$ 41,038	\$ 32,344
Property Taxes	235,561	97,007	19,027
Contract Taxes	63,489	38,806	11,498
Interest	1,630	309	503
Total Revenues	<u>\$ 365,198</u>	<u>\$ 177,160</u>	<u>\$ 63,372</u>
Expenditures:			
Tax Transfer to Master District	\$ 63,489	\$ 38,806	\$ 11,498
Legal Fees	15,246	6,219	5,146
Audit Fees	4,000	4,000	
Accounting Fees	17,740	11,945	11,323
Engineering Fees	3,111	1,745	1,107
Management Fees	7,778	7,337	6,988
Director Salaries and Payroll Taxes	5,813	4,037	3,875
Insurance	874	824	874
Tax Assessor/Collector	5,092	2,575	489
Printing and Office Supplies	2,347	1,252	2,221
Postage and Delivery	205	96	42
Travel	2,311	1,008	770
Total Expenditures	<u>\$ 128,006</u>	<u>\$ 79,844</u>	<u>\$ 44,333</u>
Change in Net Position	<u>\$ 237,192</u>	<u>\$ 97,316</u>	<u>\$ 19,039</u>
Fund Balance/Net Position - Beginning	127,768	30,452	11,413
Net Revenues	<u>\$ 364,960</u>	<u>\$ 127,768</u>	<u>\$ 30,452</u>

DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 30-Sep	Outstanding Debt Service	The Bonds			Total Debt Service
		Principal	Interest	Total	
2019	\$ 577,636	\$ -	\$ 59,344	\$ 59,344	\$ 636,980
2020	576,624	25,000	75,225	100,225	676,849
2021	574,924	25,000	73,600	98,600	673,524
2022	571,721	30,000	71,975	101,975	673,696
2023	568,016	30,000	70,025	100,025	668,041
2024	563,809	30,000	68,075	98,075	661,884
2025	559,099	35,000	66,125	101,125	660,224
2026	553,769	35,000	63,850	98,850	652,619
2027	552,494	35,000	61,575	96,575	649,069
2028	545,719	35,000	59,913	94,913	640,631
2029	538,359	40,000	58,513	98,513	636,871
2030	535,589	40,000	56,913	96,913	632,501
2031	527,034	45,000	55,313	100,313	627,346
2032	522,856	45,000	53,513	98,513	621,369
2033	517,775	45,000	51,713	96,713	614,488
2034	512,319	50,000	49,913	99,913	612,231
2035	506,000	50,000	47,913	97,913	603,913
2036	498,400	55,000	45,913	100,913	599,313
2037	490,400	55,000	43,713	98,713	589,113
2038	312,000	150,000	41,513	191,513	503,513
2039	-	155,000	35,513	190,513	190,513
2040	-	165,000	29,119	194,119	194,119
2041	-	170,000	22,313	192,313	192,313
2042	-	175,000	15,088	190,088	190,088
2043	-	180,000	7,650	187,650	187,650
Total	\$ 10,604,541	\$ 1,700,000	\$ 1,284,313	\$ 2,984,313	\$ 13,588,854

Average Annual Debt Service (2019-2043)..... \$ 543,554

Maximum Annual Debt Service (2020)..... \$ 676,849

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LEGAL MATTERS

Legal Proceedings

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 the proceeds of an annual ad valorem tax levied, without legal 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 McCall, Parkhurst & Horton L.L.P. ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and 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 governmental immunity, bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel's legal opinion will also address the matters described below under "TAX EXEMPTION". Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District.

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

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

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

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 financial condition of the District from that set forth or contemplated in the Official Statement as amended or supplemented through the date of sale.

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, executed by both the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature is pending, or to its knowledge threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the levy, assessment and collection of ad valorem taxes to pay the interest or the principal of 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 or the title of the present officers of the District.

TAX EXEMPTION

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (2) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). Except as stated above, Bond Counsel to the District will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See “APPENDIX A – Form of Bond Counsel’s Opinion.”

In rendering its opinion, Bond Counsel to the District will rely upon (a) the District’s federal tax certificate and (b) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the District to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

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

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the facilities financed or refinanced with the proceeds of the Bonds. Bond Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the representations of the District that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM RECENTLY ENACTED LEGISLATION OR 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.

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation

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

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a “financial institution,” on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer’s taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a “financial institution” allocable to tax-exempt obligations, other than “private activity bonds,” that are designated by a “qualified small issuer” as “qualified tax-exempt obligations.” A “qualified small issuer” is any governmental issuer (together with any “on-behalf of” and “subordinate” issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term “financial institution” as any “bank” described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person’s trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to “qualified tax-exempt obligations” provided by section 265(b) of the Code, section 291 of the Code provides that the allowable deduction to a “bank”, as defined in section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase “qualified tax-exempt obligations” shall be reduced by twenty-percent (20%) as a “financial institution preference item.”

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

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by SAMCO Capital Markets (the "Initial Purchaser") bearing the interest rates shown on the cover page hereof, at a price of 97% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 4.393039% as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the prices at which the Bonds have been offered for sale to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker, or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial 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 at any time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over-allot or effect transactions that stabilize or maintain the market prices of the Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

Securities Laws

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

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PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this Official Statement has been obtained primarily from the District's records, the Developer, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from certain other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and its inclusion herein is not to be construed as a representation on the part of the District except as described below under "Certification of Official Statement." Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this Official Statement are included herein 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.

Financial Advisor

HilltopSecurities, Inc., ("HilltopSecurities") is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, including the Official Notice Of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, HilltopSecurities has compiled and edited this Official Statement. In addition to compiling and editing, the Financial Advisor has obtained the information set forth herein under the caption indicated from the following sources:

"THE DISTRICT" – the Developer; TRE & Associates, LLC. ("Engineer"), and records of the District ("Records"); "THE DEVELOPER" - Developer; "THE SYSTEM" - Engineer; "UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED" - Records; "FINANCIAL STATEMENT" - District records; "ESTIMATED OVERLAPPING DEBT STATEMENT" - Municipal Advisory Council of Texas and Financial Advisor; "TAX DATA" - City of El Paso Tax Assessor/Collector; "MANAGEMENT" - District Directors; "DEBT SERVICE REQUIREMENTS" - Financial Advisor; "THE BONDS," "LEGAL MATTERS," and "TAX EXEMPTION" - McCall, Parkhurst & Horton, L.L.P.

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

Consultants

In approving this Official Statement the District has relied upon the following consultants.

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

Appraisal District: The information contained in this Official Statement relating to the assessed valuations has been provided by the El Paso Central Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in El Paso County, including the District.

Tax Assessor/Collector: The information contained in this Official Statement relating to the historical breakdown of the Assessed Valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by the El Paso Central Appraisal District and the City of El Paso Tax Assessor/Collector and is included herein in reliance upon their respective authority as experts in assessing and collecting taxes.

Auditor: The District's financial statements for the fiscal year ending September 30, 2017 have been audited by West, Davis & Company, LLP. See "APPENDIX A" for a copy of the District's September 30, 2017, audited financial statements.

Updating the 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 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 as required by law (but not more than 90 days after the date the District delivers the Bonds).

Certification of Official Statement

The District, acting through its Board of Directors in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement 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 are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the official executing this certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission ("SEC") regarding the District's continuing disclosure obligations because the District has less than \$10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to payment of the Bonds. As required by the exemption, in the Bond Resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB") or to any successor to its functions as a repository through its Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided with respect to the District will be the District's audited financial statements and supplemental schedules as found in "APPENDIX A - District Audited Financial Statements." The District will update and provide this information within six months after the end of each of its fiscal years. The District will provide the updated information to the MSRB or any successor to its functions as a repository through the EMMA system. Any information concerning the District so provided shall be prepared in accordance with generally accepted auditing standards 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 of the District is not complete within such period, then the District shall provide unaudited financial statements for the applicable entity and fiscal year to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

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

Notice of Certain Events

The District will provide notice to the MSRB of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws: (1) non-payment related defaults; (2) modifications to rights of bondholders; (3) Bond redemption calls; (4) release, substitution, or sale of property securing repayment of the Bonds; (5) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and (6) appointment of a successor or additional trustee or the change of name of a trustee.

The District will also provide notice to the MSRB of any of the following events with respect to the Bonds without regard to whether such event is considered material within the meaning of the federal securities laws; (1) principal and interest payment delinquencies; (2) unscheduled draws on debt service reserves reflecting financial difficulties; (3) unscheduled draws on credit enhancements reflecting financial difficulties; (4) substitution of credit or liquidity providers, or their failure to perform; (5) adverse tax opinions or 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; (6) tender offers; (7) defeasances; (8) rating changes; and (9) bankruptcy, insolvency, receivership or similar event of the District (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District).

