

OFFICIAL STATEMENT DATED JUNE 26, 2019

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW AND IS NOT INCLUDED IN THE ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL INCLUDING A DESCRIPTION OF CERTAIN ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS.

The District has designated the Bonds as "qualified tax-exempt obligations" for financial institutions. See "LEGAL MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions."

NEW ISSUE - Book-Entry-Only

RATING: S&P (AGM Insured) "AA"
Moody's (AGM Insured) "A2"
Moody's (Underlying) "Baa3"
(See "MUNICIPAL BOND INSURANCE" and "MUNICIPAL BOND RATING")

\$5,665,000

OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4 OF DENTON COUNTY

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

UNLIMITED TAX BONDS

SERIES 2019

Interest accrues from: July 1, 2019

Due: September 1, as shown on inside cover hereof

The \$5,665,000 Oak Point Water Control and Improvement District No. 4 of Denton County Unlimited Tax Bonds, Series 2019 (the "Bonds"), are obligations of Oak Point Water Control and Improvement District No. 4 of Denton County (the "District") and are not obligations of the State of Texas; Denton County, Texas; the City of Oak Point, Texas; or any entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Denton County, Texas; the City of Oak Point, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

The Bonds will be initially registered and delivered only to Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas, (the "Paying Agent/Registrar") or any successor Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System." Principal of the Bonds is payable to the registered owner(s) of the Bonds (the "Bondholder(s)") at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. Interest on the Bonds accrues from July 1, 2019, and is payable on March 1, 2020, and each September 1 and March 1 thereafter to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each interest payment date (the "Record Date"). Unless otherwise agreed between the Paying Agent/Registrar and a Bondholder, such interest is payable by check mailed to such persons or by other means acceptable to such persons and the Paying Agent/Registrar. The Bonds are issued in principal denominations of \$5,000 or any integral multiple thereof.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP.



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

The Bonds are the second series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a water, wastewater, and drainage system to serve the District (the "System"). At an election on May 12, 2007, voters of the District authorized the District's issuance of \$37,960,000 principal amount of unlimited tax bonds for the System. After issuance of the Bonds, \$27,465,000 principal amounts of unlimited tax bonds issued for the System will remain authorized but unissued. See "THE BONDS – Authority for Issuance." The Bonds, when issued, will be payable from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied against taxable property within the District. See "THE BONDS – Source of Payment."

The Bonds are offered when, as and if issued by the District and accepted by the winning bidder for the Bonds (the "Initial Purchaser"), subject, among other things, to the approval of the initial Bonds by the Attorney General of Texas and the approval of certain legal matters by Coats Rose, P.C., Dallas, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. The Bonds in definitive form are expected to be available for delivery on or about July 25, 2019.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

\$3,650,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 67176R(b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 67176R (b)
2020	\$135,000	4.500%	1.650%	BA4	2029 (c)	\$205,000	3.000%	2.600%	BK2
2021	165,000	4.500%	1.700%	BB2	2030 (c)	205,000	3.000%	2.800%	BL0
2022	170,000	4.500%	1.750%	BC0	2031 (c)	215,000	3.000%	2.900%	BM8
2023	175,000	4.500%	1.800%	BD8	2032 (c)	215,000	3.000%	3.000%	BN6
2024	180,000	4.500%	1.900%	BE6	***	***	***	***	***
2025 (c)	185,000	4.000%	1.950%	BF3	2041 (c)	290,000	3.000%	3.140%	BX4
2026 (c)	190,000	2.000%	2.150%	BG1	2042 (c)	295,000	3.000%	3.150%	BY2
2027 (c)	195,000	2.000%	2.300%	BH9	2043 (c)	310,000	3.000%	3.160%	BZ9
2028 (c)	195,000	2.000%	2.450%	BJ5	2044 (c)	325,000	3.000%	3.170%	CA3

\$2,015,000 Term Bonds

\$455,000 Term Bond due September 1, 2034 (c)(d) Interest Rate: 3.000% (Price: \$99.757) (a) CUSIP No. 67176R BQ9 (b)
 \$490,000 Term Bond due September 1, 2036 (c)(d) Interest Rate: 3.000% (Price: \$98.940) (a) CUSIP No. 67176R BS5(b)
 \$520,000 Term Bond due September 1, 2038 (c)(d) Interest Rate: 3.000% (Price: \$98.422) (a) CUSIP No. 67176R BU0(b)
 \$550,000 Term Bond due September 1, 2040 (c)(d) Interest Rate: 3.000% (Price: \$98.001) (a) CUSIP No. 67176R BW6(b)

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- (a) The initial reoffering yield has been provided by the Initial Purchaser and represents the initial offering price to the public of a substantial amount of the Bonds for each maturity. Such initial reoffering yield may subsequently be changed. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from July 1, 2019, is to be added to the price.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on September 1, 2025, and thereafter, shall be subject to redemption prior to maturity at the option of the District, as a whole or from time to time in part, on September 1, 2024, or any date thereafter at a price equal to the par value thereof, plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions - *Optional Redemption*."
- (d) Subject to mandatory redemption as provided under "THE BONDS – Redemption Provisions - *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the 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 the District, c/o Coats Rose, P.C., 14755 Preston Road, Suite 600, Dallas, Texas 75254, upon payment of the costs for duplication thereof.