The District will provide notice of the aforementioned events to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event). The District will also provide timely notice of any failure by the District to provide annual financial information in accordance with its agreement described above under “Annual Reports.”

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through its EMMA internet portal at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement 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 type of operations of the District, but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may also amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with its previous continuing disclosure undertakings made in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

All estimates, statements and assumptions in this Official Statement and the Appendix 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.

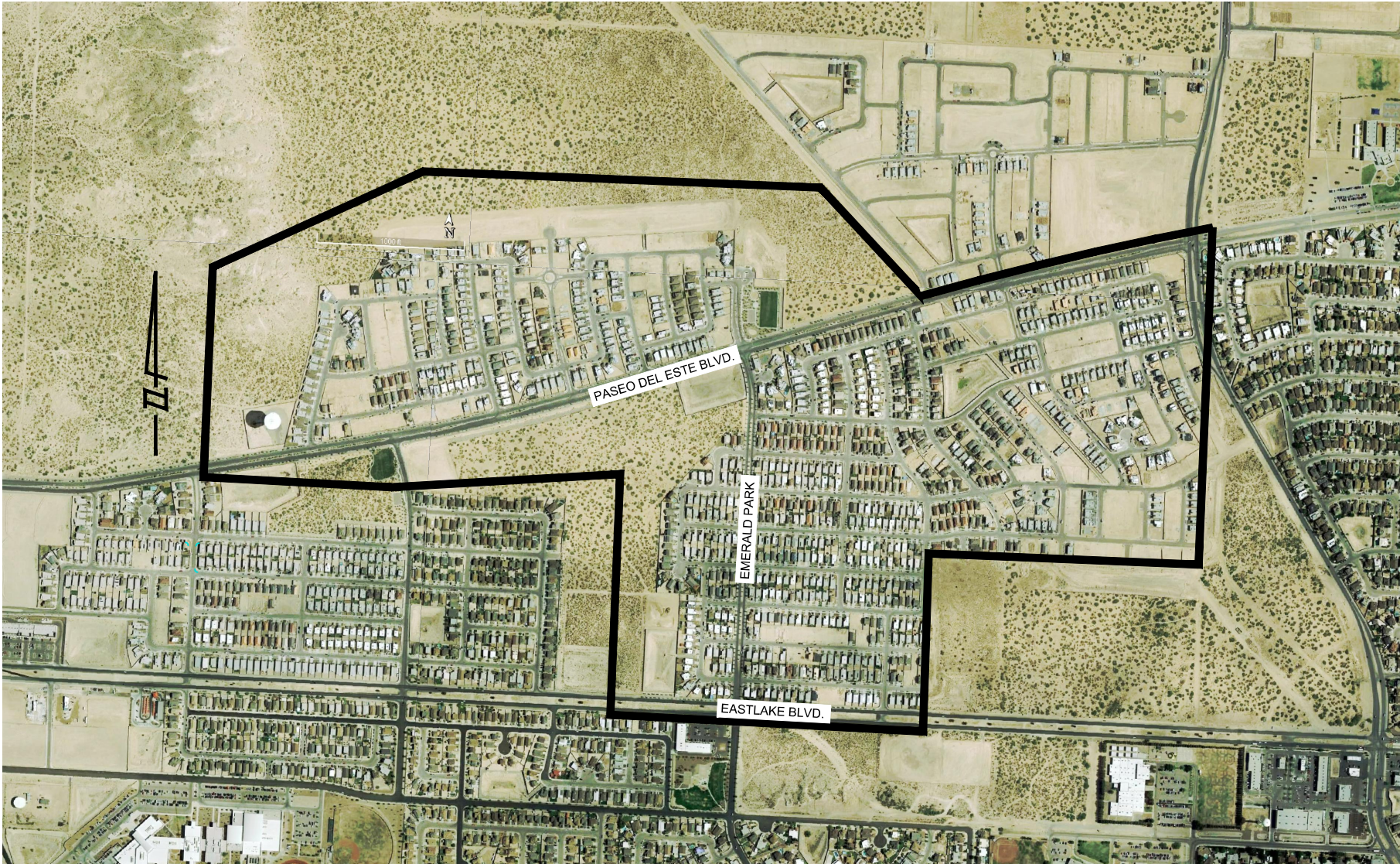
This Official Statement was approved by the Board of Directors of Paseo del Este Municipal Utility District No. 8, as of the date shown on the cover page.

/s/ MANUEL A. QUIÑONES
President, Board of Directors
Paseo del Este Municipal Utility District No. 8

ATTEST:

/s/ SUZAN SPURLIN
Secretary, Board of Directors
Paseo del Este Municipal Utility District No. 8

**AERIAL PHOTOGRAPH
(Approximate boundaries)**



PHOTOGRAPHS

The following photographs were taken in the District on October 11, 2018, solely to illustrate the type of improvements which have been constructed in the District. The District cannot predict if any additional improvements will be constructed in the future.



















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APPENDIX A

District Audited Financial Statements for the fiscal year ended September 30, 2017

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**PASEO DEL ESTE
MUNICIPAL UTILITY DISTRICT NO. 8
OF EL PASO COUNTY**

**FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2017**

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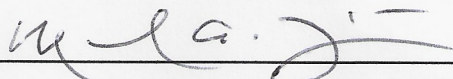
ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS
COUNTY OF EL PASO

I, MANUEL QUINONES of the Paseo del Este Municipal Utility District No. 8 of El Paso County hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 11th day of January, 2018, its annual audit report for the fiscal year ended September 30, 2017, and that copies of the annual report have been filed in the district office, located at c/o Ronald J. Freeman, 102 North Railroad Avenue, Pflugerville, Texas 78660.

The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

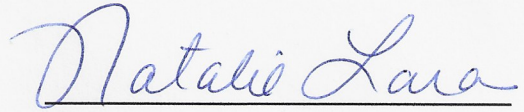
Date: January 11, 2018

By: 
(Signature of District Representative)

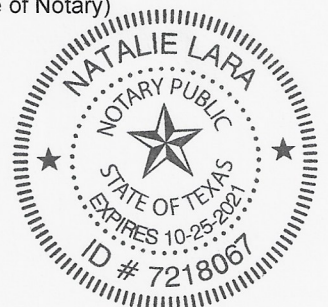
MANUEL QUINONES, PRESIDENT
(Typed Name & Title of above District Representative)

Sworn to and subscribed to before me this 11th day of January, 2018.

(SEAL)


(Signature of Notary)

My Commission Expires On: Oct. 25, 2021
Notary Public in and for the State of Texas.



**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY**
Annual Financial Report
For the Year Ended September 30, 2017

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FINANCIAL SECTION

WEST, DAVIS & COMPANY

A LIMITED LIABILITY PARTNERSHIP

Independent Auditor's Report

Board of Directors
Paseo del Este Municipal Utility District No. 8
Of El Paso County
El Paso, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Paseo del Este Municipal Utility District No. 8 of El Paso County (the District) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluation the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the District at September 30, 2017, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, 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.

Texas Commission on Environmental Quality Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplemental schedules required by the Texas Commission on Environmental Quality are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules required by the Texas Commission on Environmental Quality are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in our 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 supplemental schedules required by the Texas Commission on Environmental Quality are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The other information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

West, Davis + Company

Austin, Texas
December 31, 2017

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY**

**Management Discussion and Analysis
For the Year Ended September 30, 2017**

In accordance with Governmental Accounting Standards Board Statement 34 (“GASB 34”), the management of Paseo del Este Municipal Utility District No. 8 of El Paso County (the “District”) offers the following discussion and analysis to provide an overview of the District’s financial activities for the year ended September 30, 2017. Since this information is designed to focus on current year’s activities, resulting changes, and currently known facts, it should be read in conjunction with the District’s financial statements that follow.

FINANCIAL HIGHLIGHTS

- **General Fund:** The unassigned fund balance at the end of the year was approximately \$97 thousand which was an increase of \$337 thousand from the end of the previous year end. Revenue increased from \$177 thousand in the previous fiscal year to \$365 thousand in the current fiscal year primarily due to the increase in assessed value of property within the District.
- **Debt Service Fund:** This fund received \$185 thousand in bond proceeds and had an ending balance of \$152 thousand. The fund paid \$34 thousand in interest during the year.
- **Capital Projects Fund:** This fund received \$2,765 thousand in bond proceeds and had an ending balance of \$350 thousand. The fund acquired \$2,137 thousand in infrastructure facilities and incurred \$278 thousand in bond issuance costs during the year.
- **Governmental Activities:** On a Government-wide basis for governmental activities, the District had expenses in excess of revenue of approximately \$130 thousand. Net position decreased from \$128 thousand to \$(2) thousand. This decrease is primarily due to incurring bond issuance costs during the current fiscal year.

OVERVIEW OF THE DISTRICT

The District, a political subdivision of the State of Texas, was created by an Act of the Texas Legislature. The District was created and organized for the purpose of constructing water, sewer, and drainage facilities and providing water and sewer services to customers within the District. The District has entered into an agreement with Paseo del Este Municipal Utility District No. 1 (Paseo No. 1) under which Paseo No. 1 will serve as the “Master District” for the purpose of providing water acquisition, transportation and treatment, wastewater collection, transportation, treatment and disposal, and drainage facilities and services.

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY**

**Management Discussion and Analysis
For the Year Ended September 30, 2017**

USING THIS ANNUAL REPORT

The District's reporting is comprised of five parts:

- Management's Discussion and Analysis (this section)
- Basic Financial Statements
 - Statement of Net Position and Reconciliation to Governmental Funds Balance Sheet
 - Statement of Activities and Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds
- Notes to the Financial Statements
- Required Supplementary Information
- Texas Supplementary Information (required by the Texas Commission on Environmental Quality)

The Government-wide statements are reported using the flow of economic resources measurement focus and the full accrual basis of accounting. The Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

For purposes of GASB 34, the District is considered a special purpose government. This allows the District to present the newly required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "Governmental Funds Total" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the Statement of Net Assets and the Statement of Activities.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Statement of Net Position and Governmental Funds Balance Sheet includes a column (titled "Governmental Funds Total") that represents a balance sheet prepared using the modified accrual basis of accounting. The adjustments column converts those balances to a balance sheet that more closely reflects a private-sector business. Over time, increases or decreases in the District's net position will indicate financial health.

The Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances includes a column (titled "Governmental Funds Total") that derives the change in fund balances resulting from current year revenues, expenditures, and other financing sources or uses. These amounts are prepared using the modified accrual basis of accounting. The adjustments column converts those activities to full accrual, a basis that more closely represents the income statement of a private-sector business.

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY**

**Management Discussion and Analysis
For the Year Ended September 30, 2017**

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the information presented in the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances*.

The Required Supplementary Information presents a comparison statement between the District's adopted budget and its actual results.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Summary Statement of Net Position

	Governmental Activities (in thousands)		Increase (Decrease)
	September 2017	September 2016	
Current and Other Assets	\$ 883	\$ 151	\$ 732
Capital and Non-Current Assets	2,094	-	2,094
Total Assets	2,977	151	2,826
Current Liabilities	119	23	96
Long-Term Liabilities	2,860	-	2,860
Total Liabilities	2,979	23	2,956
Net Investment in Capital Assets	(870)	-	(870)
Nonspendable	28	-	28
Restricted	503	-	503
Unassigned	337	128	209
Total Net Position	\$ (2)	\$ 128	\$ (130)

The District's total assets were approximately \$3.0 million as of September 30, 2017. Of this amount, approximately \$841 thousand is accounted for by cash and short-term investments. The District had outstanding liabilities of approximately \$3.0 million. The District's unassigned net assets, which can be used to finance day to day operations, totaled \$337 thousand.

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY**

**Management Discussion and Analysis
For the Year Ended September 30, 2017**

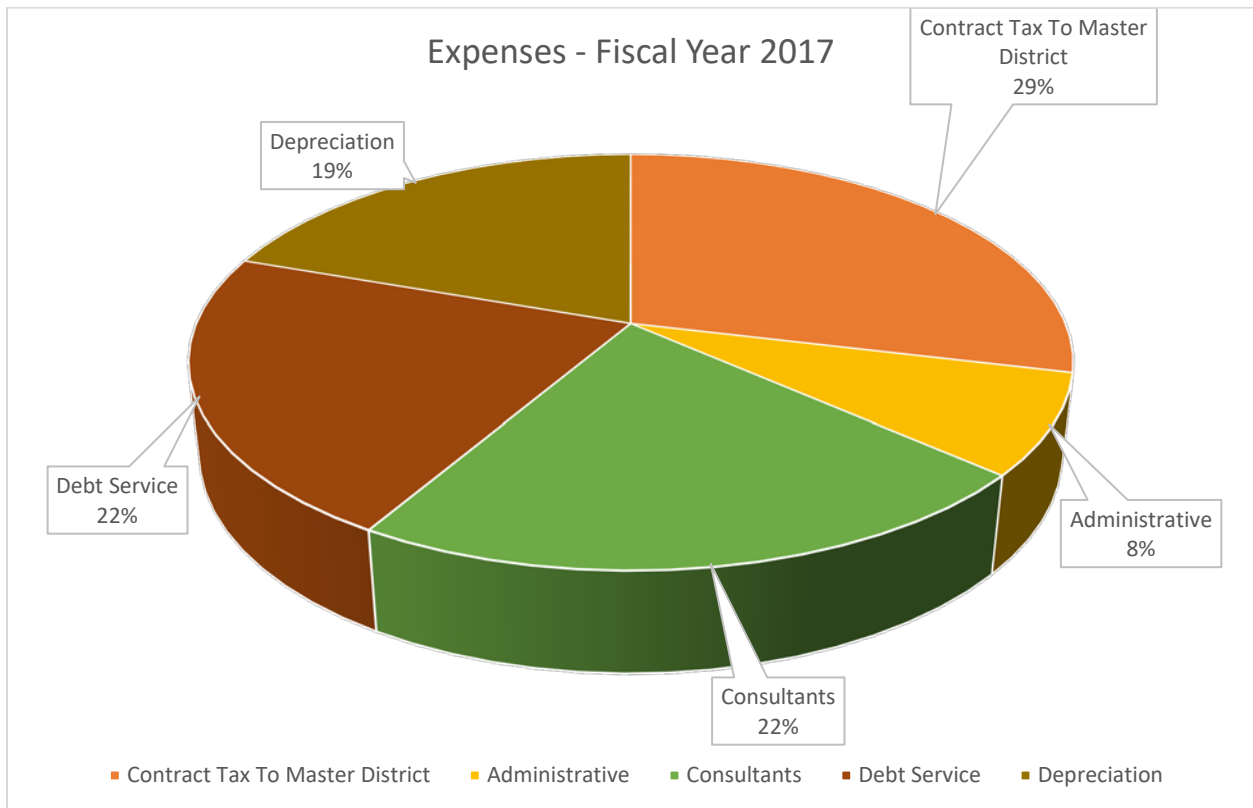
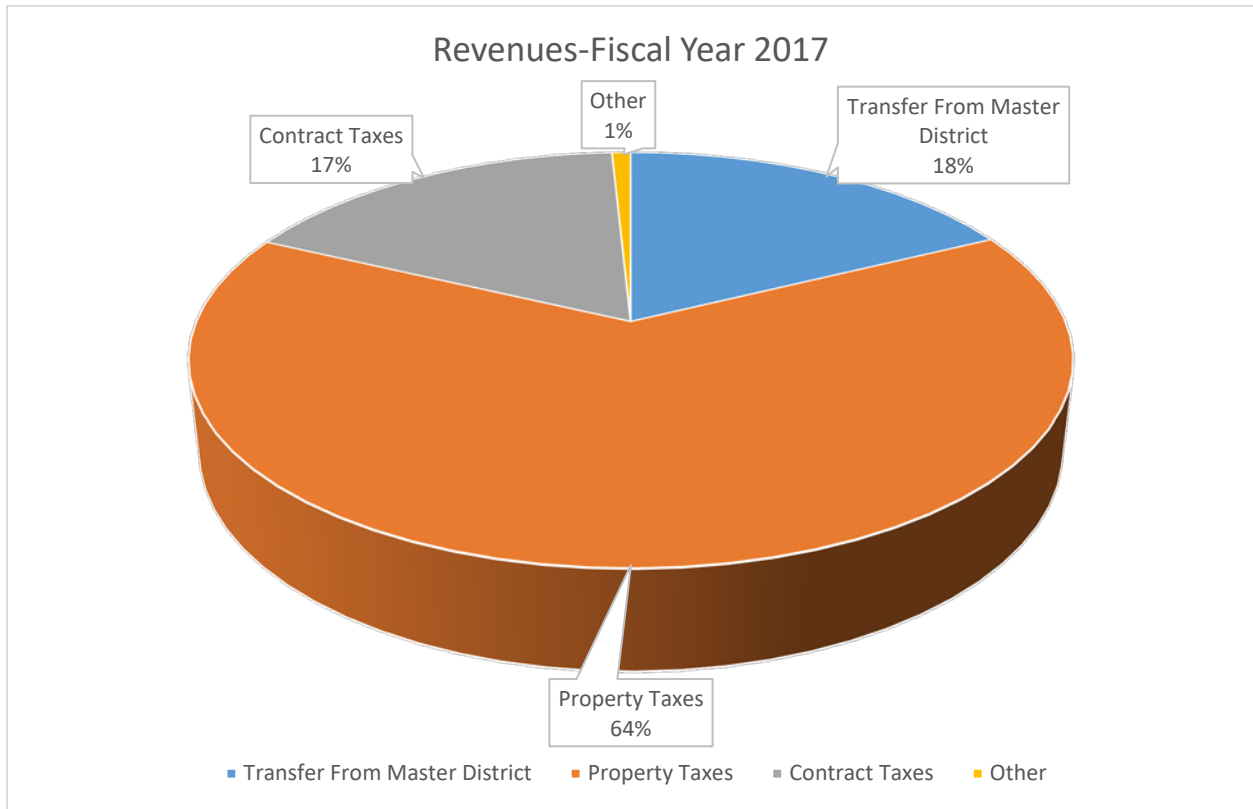
Summary Statement of Activities