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

This Official Statement 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 the other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District, and to the extent that information actually comes to its attention, other matters described in the Official Statement until delivery of the Bonds to the Initial Purchaser, and thereafter only as specified in "PREPARATION OF OFFICIAL STATEMENT - Updating the Official Statement" and "CONTINUING DISCLOSURE OF INFORMATION."

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

Assured Guaranty Municipal Corp. ("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 "MUNICIPAL BOND INSURANCE" and "APPENDIX B - SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
USE OF INFORMATION IN OFFICIAL STATEMENT ..	1	OFFICIAL STATEMENT SUMMARY	7
SALE AND DISTRIBUTION OF THE BONDS	3	INTRODUCTION	12
Award of the Bonds	3	THE BONDS	12
Prices and Marketability	3	General	12
Securities Laws	3	Record Date	12
MUNICIPAL BOND INSURANCE	4	Book-Entry-Only System	13
Bond Insurance Policy	4	Paying Agent/Registrar	15
Assured Guaranty Municipal Corp	4	Registration and Transfer	15
MUNICIPAL BOND RATING	5	Mutilated, Lost, Stolen or Destroyed Bonds	15

Authority for Issuance	15	Regulation	36
Source of Payment	15	Description of the System	36
Redemption Provisions	16	Historical Operations of the System	38
Annexation	17	INVESTMENT CONSIDERATIONS	38
Consolidation	17	General	38
Defeasance	17	Economic Factors Affecting Taxable Values and Tax Payment.....	38
Outstanding Debt	18	Tax Collection and Foreclosure Remedies.....	40
Issuance of Additional Debt.....	18	Bondholders' Remedies	40
Additional Covenants	18	Future Debt.....	40
Amendments to the Bond Order	18	Competitive Nature of Dallas Residential Market.....	41
Bondholders' Remedies.....	18	Collection of Taxes.....	41
Legal Investment and Eligibility to Secure Public Funds in Texas.....	19	Future and Proposed Legislation.....	41
Use and Distribution of Bond Proceeds	20	2019 Legislative Session – Pending Legislation Affecting Ad Valorem Taxation.	41
DISTRICT DEBT.....	21	Environmental Regulation and Air Quality	42
General.....	21	Bond Insurance Risk Factors	43
Estimated Overlapping Debt Statement.....	22	Marketability of the Bonds.....	44
Debt Ratios.....	22	Bankruptcy Limitations to Bondholders' Rights.....	44
Debt Service Requirements	23	Continuing Compliance with Certain Covenants	44
TAXING PROCEDURES	24	Approval of the Bonds	44
Property Tax Code and County-Wide Appraisal District	24	LEGAL MATTERS.....	45
Property Subject to Taxation by the District	24	Legal Opinion	45
Valuation of Property for Taxation	26	Legal Review	45
District and Taxpayer Remedies	26	Tax Exemption.....	45
Agricultural, Open Space, Timberland and Inventory Deferment.....	26	Qualified Tax-Exempt Obligations for Financial Institutions.....	46
Notice and Hearing Procedures.....	26	Collateral Federal Income Tax Consequences..	46
Levy and Collection of Taxes.....	27	State, Local and Foreign Taxes	47
Rollback of Operation and Maintenance Tax Rate.....	27	Tax Accounting Treatment of Original Issue Discount and Premium Bonds.....	47
Collection of Delinquent Taxes.....	28	NO-LITIGATION CERTIFICATE	48
TAX DATA	29	NO MATERIAL ADVERSE CHANGE.....	48
General.....	29	PREPARATION OF OFFICIAL STATEMENT	48
Tax Rate Limitation	29	General.....	48
Tax Rate Distribution	29	Experts	49
Historical Tax Collections.....	29	Certification as to Official Statement.....	49
Analysis of Tax Base.....	29	Updating the Official Statement.....	49
Principal Taxpayers	30	CONTINUING DISCLOSURE OF INFORMATION.....	50
Tax Rate Calculations	30	Annual Reports	50
Estimated Overlapping Taxes	31	Material Event Notices.....	50
THE DISTRICT.....	31	Availability of Information.....	51
General.....	31	Limitations and Amendments	51
Description.....	31	Compliance with Prior Undertakings.....	51
Management of the District	32	CONCLUDING STATEMENT	51
Status of Development.....	32	APPENDIX A FINANCIAL STATEMENTS OF THE DISTRICT	
Homebuilders	33	APPENDIX B SPECIMEN MUNICIPAL BOND INSURANCE POLICY	
PUBLIC IMPROVEMENT DISTRICTS.....	33		
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT....	34		
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT....	35		
THE DEVELOPER.....	36		
The Role of a Developer	36		
The Developer.....	36		
Developer Financing.....	36		
THE SYSTEM.....	36		

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the lowest bid, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser"). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates on the inside cover page of this Official Statement, at a price of 97.000% of the par value thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 3.209691%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

Subject to certain restrictions regarding the "hold-the-offering-price" rule as described in the Official Notice of Sale, the District has no control over the reoffering yields or prices of the Bonds or over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked prices of the Bonds may be greater than the difference between the bid and asked prices of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

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

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

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

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, 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 an appendix to this Official Statement.