	Governmental Activities (in thousands)		Increase (Decrease)
	2017	2016	
Transfer From Master District	\$ 65	\$ 41	\$ 24
Property Taxes	236	97	139
Contract Taxes	63	39	24
Other	3	1	2
Total Revenues	367	178	189
Contract Tax To Master District	63	39	24
Administrative	17	10	7
Consultants	48	31	17
Debt Service	48	-	48
Depreciation	43	-	43
Total Expenses	219	80	139
Other Financing Sources (Uses)	(278)	-	(278)
Change In Net Position	(130)	98	(228)
Beginning Net Position	128	30	98
Ending Net Position	\$ (2)	\$ 128	\$ (130)

Revenues were approximately \$367 thousand for the year ended September 30, 2017. Expenses were approximately \$497 thousand including Other Financing Uses for the year ended September 30, 2017. Net assets decreased about \$130 thousand primarily due to bond issuance costs. The following charts summarize the sources of revenue and areas of expenses.

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY**

**Management Discussion and Analysis
For the Year Ended September 30, 2017**



**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY**

**Management Discussion and Analysis
For the Year Ended September 30, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUND LEVEL STATEMENTS

In comparison to the Government-wide statements, the Fund-level statements focus on the key funds of the District. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The District reports the following types of Governmental funds: General Fund, Debt Service Fund and Capital Projects Fund. The focus of the District's Governmental funds is to provide information on near-term inflows, outflows, and available resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available at the end of the fiscal year.

Summary Balance Sheet

	Governmental Activities (in thousands)		Increase (Decrease)
	September 2017	September 2016	
Cash and Investments	\$ 841	\$ 116	\$ 725
Accounts Receivable	24	6	18
Prepaid Expenses	28	29	(1)
Total Assets	893	151	742
Accounts Payable	26	23	3
Unrealized Revenue	-	-	-
Total Liabilities	26	23	3
Nonspendable	28	-	28
Restricted For Debt Service	152	-	152
Restricted For Capital Projects	350	-	350
Unassigned	337	128	209
Total Fund Balances	867	128	739
Total Liabilities and Fund Balances	\$ 893	\$ 151	\$ 742

The General Operating Fund, which pays for daily operating expenses, has a balance of \$337 thousand at the end of the current fiscal year. This is an increase of \$209 thousand over the prior fiscal year.

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY**

**Management Discussion and Analysis
For the Year Ended September 30, 2017**

The Debt Service Fund increased from \$-0- to \$152 thousand during the current fiscal year.

The Capital Projects Fund increased from \$-0- to \$350 thousand during the current fiscal year.

BUDGETARY HIGHLIGHTS

The Board of Directors adopted the fiscal year 2017 annual budget for the General Fund on September 9, 2016. The budget included revenues of \$338 thousand and expenditures of \$111 thousand. Actual revenue amounted to \$365 thousand and expenditures of \$128 thousand. More detailed information about the District’s budgetary comparison is presented in the Required Supplementary Information section.

CAPITAL ASSETS

The District acquired approximately \$2.1 million of the utility infrastructure assets serving the District’s residents during the year. Below is a summary of the District’s capital assets.

Summary of Capital Assets

	Governmental Activities		Increase (Decrease)
	(in thousands)		
	September 2017	September 2016	
Water, Wastewater and Drainage	\$ 2,137	\$ -	\$ 2,137
Accumulated Depreciation	(43)	-	(43)
Total Capital Assets (Net)	\$ 2,094	\$ -	\$ 2,094

LONG TERM DEBT

The District issued \$2.950 million in unlimited tax bonds during the year. Bonded indebtedness of the District at year end was \$2.950 million. More detailed information about the District’s long-term debt is presented in the Notes to the Basic Financial Statements.

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY**

**Management Discussion and Analysis
For the Year Ended September 30, 2017**

ECONOMIC FACTORS

The taxable assessed value of property within the District as of January 1, 2017 has been fixed by the El Paso County Appraisal District at \$84 million. The tax rates adopted by the District on September 15, 2017 for the coming fiscal year are \$0.09 for maintenance and operations, \$0.36 for contract tax and \$0.30 for debt service. The District expects this to produce \$600 thousand in total property tax revenue for next year. The adopted budget for fiscal year 2017 projects a small increase in the operating fund balance.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District in care of Ronald J. Freeman, 102 North Railroad, Pflugerville, Texas 78660.

BASIC FINANCIAL STATEMENTS

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY**

**STATEMENT OF NET POSITION
AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2017**

	<u>GOVERNMENTAL FUNDS</u>				<u>ADJUST- MENTS</u>	<u>STATEMENT OF NET POSITION</u>
	<u>GENERAL</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL</u>		
<u>ASSETS</u>						
Cash	\$ 14,960	\$ -	\$ -	\$ 14,960	\$ -	\$ 14,960
Investments	313,718	151,811	360,695	826,224	-	826,224
Taxes Receivable	-	-	-	-	-	-
Accrued Interest Receivable	451	-	-	451	-	451
Prepaid Costs	28,186	-	-	28,186	-	28,186
Due from Affiliated District	13,091	-	-	13,091	-	13,091
Due from Other Funds	10,081	-	-	10,081	(10,081)	-
Water/WW/Drainage System (Net)	-	-	-	-	2,093,978	2,093,978
Total Assets	<u>\$ 380,487</u>	<u>\$ 151,811</u>	<u>\$ 360,695</u>	<u>\$ 892,993</u>	<u>\$ 2,083,897</u>	<u>\$ 2,976,890</u>
<u>LIABILITIES AND FUND EQUITY</u>						
Liabilities:						
Accounts Payable	\$ 15,527	\$ -	\$ -	\$ 15,527	\$ 13,414	\$ 28,941
Deferred Inflow of Resources-Taxes	-	-	-	-	-	-
Due to Other Funds	-	-	10,081	10,081	(10,081)	-
Due to Affiliated District	-	-	-	-	-	-
Bonds Payable in less than one year	-	-	-	-	90,000	90,000
Bonds Payable in more than one year	-	-	-	-	2,860,000	2,860,000
Total Liabilities	<u>15,527</u>	<u>-</u>	<u>10,081</u>	<u>25,608</u>	<u>2,953,333</u>	<u>2,978,941</u>
Fund Equity:						
Nonspendable	28,186	-	-	28,186	(28,186)	-
Restricted for Debt Service	-	151,811	-	151,811	(151,811)	-
Restricted for Capital Projects	-	-	350,614	350,614	(350,614)	-
Unassigned	336,774	-	-	336,774	(336,774)	-
Total Fund Equity	<u>364,960</u>	<u>151,811</u>	<u>350,614</u>	<u>867,385</u>	<u>(867,385)</u>	<u>-</u>
Total Liabilities & Fund Equity	<u>\$ 380,487</u>	<u>\$ 151,811</u>	<u>\$ 360,695</u>	<u>\$ 892,993</u>		
Net Position:						
Nonspendable					28,186	28,186
Net Investment in Capital Assets					(869,436)	(869,436)
Restricted for Debt Service					151,811	151,811
Restricted for Capital Projects					350,614	350,614
Unassigned					336,774	336,774
Total Net Position					<u>\$ (2,051)</u>	<u>\$ (2,051)</u>

The notes to financial statements are an integral part of this statement.

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY**

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>GOVERNMENTAL FUND TYPES</u>				<u>ADJUST- MENTS</u>	<u>STATEMENT OF ACTIVITIES</u>
	<u>GENERAL</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL</u>		
<u>REVENUES</u>						
Transfer From Master District	\$ 64,518	\$ -	\$ -	\$ 64,518	\$ -	\$ 64,518
Property Taxes	235,561	-	-	235,561	(109)	235,452
Contract Taxes	63,489	-	-	63,489	-	63,489
Interest	1,630	742	1,320	3,692	-	3,692
TOTAL REVENUES	365,198	742	1,320	367,260	(109)	367,151
<u>EXPENDITURES</u>						
Current:						
Contract Tax To Master District	63,489	-	-	63,489	-	63,489
Legal Fees	15,246	-	-	15,246	-	15,246
Audit Fees	4,000	-	-	4,000	-	4,000
Accounting Fees	17,740	-	-	17,740	-	17,740
Engineering Fees	3,111	-	-	3,111	-	3,111
Management Fees	7,778	-	-	7,778	-	7,778
Director Salaries and Payroll Taxes	5,813	-	-	5,813	-	5,813
Insurance	874	-	-	874	-	874
Tax Assessor/Collector	5,092	-	-	5,092	-	5,092
Printing and Office Supplies	2,347	-	-	2,347	-	2,347
Postage and Delivery	205	-	-	205	-	205
Travel	2,311	-	-	2,311	-	2,311
Fiscal Agent Fees	-	-	-	-	-	-
Interest	-	34,334	-	34,334	13,414	47,748
Principal	-	-	-	-	-	-
Depreciation	-	-	-	-	42,734	42,734
Capital Expenditures	-	-	2,136,712	2,136,712	(2,136,712)	-
TOTAL EXPENDITURES	128,006	34,334	2,136,712	2,299,052	(2,080,564)	218,488
<u>OTHER FINANCING SOURCES (USES)</u>						
Bond Proceeds	-	185,403	2,764,597	2,950,000	(2,950,000)	-
Bond Issuance Costs	-	-	(278,591)	(278,591)	-	(278,591)
Transfers To Other Funds	-	-	-	-	-	-
NET OTHER SOURCES (USES)	-	185,403	2,486,006	2,671,409	(2,950,000)	(278,591)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures	237,192	151,811	350,614	739,617	(739,617)	-
Change in Net Position					(129,928)	(129,928)
Fund Balance/Net Position-Beginning	127,768	-	-	127,768	109	127,877
Fund Balance/Net Position-Ending	\$ 364,960	\$ 151,811	\$ 350,614	\$ 867,385	\$ (869,436)	\$ (2,051)

The notes to financial statements are an integral part of this statement.

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY
Notes to the Financial Statements
For the Year Ended September 30, 2017**

1. Summary of Significant Accounting Policies

The basic financial statements of Paseo del Este Municipal Utility District No. 8 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the accounting policies are described below.

Paseo del Este Municipal Utility District No. 8 of El Paso County (the District), a political subdivision of the State of Texas, was created by an Act of the Texas Legislature. The District was created and organized for the purpose of constructing water, sewer, and drainage facilities and providing water and sewer services to customers within its boundaries and in the surrounding area. The District has entered into an agreement with Paseo del Este Municipal Utility District No. 1 (Paseo No. 1) under which Paseo No. 1 will serve as the “Master District” for the purpose of providing water acquisition, transportation and treatment, wastewater collection, transportation, treatment and disposal, and drainage facilities and services. Under the terms of this agreement Paseo #1 has agreed to provide retail water and wastewater service to customers in the District and reimburse all of the District’s operating expenses in exchange for a commitment from the District to levy an ad valorem tax (contract tax) on property within the District to fund the District’s share of certain costs of Paseo #1 not provided for by retail revenues.

These financial statements report the financial activity of Paseo del Este Municipal Utility District No. 8. The reporting entity of the District encompasses those activities and functions over which the District’s elected officials exercise significant oversight or control. The District is governed by a five-member Board of Directors (the Board). The funds and account groups presented in this report are within the oversight responsibility of the Board, in accordance with Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting. There are no component units of the District, nor is the District a component unit of any other entity.

A. Basis of Presentation, Basis of Accounting

In accordance with GASB Statement No. 34, the District has elected to combine their Government-wide and Governmental Fund Financial Statements into one set of financial statements with a reconciliation of the individual line items in a separate column on the financial statements.

Government-wide Financial Statements:

The **Statement of Net Position** and the **Statement of Activities** include the financial activities of the overall government. Governmental activities are generally financed through property taxes.

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY
Notes to the Financial Statements
For the Year Ended September 30, 2017**

1. Summary of Significant Accounting Policies (continued)

The **Statement of Activities** presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Fund Financial Statements:

The governmental fund financial statement columns are labeled **Governmental Funds Balance Sheet** and **Governmental Funds Revenue, Expenditures and Changes in Fund Balance**. In the fund financial statements, the accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Debt Service Fund: The Debt Service Fund is used to account for the accumulation of financial resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Fund: The Capital Projects Fund is used to account for the acquisition or construction of major capital facilities. Principal sources of revenue are municipal long-term debt proceeds and interest income.

B. Measurement Focus, Basis of Accounting

The Government-wide financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources management focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year end to be available in the current period. Revenues from local sources consist primarily of property taxes. Miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long term debt,

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY
Notes to the Financial Statements
For the Year Ended September 30, 2017**

1. Summary of Significant Accounting Policies (continued)

which is recognized as an expenditure to the extent that it has matured. General capital asset acquisitions are reported as expenditures in major governmental funds. Proceeds of general long-term debt are reported as other financing sources.

C. Fund Balances

The District has adopted GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable – Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed – Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned – For the General Fund, amounts that are appropriated by the Board or Board designee, if any, that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned – Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board has not delegated the authority to assign fund balance.

D. Budget

The Board adopted an annual budget for the General Fund on the basis consistent with generally accepted accounting principles. The District's Board of Directors utilizes the budget as a management tool for planning and cost control purposes. All annual appropriations lapse at fiscal year end.

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY
Notes to the Financial Statements
For the Year Ended September 30, 2017**

1. Summary of Significant Accounting Policies (continued)

E. Pensions

The District has not established a pension plan.

F. Cash and Cash Equivalents

These include cash on deposit as well as investments with maturities of three months or less at the time of purchase.

G. Capital Assets

Capital assets, which include Administrative Facilities and Equipment, Common and Recreation Areas, Water Production and Distribution System, Wastewater Collection System, Water Quality Ponds and Organizational Costs are reported in the Government-wide column in the Statement of Net Assets. Public domain (“infrastructure”) capital assets including water, wastewater and drainage systems, are capitalized as acquired. Items purchased or acquired are reported at historical cost or estimated historical cost. Contributed fixed assets are recorded as capital assets at estimated fair market value at the time received.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Water/Wastewater/Drainage System	50

H. Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivable and payables if there is intent to repay that amount and if the debtor fund has the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY
Notes to the Financial Statements
For the Year Ended September 30, 2017**

1. Summary of Significant Accounting Policies (continued)

I. Long-Term Debt

Unlimited tax bonds, which will be issued in the future to acquire capital assets, are to be repaid from tax revenues of the District.

In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs are expensed as incurred.

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

J. Deferred Outflows and Inflows of Resources

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period. GASB Statement No. 63 became effective for fiscal years beginning after December 15, 2011 and has been implemented in the financial statements.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 is effective for fiscal years beginning after December 15, 2012 and has been implemented in these financial statements.

2. Cash and Investments

The investment policies of the District are governed by State statute and an adopted District Investment Policy that includes depository contract provisions and custodial contract provisions. Major provisions of the District's Investment Policy include: depositories must be FDIC-insured Texas banking institutions; depositories must fully insure or collateralize all demand and time deposits; securities collateralizing time deposits are held by independent third-party trustees.

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY
Notes to the Financial Statements
For the Year Ended September 30, 2017**

2. Cash and Investments (continued)

Cash – At year end, deposits were held by the District’s depository bank in accounts that were secured at the balance sheet date by Federal Deposit Insurance Corporation (FDIC) coverage or by pledged collateral held by the District’s agent bank in the District’s name.

Investments - The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity’s funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act (“Act”) requires an annual audit of investment practices. Audit procedures in this area conducted as part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirement of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restriction, (1) obligations of the US Treasury, certain US Agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) banker’s acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Not all assets meeting the definition of an investment are required to be reported at fair value. Including among excepted investments are certain investments held by 2a7-like external investments pools. As detailed below the District has invested funds in specific 2a7-like external investment pools that are valued at amortized cost and not subject to the fair value hierarchy levels.

The District’s investments at year end are shown below.

<u>Investment</u>	<u>Fair Value</u>			<u>Fair Value</u>
	<u>Level</u>	<u>Rating</u>	<u>Maturity</u>	
TexPool	N/A	AAAm	1 days average	\$ 626,224
CDs	2	AAA	30 days average	\$ 200,000

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY
Notes to the Financial Statements
For the Year Ended September 30, 2017**

2. Cash and Investments (continued)

Analysis of Specific Cash and Investment Risks – GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and, if so, the reporting of certain related disclosures.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

At year end, the District's investments, other than those which are obligations of or guaranteed by the US Government, are rated as to credit quality as detailed above.

Custodial Credit Risk – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterpart or the counterpart's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

Concentration of Credit Risk – This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

Foreign Currency Risk – This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy – The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY
Notes to the Financial Statements
For the Year Ended September 30, 2017**

2. Cash and Investments (continued)

Public Funds Investment Pools – Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the “Act”), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the Pool and other person who do not have a business relationship with the Pool and are qualified to advise the Pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least on nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio with one half of one percent of the value of its shares.