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

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 December 21, 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.

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.

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, 2018.

Capitalization of AGM

At March 31, 2019:

- The policyholders' surplus of AGM was approximately \$2,523 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,054 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 \$1,848 million. Such amount includes (i)

100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the 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, 2018 (filed by AGL with the SEC on March 1, 2019); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 (filed by AGL with the SEC on May 10, 2019).

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 "MUNICIPAL 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 "MUNICIPAL BOND INSURANCE".

MUNICIPAL BOND RATING

S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The Bonds are expected to receive an insured rating of "AA" on the Bonds from S&P solely in reliance upon the issuance of the Policy issued by AGM at the time of delivery of the Bonds.

The Bonds are expected to receive an insured rating of "A2" (stable outlook) from Moody's solely in reliance upon the issuance of the Policy issued by AGM at the time of delivery of the Bonds. Moody's has assigned an underlying credit rating of "Baa3" to the Bonds. An explanation of the ratings may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007.

A credit rating is not a recommendation to buy, sell or hold securities. There is no assurance that such ratings will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P or Moody's, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

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

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement.

THE BONDS

- The District..... Oak Point Water Control and Improvement District No. 4 of Denton County (the "District"), a political subdivision of the State of Texas, is located in Denton County, Texas. See "THE DISTRICT."
- The Bonds..... The District is issuing its \$5,665,000 Unlimited Tax Bonds, Series 2019 (the "Bonds"). Interest on the Bonds accrues from July 1, 2019 at the rates set forth on the inside cover page hereof, and is payable on March 1, 2020, and on each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds mature serially on September 1, in each of the years 2020 through 2032 and 2041 through 2044, both inclusive, and as term bonds on September 1 in each of the years 2034, 2036, 2038, and 2040, in the principal amounts set forth on the inside cover page. Bonds maturing on or after September 1, 2025, are subject to redemption, in whole or from time to time in part, on September 1, 2024, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – General," and "– Redemption Provisions."
- Source of Payment..... Principal of and interest on the Bonds are payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property in the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Denton County, Texas; the City of Oak Point, Texas (the "City"); or any entity other than the District. See "THE BONDS – Source of Payment."
- Authority for Issuance..... The Bonds are the second series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a water, wastewater, and drainage system to serve the District (the "System"). At an election on May 12, 2007, voters of the District authorized the District's issuance of \$37,960,000 principal amount of unlimited tax bonds for the System. After issuance of the Bonds, \$27,465,000 principal amounts of unlimited tax bonds issued for the System will remain authorized but unissued. See "THE BONDS – Authority for Issuance."
- Outstanding Bonds The District has previously issued by the District for the System to serve the District: \$4,830,000 Unlimited Tax Bonds, Series 2018 (the "Series 2018 Bonds") for the System to serve the District. Of such bonds, a total of \$4,830,000 principal amount remains outstanding as of May 1, 2019 (the "Outstanding Bonds"). See "THE BONDS – Outstanding Bonds."
- Use and Distribution of Proceeds..... A portion of the proceeds from the sale of the Bonds will be used to redeem the District's \$2,880,000 Bond Anticipation Note, Series 2018 (the "BAN"), the proceeds of which were used to reimburse the Developer (herein defined) for: (a) a portion of the construction and engineering costs for water, wastewater, and drainage improvements serving Wildridge, Phases 2A, 2B, 2C, 3A, 3B and 3C; (b) clearing and grading water line serving Wildridge

Phase 3B; (c) engineering and materials testing for Wildridge, Phase 3; (d) water, wastewater and drainage staking for Wildridge Phases 1, 2 & 3; (e) erosion control for Wildridge, Phases 2 and 3; (f) SWPPP inspections; (g) Mustang Special Utility District Connection Fees and (h) land acquisition costs. In addition, proceeds from the Bonds will be used to reimburse the Developer for costs associated with items (a) through (h) above that were not fully reimbursed by the BAN, to pay 6 months of capitalized interest on the Bonds, to pay developer interest, and to pay certain costs of issuance associated with the Bonds and the BAN. See “THE BONDS – Use and Distribution of Bond Proceeds.”

Qualified Tax-Exempt Obligations.....	The District has designated the Bonds as “qualified tax-exempt obligations” pursuant to section 265(b) of the Internal Revenue Code of 1986, as amended, and represents that the total amount of tax-exempt bonds (including the Bonds) issued by the District during calendar year 2019 is not reasonably expected to exceed \$10,000,000. See “LEGAL MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions.”
Municipal Bond Insurance	Assured Guaranty Municipal Corp. (“AGM”). See “MUNICIPAL BOND INSURANCE.”
Municipal Bond Rating.....	S&P Global Ratings (“S&P”) – AGM insured – “AA”. Moody’s Investors Service (“Moody’s”) – AGM insured – “A2”. Moody’s – underlying – “Baa3”. See “MUNICIPAL BOND INSURANCE” and “MUNICIPAL BOND RATING.”
Short Term Debt.....	The District issued the BAN in the principal amount of \$2,880,000 on December 3, 2018. The District will use a portion of the proceeds from the sale of the Bonds to redeem the BAN prior to maturity. Proceeds from the BAN were used to finance portions of certain constructions costs shown under “THE BONDS – Use and Distribution of Bonds Proceeds.”
Payment Record.....	The Bonds constitute the second issuance of bonded indebtedness by the District. The District has never defaulted on the timely payment of principal and interest on its Outstanding Bonds. See “THE BONDS – Source of Payment.”
Legal Opinion	Coats Rose, P.C., Dallas, Texas, Bond Counsel. See “LEGAL MATTERS.”
Disclosure Counsel	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
Financial Advisor.....	Robert W. Baird & Co. Incorporated, Houston, Texas.
Paying Agent/Registrar.....	Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas.