The District’s investments in Pools are reported at an amount determined by the fair value per share of the Pool’s underling portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like Pool is one which is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940.

TexPool – The District invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor’s and operates in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at www.ttstc.org.

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY
Notes to the Financial Statements
For the Year Ended September 30, 2017**

3. Property Taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus delinquent collection fees for attorney costs.

At an election held within the District on May 12, 2012, voters authorized the District to levy an annual ad valorem tax on all taxable property within the District for operation and maintenance purposed and to make certain payments required pursuant to contracts with Paseo #1. Voters also authorized the levy of a maintenance tax not to exceed \$1.00 per \$100.00 valuation. Property taxes were levied by the District for the 2016-17 fiscal year at the rate of \$0.5908 per hundred assessed value for maintenance and operations, \$0.00 per hundred assessed value for debt service and \$0.1592 per hundred assessed value for contract tax. The District agreed to remit \$0.1592 per hundred assessed value, the contract tax, to the Master District under its cost sharing and utility capacity agreement. Uncollected property taxes amounted to \$-0- at the end of the year.

4. Capital Assets

During the year, the District acquired Water, Wastewater and Drainage facilities serving the District's residents. These facilities were acquired at a cost of \$2,136,712. The facilities are being depreciated over their estimated useful life of 50 years. Depreciation in the amount of \$42,734 has been charged to system operations for the year. Accumulated depreciation to date amounts to \$42,734 leaving a net book value of \$2,093,978.

A summary of changes in capital assets follows:

	Balance			Balance
	10/1/2016	Additions	Deletions	9/30/2017
<u>Capital Assets:</u>				
Water WW & Drainage	\$ -	2,136,712	-	\$ 2,136,712
Total	-	2,136,712	-	2,136,712
<u>Accumulated Depreciation:</u>				
Water WW & Drainage	-	(42,734)	-	(42,734)
Total	-	(42,734)	-	(42,734)
Total Capital Assets (Net)	\$ -	2,093,978	-	\$2,093,978

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY
Notes to the Financial Statements
For the Year Ended September 30, 2017**

5. Bonds

At an election held within the District on May 12, 2012, voters authorized a total of \$27,000,000 combination unlimited tax and revenue bonds for the purpose of purchasing, constructing, acquiring, owning, improving, extending, maintaining, repairing, or operating a waterworks system, a sanitary sewer system, and a drainage and storm water system for the District.

In April 2017 the District issued \$2,950,000 in unlimited tax bonds and used the proceeds to acquire infrastructure facilities from developers.

These bonds are described as follows:

<u>Issue</u>	<u>Original Issue Amount</u>	<u>Installments (In Thousands)</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Outstanding</u>
Series 2017	\$2,950,000	\$90 to 840	2037	2.000 – 4.000%	\$2,950,000

Redemption

Series 2017 Bonds maturing on or after August 15, 2028, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time, in part, on August 15, 2027, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Bonds maturing after August 15, 2037 are subject to mandatory sinking fund redemption.

Debt Service Requirements

Debt service requirements on long-term debt as of the end of the year are as follows:

<u>Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 90,000	\$ 101,313	\$ 191,313
2019	95,000	99,513	194,513
2020	100,000	97,613	197,613
2021	105,000	95,613	200,613
2022	110,000	92,463	202,463
2023-2027	630,000	409,490	1,039,490
2028-2032	795,000	293,227	1,088,227
2033-2037	1,025,000	126,538	1,151,538
2038-2042	-0-	-0-	-0-
Totals	<u>\$2,950,000</u>	<u>\$1,315,770</u>	<u>\$4,265,770</u>

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY
Notes to the Financial Statements
For the Year Ended September 30, 2017**

6. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the year, the District obtained liability coverage.

7. Contingencies

The District has an obligation to reimburse developers of property in the District costs expended on behalf of the District for the construction of water, sewer and drainage systems designed to serve the District. Since the construction of these facilities is not yet complete, the ultimate amount of the future reimbursements cannot be determined at this time.

8. Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

9. Subsequent Events

The District has evaluated subsequent events as of December 31, 2017, the date the financial statements were available to be issued. In November 2017 the District issued an additional \$5,000,000 in unlimited tax bonds and used the proceeds to acquire additional infrastructure assets.

10. Reconciliation of Government-wide and Fund Financial Statements

Amounts reported for governmental activities in the statement of net position are different because:

Governmental Funds Total Fund Balances	\$ 867,385
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	2,093,978
Long-term liabilities (bonds payable) are not due and payable in the current period and, therefore, are not reported in the funds	(2,950,000)
Interest is accrued on outstanding debt in the government-wide statements, whereas in the governmental funds, an interest expenditure is reported when made and not accrued in the funds	(13,414)
Deferred tax revenue is not available to pay for current period expenditures and, therefore, is deferred in the funds	-
Total Net Position	\$ (2,051)

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY
Notes to the Financial Statements
For the Year Ended September 30, 2017**

10. Reconciliation of Government-wide and Fund Financial Statements (continued)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental Funds Excess of Revenues over Expenditures	\$ 739,617
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds	
Change in Deferred Tax Revenue	(109)
Governmental funds report capital outlays as expenditures however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense	
Capital Outlay	2,136,712
Depreciation Expense	(42,734)
Governmental funds report principal payments as expenditures however, in the Statement of Activities, these payments are not reported as operating expenses	
Bond Principal	-
Governmental funds do not report the change in accrued interest as an expenditure, however, in the Statement of Activities, this change in the amount accrued is reported as an expense	
Accrued Interest	(13,414)
Bond Proceeds are reported as other financing sources in the governmental funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities	
Bond Proceeds	<u>(2,950,000)</u>
Change in Net Position	<u><u>\$ (129,928)</u></u>

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REQUIRED SUPPLEMENTARY INFORMATION

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GENERAL FUND
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>FAVORABLE (UNFAVORABLE)</u>
REVENUES				
Transfer From Master District	\$ 49,819	\$ 49,819	\$ 64,518	\$ 14,699
Property Taxes	226,865	226,865	235,561	8,696
Contract Taxes	61,132	61,132	63,489	2,357
Interest	-	-	1,630	1,630
TOTAL REVENUES	<u>337,816</u>	<u>337,816</u>	<u>365,198</u>	<u>27,382</u>
EXPENDITURES				
Current:				
Contract Tax Transfer To Master District	61,132	61,132	63,489	(2,357)
Legal Fees	7,500	7,500	15,246	(7,746)
Audit Fees	4,500	4,500	4,000	500
Accounting Fees	16,400	16,400	17,740	(1,340)
Engineering Fees	2,500	2,500	3,111	(611)
Management Fees	7,644	7,644	7,778	(134)
Director Salaries and Payroll Taxes	5,000	5,000	5,813	(813)
Insurance	875	875	874	1
Tax Assessor/Collector	2,500	2,500	5,092	(2,592)
Printing & Office Supplies	2,350	2,350	2,347	3
Postage & Delivery	100	100	205	(105)
Travel	500	500	2,311	(1,811)
Miscellaneous	-	-	-	-
Capital Expenditures	-	-	-	-
TOTAL EXPENDITURES	<u>111,001</u>	<u>111,001</u>	<u>128,006</u>	<u>(17,005)</u>
Transfer (to) Other Funds	-	-	-	-
Excess (Deficit) of Revenues over Expenditures	226,815	226,815	237,192	10,377
Fund Balance - Beginning of Year	<u>127,768</u>	<u>127,768</u>	<u>127,768</u>	<u>-</u>
Fund Balance - End of Year	<u><u>\$ 354,583</u></u>	<u><u>\$ 354,583</u></u>	<u><u>\$ 364,960</u></u>	<u><u>\$ 10,377</u></u>

The notes to financial statements are an integral part of this statement.

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

SUPPLEMENTARY INFORMATION

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY**

**INDEX OF SUPPLEMENTAL SCHEDULES REQUIRED
BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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

- [√] Schedule of Services and Rates
- [√] Schedule of General Fund Expenditures
- [√] Temporary Investments
- [√] Analysis of Taxes Levied and Receivable
- [√] General Long Term Debt Service Requirements by Years
- [√] Analysis of Changes in General Long Term Debt
- [√] Comparative Schedule of Revenues and Expenditures - General Fund
- [√] Comparative Schedule of Revenues and Expenditures – Debt Service Fund
- [√] Board Members, Key Personnel, and Consultants

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY**

**SERVICES AND RATES
SEPTEMBER 30, 2017**

1. Services Provided by the District (contractually through Master District):

Retail Water Drainage Solid Waste
Retail Wastewater Parks

2. Retail Rates Based on 5/8” Meter

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per first 1000 Gallons Over Minimum	Rate per add'l 1000 Gallons Over Minimum
Water:	n/a	n/a	n/a	n/a	n/a
Wastewater:	n/a	n/a	n/a	n/a	n/a
Surcharge:	n/a	n/a	n/a	n/a	n/a

Total water and wastewater charges per 10,000 gallons usage: n/a

3. Retail Service Provided: Number of retail water and/or wastewater connections.

	Active Connections	Active EFSC	Inactive Connections (EFSC)
Single Family & Total			
Water	n/a	n/a	n/a
Wastewater	n/a	n/a	n/a

4. Total Water Consumption (in thousands) During the Year:

Gallons pumped into system: n/a
Gallons billed to customers: n/a

5. Standby Fees: The District does not assess standby fees.

6. Anticipated sources of funds to be used for debt service payments: Ad Valorem taxes

7. Location of District:

The District is located entirely within El Paso County.
The District is not located within any city.
The District is located within the City of El Paso ETJ
The general membership of the Board is not appointed by an office outside the District.

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY**

**SCHEDULE OF GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Current:

Purchased Services for Resale

Water	\$ -
Wastewater	-
Connection Fees	-
	-

Professional Fees

Audit	4,000
Engineering	3,111
Legal	15,246
	22,357

Contracted Services

Accounting	17,740
Management	7,778
Tax Appraisal/Collection	5,092
	30,610

Utilities

Solid Waste Disposal	-
	-

Administrative

Director Salaries and Payroll Taxes	5,813
Insurance	874
Printing and Office Supplies	2,347
Postage and Delivery	205
Travel	2,311
	11,550

Maintenance

Landscape Maintenance	-
Repairs and Maintenance	-
Pond Maintenance	-
	-

Master District Expenses

Contract Tax Transfer To Master District	63,489
	63,489

TOTAL EXPENDITURES	\$ 128,006
---------------------------	-------------------

Number of persons employed by the District: -0-

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY**

**TEMPORARY INVESTMENTS
SEPTEMBER 30, 2017**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
State Investment Pool	7937300001	0.9900%	N/A	\$ 113,718	\$ -
Certificate of Deposit-Pioneer Bank	80000523	0.6500%	11/6/2017	100,000	255
Certificate of Deposit-Texas Capital Bank	3116003404	0.5000%	10/6/2017	<u>100,000</u>	<u>196</u>
Total				<u>313,718</u>	<u>451</u>
<u>DEBT SERVICE FUND</u>					
State Investment Pool	7937300003	0.9900%	N/A	<u>151,811</u>	<u>-</u>
Total				<u>151,811</u>	<u>-</u>
<u>CAPITAL PROJECTS FUND</u>					
State Investment Pool	7937300004	0.9900%	N/A	<u>360,695</u>	<u>-</u>
Total				<u>360,695</u>	<u>-</u>
TOTALS - ALL FUNDS				<u><u>\$ 826,224</u></u>	<u><u>\$ 451</u></u>

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY**

**ANALYSIS OF TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>GENERAL FUND</u>			<u>DEBT SERVICE TAXES</u>	<u>TOTALS</u>
	<u>MAINTENANCE TAXES</u>	<u>CONTRACT TAXES</u>			
Taxes Receivable, Beginning of Period	\$ 78	\$ 30	\$ -	\$ 108	
2016 Original Levy	235,156	63,366	-	298,522	
Adjustments	44	13	-	57	
Add: Penalty & Interest	283	80	-	363	
 Total to be accounted for	<u>235,561</u>	<u>63,489</u>	<u>-</u>	<u>299,050</u>	
 Tax collections:					
Current year	235,483	63,459	-	298,942	
Prior years	78	30	-	108	
Total Collections	<u>235,561</u>	<u>63,489</u>	<u>-</u>	<u>299,050</u>	
 Taxes Receivable, End of Period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Property Valuations:					
Land & Improvements	<u>39,802,991</u>	<u>17,993,700</u>	<u>4,098,694</u>	<u>1,807,891</u>	<u>631,257</u>
 Tax Rates Per \$100 Valuation:					
Debt Service tax rates	\$ -	\$ -	\$ -	\$ -	\$ -
Contract Tax tax rates	0.1592	0.2143	0.2825	0.2995	0.2956
Maintenance tax rates	0.5908	0.5357	0.4675	0.4505	0.4544
Totals	<u>\$ 0.7500</u>	<u>\$ 0.7500</u>	<u>\$ 0.7500</u>	<u>\$ 0.7500</u>	<u>\$ 0.7500</u>
 Original Tax Levy	<u>\$ 298,522</u>	<u>\$ 134,953</u>	<u>\$ 30,740</u>	<u>\$ 13,559</u>	<u>\$ 4,734</u>

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY**

**GENERAL LONG TERM DEBT SERVICE REQUIREMENTS-BY YEARS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

DUE DURING FISCAL YEARS ENDING	ANNUAL REQUIREMENTS FOR 2017 SERIES		
	TOTAL PRINCIPAL DUE	TOTAL INTEREST DUE	TOTAL PRINCIPAL AND INTEREST DUE
2018	90,000	101,313	191,313
2019	95,000	99,513	194,513
2020	100,000	97,613	197,613
2021	105,000	95,613	200,613
2022	110,000	92,463	202,463
2023	115,000	89,163	204,163
2024	120,000	85,713	205,713
2025	125,000	82,113	207,113
2026	130,000	78,363	208,363
2027	140,000	74,138	214,138
2028	145,000	69,413	214,413
2029	150,000	64,338	214,338
2030	160,000	59,088	219,088
2031	165,000	53,288	218,288
2032	175,000	47,100	222,100
2033	185,000	40,538	225,538
2034	195,000	33,600	228,600
2035	205,000	25,800	230,800
2036	215,000	17,600	232,600
2037	225,000	9,000	234,000
2038	-	-	-
	<u>\$ 2,950,000</u>	<u>\$ 1,315,770</u>	<u>\$ 4,265,770</u>

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY**

**GENERAL LONG TERM DEBT SERVICE REQUIREMENTS-BY YEARS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

DUE DURING FISCAL	ANNUAL REQUIREMENTS FOR ALL SERIES		
	TOTAL PRINCIPAL	TOTAL INTEREST	TOTAL PRINCIPAL AND
2018	90,000	101,313	191,313
2019	95,000	99,513	194,513
2020	100,000	97,613	197,613
2021	105,000	95,613	200,613
2022	110,000	92,463	202,463
2023	115,000	89,163	204,163
2024	120,000	85,713	205,713
2025	125,000	82,113	207,113
2026	130,000	78,363	208,363
2027	140,000	74,138	214,138
2028	145,000	69,413	214,413
2029	150,000	64,338	214,338
2030	160,000	59,088	219,088
2031	165,000	53,288	218,288
2032	175,000	47,100	222,100
2033	185,000	40,538	225,538
2034	195,000	33,600	228,600
2035	205,000	25,800	230,800
2036	215,000	17,600	232,600
2037	225,000	9,000	234,000
2038	-	-	-
	\$ 2,950,000	\$ 1,315,770	\$ 4,265,770

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY**

**ANALYSIS OF CHANGES IN GENERAL LONG TERM DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	SERIES 2017	SERIES Future	TOTALS
Interest Rate	2.000- 4.000		
Dates Interest Payable	2/15 : 8/15		
Maturity Dates	8/15/18 to 8/15/37		
Bonds Outstanding at Beginning of Current Year	\$ -	\$ -	\$ -
Bonds Sold During the Current Year	2,950,000	-	2,950,000
Bonds Defeased During the Current Year	-	-	-
Retirements During the Current Year	-	-	-
	<u>\$ 2,950,000</u>	<u>\$ -</u>	<u>\$ 2,950,000</u>
Bonds Outstanding at End of Current Year	<u>\$ 2,950,000</u>	<u>\$ -</u>	<u>\$ 2,950,000</u>
Interest Paid During the Current Year	\$ 34,334	\$ -	\$ 34,334
Increase (Decrease) In Accrued Interest Payable	13,414	-	13,414
Interest on Financial Statements	<u>\$ 47,748</u>	<u>\$ -</u>	<u>\$ 47,748</u>
Paying Agent:	BOKF, NA		
	Tax Bonds	Refunding Bonds	Other Bonds
Bond Authority:			
Amount Authorized By Voters	\$ 27,000,000	\$ -	\$ -
Amount Issued	\$ 2,950,000	\$ -	\$ -
Remaining To Be Issued	\$ 24,050,000	\$ -	\$ -
Debt Service Fund Cash and Temporary Investments balances as of September 30, 2017			<u>\$ 151,811</u>
Average annual debt service payment (principal & interest) for remaining term of all debt			<u>\$ 213,288</u>