THE DISTRICT

Description.....	The District, a political subdivision of the State of Texas, is located in central Denton County, approximately 40 miles north of Downtown Dallas, Texas. The District lies on the north side of Shahan Prairie Road approximately 3,000 feet east of F.M. 720. Shahan Prairie Road and F.M. 720 provide access to the City and the greater Dallas-Fort Worth Market. All of the land within the District is within the extra territorial jurisdiction (“ETJ”) of the City. See “THE DISTRICT – General,” and “– Description.”
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- Authority.....The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 51 of the Texas Water Code. See “THE DISTRICT – General.”
- Status of Development.....The District is part of a 382-acre master-planned community, known as “Wildridge”, of which the District encompasses approximately 213.35 acres. To date, approximately 166.84 acres (482 lots) within the District have been developed as the residential subdivision of Wildridge, Phases 1A, 1B, 2A, 2B, 2C, 3A 3B, 3C and an amenity center.
- As of April 15, 2019, the District was composed of 273 completed homes (262 occupied and 11 unoccupied), 28 homes under construction and approximately 181 vacant developed lots. The remaining land within the District consists of approximately 35.81 undeveloped but developable acres and approximately 10.7 undevelopable acres consisting of streets and permanent floodplain. See “THE DISTRICT – Status of Development.”
- The Developer.....The developer of the District is Ashlar Development LLC, a privately held real estate development company founded in 2017 and based in Dallas, Texas (the “Developer” or “Ashlar”). Ashlar is developing such property on behalf of the owner of such property, LH Wildridge LLC. Ashlar, a Delaware limited liability company, was established by a private investment firm with experience in acquisition, development and construction of residential communities across the U.S. and Europe, including three master planned communities in Dallas, Austin and Houston, Texas. Funds managed by such private investment firm acquired the District, through the entity CR-TDI, LLC, in February 2017 from the previous developer, Crescent Communities, LLC, which had owned the property since 2012. See “THE DEVELOPER.”
- HomebuildersAmerican Legend Homes, Chesmar Homes, Highland Homes Plantation Homes and Pulte Homes are actively building homes within the District. New homes within the District are being offered for sale at prices ranging from \$280,000 to over \$500,000 and range in size from 1,800 to 4,200 square feet.

INVESTMENT CONSIDERATIONS

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

**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2018 Assessed Taxable Valuation.....	\$ 95,600,262	(a)
2019 Preliminary Taxable Assessed Valuation.....	\$ 131,068,448	(b)
Estimate of Value as of April 15, 2019.....	\$ 135,660,000	(c)
Direct Debt:		
The Outstanding Bonds.....	\$ 4,830,000	
The Bonds	<u>\$ 5,665,000</u>	
Total.....	\$ 10,495,000	
Estimated Overlapping Debt	<u>\$ 7,846,214</u>	(d)
Total Direct and Estimated Overlapping Debt	\$ 18,341,214	(d)
Ratio of Direct Debt to:		
2018 Assessed Taxable Valuation.....	10.98	%
2019 Preliminary Taxable Assessed Valuation.....	8.01	%
Estimate of Value as of April 15, 2019	7.74	%
Ratio of Direct and Estimated Overlapping Debt to:		
2018 Assessed Taxable Valuation.....	19.19	%
2019 Preliminary Taxable Assessed Valuation.....	13.99	%
Estimate of Value as of April 15, 2019	13.52	%
Debt Service Fund Balance (as of May 29, 2019).....	\$ 397,828	(e)
Capital Projects Fund Balance (as of May 29, 2019)	\$ 147,916	
General Operating Fund Balance (as of May 29, 2019).....	\$ 433,737	
2018 Tax Rate		
Debt Service	\$0.320	(f)
Maintenance & Operation	<u>\$0.243</u>	
Total.....	\$0.563	
Average Annual Debt Service Requirement (2020–2044)	\$625,888	(g)
Maximum Annual Debt Service Requirement (2043).....	\$646,250	(g)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement (2020-2044)		
Based on 2018 Assessed Taxable Valuation at 95% Tax Collections	\$0.69	
Based on 2019 Preliminary Taxable Assessed Valuation at 95% Tax Collections....	\$0.51	
Based on Estimate of Value as of April 15, 2019 at 95% Tax Collections	\$0.49	
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement (2043)		
Based on 2018 Assessed Taxable Valuation at 95% Tax Collections.....	\$0.72	
Based on 2019 Preliminary Taxable Assessed Valuation at 95% Tax Collections....	\$0.52	
Based on Estimate of Value as of April 15, 2019 at 95% Tax Collections	\$0.51	
Single-Family Homes (including 28 under construction) as of April 15, 2019	301	

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- (a) Reflects the assessed taxable value of the District as of January 1, 2018, and as certified by the Denton Central Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District as the preliminary indication of value as of January 1, 2019. No taxes will be levied on this preliminary value, which is subject to review and downward adjustment prior to certification. After the value is certified by the Appraisal Review Board ("ARB"), taxes will be levied on the certified value. See "TAX DATA" and "TAXING PROCEDURES."
- (c) Provided by the Appraisal District for information purposes only. Represents new construction within the District as of April 15, 2019. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAXING PROCEDURES."
- (d) See "DISTRICT DEBT – Estimated Overlapping Debt Statement."

- (e) Upon delivery of the Bonds, 6 months of capitalized interest will be deposited into the Debt Service Fund. Neither Texas law nor the order authorizing the issuance of the Bonds requires that the District maintain any particular sum in the Debt Service Fund. Accrued interest on the Bonds from July 1, 2019, to the date of delivery thereof will be deposited to the Debt Service Fund.
- (f) In its memorandum authorizing issuance of the Bonds, the Texas Commission on Environmental Quality recommended that, in the first tax year following the issuance of the Bonds, the District levy a tax of at least \$0.612 per \$100 of assessed valuation for payment of debt service on the Bonds issued for the System.
- (g) See "DISTRICT DEBT -Debt Service Requirements."

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Oak Point Water Control and Improvement District No. 4 of Denton County (the "District") of its \$5,665,000 Unlimited Tax Bonds, Series 2019 (the "Bonds").

The Bonds are issued pursuant to (i) an order adopted by the Board of Directors of the District on the date of the sale of the Bonds (the "Bond Order"); (ii) Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, particularly Chapters 49, and 51, Texas Water Code, as amended; (iii) an election held within the District on May 12, 2007; and (iv) an order issued by the Texas Commission on Environmental Quality (the "TCEQ").

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

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

THE BONDS

General

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the order of the Board of Directors of the District (the "Board") authorizing the issuance of the Bonds. A copy of the Bond Order may be obtained from the District upon request to Coats Rose, P.C., Dallas, Texas ("Bond Counsel").

The Bonds mature on September 1 in the years and in principal amounts as set forth on the inside cover page of this Official Statement. Interest on the Bonds accrues from July 1, 2019, will be payable March 1, 2020, and each September 1 and March 1 thereafter (each an "Interest Payment Date") until maturity or redemption. Bonds maturing on and after September 1, 2025, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2024, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all the Bonds are redeemed at any time, the particular maturities of Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a particular maturity are redeemed, the Paying Agent/Registrar (hereinafter defined) shall select the particular Bonds to be redeemed by random selection.

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

Record Date

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

close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

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

Book-Entry-Only System

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

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of 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 purchase of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements

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

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, references in other sections of this Official Statement to Bondholders should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised

through DTC and the book-entry system, and (ii) except as described above, notices that are to be given to Bondholders under the Bond Order will be given only to DTC.

Paying Agent/Registrar

The Board has selected Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas, as the initial Paying Agent/Registrar for the Bonds. The initial designated payment office for the Bonds is located in Houston, Texas. Provision is made in the Bond Order for removal of the Paying Agent/Registrar, provided that no such removal shall be effective until a successor paying agent/registrar shall have accepted the duties of the Paying Agent/Registrar under the provisions of the Bond Order. Any successor paying agent/registrar selected by the District shall be 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, shall have a combined capital and surplus of at least \$50,000,000, shall be subject to supervision or examination by federal or state authority, shall be registered as a transfer agent with the United States Securities and Exchange Commission and shall have a corporate trust office in the State of Texas.

Registration and Transfer

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

Mutilated, Lost, Stolen or Destroyed Bonds

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

Authority for Issuance

The bonds authorized by the resident electors of the District, the amount of bonds issued and the remaining authorized but unissued bonds are as follows:

<u>Election Date</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Amount Issued</u>	<u>Amount Remaining</u>
May 12, 2007	Water, Sewer, and Drainage	\$37,960,000	\$10,495,000(a)	\$27,465,000

(a) Includes the Bonds.

The Bonds are issued pursuant to (i) the Bond Order; (ii) Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, particularly Chapters 49, and 51, Texas Water Code, as amended; (iii) an election held within the District on May 12, 2007; and (iv) an order issued by the TCEQ.

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

Source of Payment

The Bonds are payable from the proceeds of a continuing, direct annual ad valorem tax levied without legal limitation as to rate or amount against taxable property located within the District. In the Bond Order, the District covenants to levy a sufficient tax to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection. Collected taxes will be placed in the District’s Debt Service Fund and used to pay principal of and interest on the Bonds and on any additional bonds payable from taxes which may hereafter be issued by the District.