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY**

**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	AMOUNTS				
	9/30/2017	9/30/2016	9/30/2015	9/30/2014	9/30/2013
REVENUES					
Transfer From Master District	\$ 64,518	\$ 41,038	\$ 32,344	\$ 30,679	\$ 23,612
Property Tax	235,561	97,007	19,027	8,145	2,868
Contract Tax	63,489	38,806	11,498	5,414	1,866
Interest	1,630	309	503	3	1
TOTAL REVENUES	365,198	177,160	63,372	44,241	28,347
EXPENDITURES					
Current:					
Contract Tax To Master District	63,489	38,806	11,498	5,414	1,866
Legal Fees	15,246	6,219	5,146	6,817	4,728
Audit Fees	4,000	4,000	-	-	-
Accounting Fees	17,740	11,945	11,323	10,213	8,242
Engineering Fees	3,111	1,745	1,107	1,614	2,015
Management Fees	7,778	7,337	6,988	4,455	2,675
Director Salaries & Payroll Tax	5,813	4,037	3,875	3,714	3,230
Insurance	874	824	874	1,048	600
Tax Assessor/Collector	5,092	2,575	489	699	79
Election Expense	-	-	-	-	-
Printing & Office Supplies	2,347	1,252	2,221	1,308	1,624
Postage & Delivery	205	96	42	71	90
Travel	2,311	1,008	770	740	630
TOTAL EXPENDITURES	128,006	79,844	44,333	36,093	25,779
Transfer (to) Other Funds	-	-	-	-	-
Excess (Deficit) of Revenues over Expenditures	<u>\$ 237,192</u>	<u>\$ 97,316</u>	<u>\$ 19,039</u>	<u>\$ 8,148</u>	<u>\$ 2,568</u>
TOTAL ACTIVE					
WATER CONNECTIONS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
WW CONNECTIONS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

PERCENT OF REVENUES

<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2014</u>	<u>9/30/2013</u>	<u>9/30/2012</u>
18%	23%	51%	69%	83%
65%	55%	30%	18%	10%
17%	22%	18%	12%	7%
0%	0%	1%	0%	0%
100%	100%	100%	100%	100%
17%	22%	18%	12%	7%
4%	4%	8%	15%	17%
1%	2%	0%	0%	0%
5%	7%	18%	23%	29%
1%	1%	2%	4%	7%
2%	4%	11%	10%	9%
2%	2%	6%	8%	11%
0%	0%	1%	2%	2%
1%	1%	1%	2%	0%
0%	0%	0%	0%	0%
1%	1%	4%	3%	6%
0%	0%	0%	0%	0%
1%	1%	1%	2%	2%
35%	45%	70%	82%	91%
0%	0%	0%	0%	0%
65%	55%	30%	18%	9%
-	-	-	-	-
-	-	-	-	-

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY**

**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	AMOUNTS				
	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>	<u>9/30/2013</u>
<u>REVENUES</u>					
Property Tax	-	-	-	-	-
Interest	742	-	-	-	-
TOTAL REVENUES	742	-	-	-	-
<u>EXPENDITURES</u>					
Debt Service:					
Fiscal Agent Fees	-	-	-	-	-
Interest	34,334	-	-	-	-
Principal	-	-	-	-	-
TOTAL EXPENDITURES	34,334	-	-	-	-
OTHER FINANCING					
SOURCES (USES)	185,403	-	-	-	-
Excess (Deficit) of Revenues over Expenditures	151,811	-	-	-	-

PERCENT OF REVENUES

<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>	<u>9/30/2013</u>
0%	n/a	n/a	n/a	n/a
100%	n/a	n/a	n/a	n/a
100%	n/a	n/a	n/a	n/a
0%	n/a	n/a	n/a	n/a
4627%	n/a	n/a	n/a	n/a
0%	n/a	n/a	n/a	n/a
4627%	n/a	n/a	n/a	n/a
24987%	n/a	n/a	n/a	n/a
20460%	n/a	n/a	n/a	n/a

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY**

**BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

DISTRICT MAILING ADDRESS: c/o Ronald J. Freeman, 102 N. Railroad Ave., Pflugerville, TX 78660

DISTRICT BUSINESS TELEPHONE NUMBER: (512) 797-6649

LIMITS ON FEES OF OFFICETHAT A DIRECTOR MAY RECEIVE DURING A FISCAL YEAR: \$7,200

<u>NAMES AND ADDRESSES</u>	<u>TERM OF OFFICE</u>	<u>SALARY FYE 9/30/17</u>	<u>REIMBURSEMENTS FYE 9/30/17</u>	<u>TITLE AT YEAR END</u>
<u>DIRECTORS</u>				
Manuel Quinones	Elected 5/14-5/18	\$ 1,350	\$ 159	President
A. J. Silva	Elected 5/14-5/18	\$ 1,050	-	Vice-President
Suzan Spurlin	Elected 5/16-5/20	\$ 1,200	\$ 176	Secretary
Sylvia Touchstone	Elected 5/16-5/20	\$ 1,050	\$ 150	Asst Sec
Alejandro Contreras	Elected 5/16-5/20	\$ 750	\$ 147	Asst Sec
Payments to Former Directors		\$ -		
		<u>\$ 5,400</u>	<u>\$ 632</u>	

CONSULTANTS

Freeman & Corbett		\$ 3,762	\$ -	Attorney
Ronald J. Freeman		\$ 11,484	\$ -	Attorney
TRE & Associates		\$ 3,111	\$ -	Engineer
Municipal Accounts & Consulting		\$ 17,740	\$ -	Accountant
West, Davis & Company		\$ 4,000	\$ -	Auditor
Severn Trent Services		\$ 7,778	\$ -	Operator

OTHER INFORMATION

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT No. 8
OF EL PASO COUNTY**

**PRINCIPAL TAXPAYERS
SEPTEMBER 30, 2017**

Taxpayer	Taxable Assessed Value	% of 2017 Certified Taxable Assessed Value
Hunt Mission Ridge, LLC	* \$ 3,253,456	3.85%
Classic American Homes II	1,950,826	2.31%
Casas de Leon, LLC	1,740,979	2.06%
Palo Verde Homes	1,477,927	1.75%
Saratoga Homes, Inc	961,372	1.14%
Hakes Brothers Texas, LLC	799,196	0.95%
JNC Development, Inc	748,379	0.89%
DR Horton-Texas, Ltd	668,097	0.79%
El Paso Accent Homes, LLC	602,521	0.71%
Desert View Construction, Inc	601,072	0.71%
Total	\$ 12,803,825	15.17%

* Project Developer and related entities.

**ASSESSED VALUE BY CLASSIFICATION
SEPTEMBER 30, 2017**

Type of Property	2017 Taxable Assessed Value
Land	\$ 23,820,591
Improvements	61,677,367
Personal Property	33,058
Total Assessed Valuation	85,531,016
Exemptions	1,116,103
Total Taxable Appraised Valuation	\$ 84,414,913

APPENDIX B

Form of Bond Counsel's Opinion

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[An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.]

**PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT NO. 8
UNLIMITED TAX BONDS, SERIES 2018
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$1,700,000**

AS BOND COUNSEL FOR PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT NO. 8 (the "District") of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds all in accordance with the resolution of the Board of Directors of the District adopted on November 14, 2018, authorizing the issuance of the Bonds (the "Resolution").

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the District, and other documents authorizing and relating to the issuance of said Bonds, including one of the executed Bonds (Bond Numbered T-1) and specimens of Bonds to be authenticated and delivered in exchange for the Bonds.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Bonds have been duly authorized, issued and delivered in accordance with law; and that said Bonds, except as the enforceability thereof may be limited by laws relating to governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the District, payable from ad valorem taxes without legal limit as to rate or amount to be levied and collected by the District upon taxable property within the District, which taxes the District has covenanted to levy in an amount sufficient (together with revenues and receipts from other sources which are legally available for such purposes) to pay the interest on and the principal of the Bonds. Such covenant to levy taxes is subject to the right of a city, under existing Texas law, to annex all of the territory within the District; to take over all properties and assets of the District; to assume all debts, liabilities, and obligations of the District, including the Bonds; and to abolish the District.

THE DISTRICT reserves the right to issue additional bonds which will be payable from taxes; bonds, notes, and other obligations payable from revenues; and bonds payable from contracts with other persons, including private corporations, municipalities, and political subdivisions.



IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance by the District with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the District to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer. We observe that the District has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the amount, accrual, or receipt of interest on, the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the District, and, in that capacity, we have been engaged by the District for the sole



purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the District, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the District as to the current outstanding indebtedness of and the assessed valuation of taxable property within the District. Our role in connection with the District's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

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APPENDIX C

Specimen Municipal Bond Insurance Policy

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

Financial Advisory Services
Provided By