Redemption Provisions

Optional Redemption

Bonds maturing on September 1, 2025, and thereafter shall be subject to redemption at the option of the District, in whole or from time to time in part, on September 1, 2024, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Bondholder of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity. The Bondholder of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mandatory Redemption

The Bonds due September 1 in the years, 2034, 2036, 2038 and 2040 (the "Term Bonds") are also subject to mandatory sinking fund redemption by the District by lot or other customary random method prior to scheduled maturity on September 1 in the years ("Mandatory Redemption Dates") and in the amounts set forth below, subject to proportionate reduction as described below, at a redemption price of par plus interest to the date of redemption.

\$455,000 Term Bonds due September 1, 2034

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2033	\$225,000
September 1, 2034	\$230,000

\$490,000 Term Bonds due September 1, 2036

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2035	\$240,000
September 1, 2036	\$250,000

\$520,000 Term Bonds due September 1, 2038

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2037	\$255,000
September 1, 2038	\$265,000

\$550,000 Term Bonds due September 1, 2040

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2039	\$270,000
September 1, 2040	\$280,000

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

Annexation

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 abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should the annexation occur. The Bond Order provides for the termination of the pledge of taxes to the Bonds upon annexation and dissolution by the City.

Consolidation

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

Defeasance

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

Upon such deposit as described above, such Bonds shall no longer be regarded to be 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. In the Bond Order, the District has specifically reserved the right to call the Bonds for redemption after the defeasance thereof.

Outstanding Debt

The District has previously issued by the District for the System to serve the District: \$4,830,000 Unlimited Tax Bonds, Series 2018 (the "Series 2018 Bonds") for the System to serve the District. Of such bonds, a total of \$4,830,000 principal amount remains outstanding as of May 1, 2019 (the "Outstanding Bonds").

Issuance of Additional Debt

The Bonds represent the second series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a water, wastewater, and drainage system to serve the District (the "System").

At an election held within the District on May 12, 2007, voters of the District authorized the District's issuance of \$37,960,000 in principal amount of unlimited tax bonds for the System. After issuance of the Bonds, \$27,465,000 in principal amount of unlimited tax bonds for the System will remain authorized but unissued. The District may issue additional bonds with the approval necessary to provide improvements and facilities consistent with the purposes for which the District was created.

Following the issuance of the Bonds, the District will owe the Developers approximately \$0 for the reimbursable expenditures advanced to develop land within the District. However, it is expected the District will owe the Developers additional reimbursements in the future if and when additional development occurs within the District. According to the Engineer (as defined herein), the remaining authorized but unissued bonds will be sufficient to finance the remaining System improvements within the District. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the Board).

Additional Covenants

In the Bond Order, the District has additionally covenanted that it will (1) keep records and accounts and employ an independent certified public account of recognized integrity and ability to audit its affairs at the close of each fiscal year, such audit to be in accordance with applicable laws, rules and regulations, and open to inspection in the office of the District; and (2) secure the funds in the Debt Service Fund in the manner and to the fullest extent required by law for the security of District funds.

Amendments to the Bond Order

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

Bondholders' Remedies

Other than a writ of mandamus, the Bond Order does not provide a specific remedy for a default. A Bondholder could presumably obtain a judgment against the District for a default in the payment of principal or interest, however such judgment could not be satisfied by execution against any property of the District. If the District defaults, Bondholders 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 Order. Such remedy might need to be enforced on a periodic basis. 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. See "INVESTMENT CONSIDERATIONS – Bondholders' Remedies," and "– Bankruptcy Limitations to Bondholders' Rights."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Use and Distribution of Bond Proceeds

A portion of the proceeds from the sale of the Bonds will be used to redeem the District's \$2,880,000 Bond Anticipation Note, Series 2018 (the "BAN"), the proceeds of which were used to reimburse the Developer (herein defined) for: (a) a portion of the construction and engineering costs for water, wastewater, and drainage improvements serving Wildridge, Phases 2A, 2B, 2C, 3A, 3B and 3C; (b) clearing and grading water line serving Wildridge Phase 3B; (c) engineering and materials testing for Wildridge, Phase 3; (d) water, wastewater and drainage staking for Wildridge Phases 1, 2 & 3; (e) erosion control for Wildridge, Phases 2 and 3; (f) SWPPP inspections; (g) Mustang Special Utility District Connection Fees and (h) land acquisition costs. In addition, proceeds from the Bonds will be used to reimburse the Developer for costs associated with items (a) through (h) above that were not fully reimbursed by the BAN, to pay 6 months of capitalized interest on the Bonds, to pay developer interest, and to pay certain costs of issuance associated with the Bonds and the BAN.

	<u>Amount</u>
CONSTRUCTION COSTS	
A. Developer Contribution Items	
1. Wildridge Phases 2A, 2B, & 2C – W, WW & D	\$ 288,014
2. Wildridge Phases 3A, 3B, & 3C – W, WW & D	1,055,539
3. Wildridge Phase 3B – Clearing & Grading Water Line	13,750
4. Engineering & Material Testing (23.2% of Items 2-3)	247,973
5. Wildridge Phases 1, 2, & 3 – W, WW & D Staking	62,496
6. Wildridge Phases 2 & 3 – Erosion Control	226,527
7. Storm Water Pollution Prevention Inspections	<u>17,155</u>
Total Developer Contribution Items	\$ 1,911,454
B. District Items	
1. Mustang SUD Connection Fees	\$ 2,764,500
2. Land Acquisition Costs – Drainage Easements	<u>62,512</u>
Total District Items	\$ 2,827,012
TOTAL CONSTRUCTION COSTS	\$ 4,738,466
NONCONSTRUCTION COSTS	
A. Legal Fees	\$ 138,300
B. Fiscal Agent Fees	113,300
C. Interest	
1. Capitalized Interest (6 months)	101,079
2. Developer Interest	109,027
3. BAN Interest	50,701
D. Bond Discount (3%)	169,950
E. Bond Issuance Expenses	36,535
F. Bond Anticipation Note Costs	71,569
G. Bond Application Report Costs	40,000
H. Attorney General Fee	5,665
I. TCEQ Bond Issuance Fee	14,163
J. Contingency ^(a)	<u>76,245</u>
TOTAL NONCONSTRUCTION COSTS	\$ 926,534
TOTAL BOND ISSUE REQUIREMENT	<u>\$ 5,665,000</u>

(a) In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses in accordance with the rules of the TCEQ. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

DISTRICT DEBT

General

The following tables and calculations relate to the Bonds. The District and various other political subdivisions of government which overlap all or a portion of the District are empowered to incur debt to be raised by taxation against all or a portion of the property within the District.

2018 Assessed Taxable Valuation.....	\$ 95,600,262 (a)
2019 Preliminary Taxable Assessed Valuation.....	\$ 131,068,448 (b)
Estimate of Value as of April 15, 2019.....	\$ 135,660,000 (c)

Direct Debt:

The Outstanding Bonds.....	\$ 4,830,000
The Bonds	<u>\$ 5,665,000</u>
Total.....	\$ 10,495,000

Estimated Overlapping Debt.....	<u>\$ 7,846,214 (d)</u>
Total Direct and Estimated Overlapping Debt.....	\$ 18,341,214 (d)

Ratio of Direct Debt to:

2018 Assessed Taxable Valuation.....	10.98 %
2019 Preliminary Taxable Assessed Valuation.....	8.01 %
Estimate of Value as of April 15, 2019	7.74 %

Ratio of Direct and Estimated Overlapping Debt to:

2018 Assessed Taxable Valuation.....	19.19 %
2019 Preliminary Taxable Assessed Valuation.....	13.99 %
Estimate of Value as of April 15, 2019	13.52 %

Debt Service Fund Balance (as of May 29, 2019).....	\$ 397,828 (e)
Capital Projects Fund Balance (as of May 29, 2019)	\$ 147,916
General Operating Fund Balance (as of May 29, 2019).....	\$ 433,737

2018 Tax Rate

Debt Service	\$0.320 (f)
Maintenance & Operation.....	<u>\$0.243</u>
Total.....	\$0.563

Average Annual Debt Service Requirement (2020-2044)	\$625,888 (g)
Maximum Annual Debt Service Requirement (2043).....	\$646,250 (g)

Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay

Average Annual Debt Service Requirement (2020-2044)	
Based on 2018 Assessed Taxable Valuation at 95% Tax Collections.....	\$0.69
Based on 2019 Preliminary Taxable Assessed Valuation at 95% Tax Collections....	\$0.51
Based on Estimate of Value as of April 15, 2019 at 95% Tax Collections	\$0.49

Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay

Maximum Annual Debt Service Requirement (2043)	
Based on 2018 Assessed Taxable Valuation at 95% Tax Collections.....	\$0.72
Based on 2019 Preliminary Taxable Assessed Valuation at 95% Tax Collections....	\$0.52
Based on Estimate of Value as of April 15, 2019 at 95% Tax Collections	\$0.51

Single-Family Homes (including 28 under construction) as of April 15, 2019	301
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- (a) Reflects the assessed taxable value of the District as of January 1, 2018, and as certified by the Denton Central Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."
 - (b) Provided by the Appraisal District as the preliminary indication of value as of January 1, 2019. No taxes will be levied on this preliminary value, which is subject to review and downward adjustment prior to certification. After the value is certified by the Appraisal Review Board ("ARB"), taxes will be levied on the certified value. See "TAX DATA" and "TAXING PROCEDURES."
 - (c) Provided by the Appraisal Districts for information purposes only. Represents new construction within the District as of April 15, 2019. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAXING PROCEDURES."
 - (d) See "DISTRICT DEBT - Estimated Overlapping Debt Statement."

- (e) Upon delivery of the Bonds, 6 months of capitalized interest will be deposited into the Debt Service Fund. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund. Accrued interest on the Bonds from July 1, 2019, to the date of delivery thereof will be deposited to the Debt Service Fund.
- (f) In its memorandum authorizing issuance of the Bonds, the TCEQ recommended that, in the first tax year following the issuance of the Bonds, the District levy a tax of at least \$0.612 per \$100 of assessed valuation for payment of debt service on the Bonds issued for the System.
- (g) See "DISTRICT DEBT -Debt Service Requirements."

Estimated Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt April 30, 2019	Overlapping	
		Percent	Amount
Denton County	\$612,630,000	0.10%	\$ 604,124
Little Elm Independent School District	304,233,031	2.38	<u>7,242,089</u>
Total Estimated Overlapping Debt			\$ 7,846,214
The District (a)			<u>\$ 10,495,000</u>
Total Direct & Estimated Overlapping Debt (b)			\$ 18,341,214

- (a) The Bonds.
- (b) Includes the Bonds.

Debt Ratios

Ratio of Direct Debt to 2018 Assessed Taxable Valuation ^(a)	10.98%
Ratio of Direct Debt to 2019 Preliminary Assessed Taxable Valuation ^(a)	8.01%
Ratio of Direct Debt to Estimate of Value as of April 15, 2019 ^(a)	7.74%
Ratio of Direct and Estimated Overlapping Debt to 2017 Assessed Taxable Valuation ^(a)	19.19%
Ratio of Direct and Estimated Overlapping Debt to 2019 Preliminary Assessed Taxable Valuation ^(a)	13.99%
Ratio of Direct and Estimated Overlapping Debt to Estimate of Value as of April 15, 2019 ^(a)	13.52%

- (a) Includes the Bonds.

Debt Service Requirements

The following schedule sets forth the debt service requirements of the Outstanding Bonds and the Bonds.

Year Ending 12/31	Outstanding Debt Service	Plus: The Bonds			Total Debt Service
		Principal (9/1)	Interest	Debt Service	
2019	\$ 87,105	\$ -	\$ -	\$ -	\$ 87,105
2020	299,210	135,000	208,104	343,104	642,314
2021	301,398	165,000	172,300	337,300	638,698
2022	303,148	170,000	164,875	334,875	638,023
2023	304,503	175,000	157,225	332,225	636,728
2024	305,513	180,000	149,350	329,350	634,863
2025	306,163	185,000	141,250	326,250	632,413
2026	306,663	190,000	133,850	323,850	630,513
2027	306,858	195,000	130,050	325,050	631,908
2028	311,898	195,000	126,150	321,150	633,048
2029	311,288	205,000	122,250	327,250	638,538
2030	315,338	205,000	116,100	321,100	636,438
2031	313,863	215,000	109,950	324,950	638,813
2032	317,023	215,000	103,500	318,500	635,523
2033	314,623	225,000	97,050	322,050	636,673
2034	316,935	230,000	90,300	320,300	637,235
2035	313,550	240,000	83,400	323,400	636,950
2036	314,970	250,000	76,200	326,200	641,170
2037	316,000	255,000	68,700	323,700	639,700
2038	316,400	265,000	61,050	326,050	642,450
2039	316,400	270,000	53,100	323,100	639,500
2040	316,000	280,000	45,000	325,000	641,000
2041	315,200	290,000	36,600	326,600	641,800
2042	319,000	295,000	27,900	322,900	641,900
2043	317,200	310,000	19,050	329,050	646,250
2044		325,000	9,750	334,750	334,750
	<u>\$7,566,243</u>	<u>\$5,665,000</u>	<u>\$2,503,054</u>	<u>\$8,168,054</u>	<u>\$15,734,297</u>

Average Annual Debt Service Requirement (2020-2044) \$625,888
 Maximum Annual Debt Service Requirement (2043) \$646,250

TAXING PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") establishes for each county in Texas a single appraisal district with responsibility for recording and appraising property for all taxing units within the county and a single appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The appraisal of property within the District is the responsibility of the Denton Central Appraisal District. The Property Tax Code requires the appraisal district, by May 15 of each year, or as soon thereafter as practicable, to prepare appraisal records of property as of January 1 of each year based upon market value. The chief appraiser must give written notice before May 15, or as soon thereafter as practicable, to each property owner whose property value is appraised higher than the value in the prior tax year or the value rendered by the property owner, or whose property was not on the appraisal roll the preceding year, or whose property was reappraised in the current tax year. Notice must also be given if ownership of the property changed during the preceding year. The appraisal review board has the ultimate responsibility for determining the value of all taxable property within the District; however, any property owner who has timely filed notice with the appraisal review board may appeal a final determination by the appraisal review board by filing suit in a Texas district court.

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real and tangible personal property 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 Denton Central Appraisal District to include on the tax roll tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; certain property owned by charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind powered energy devices; inventory and warehouse goods in transit; and most individually-owned automobiles and travel trailers. In addition, the District, either by action of its Board of Directors or through a process of petition and referendum initiated by its residents, may grant exemptions for residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District.

Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent allowed by law. The disabled veteran exemption ranges between \$5,000 and \$12,000, depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption of the full value of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of 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. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, (ii) the residence was donated by a

charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces or, (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

The Board may also exempt up to 20% of the market value of residential homesteads from ad valorem taxation. Such exemption would be in addition to any other applicable exemptions provided by law. However, if ad valorem taxes have previously been pledged for the payment of debt and the cessation of the levy would impair the obligation of the contract by which the debt was created, then the Board may continue to levy and collect taxes against the exemption value of the homesteads until the debt is discharged. To date, the Board has not voted to exempt any percentage of the market value of residential homesteads from ad valorem taxation, but no representation can be made that the Board will not determine to grant such exemption in the future.

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

Goods-in-Transit Exemption: A "Goods-in-Transit" Exemption is applicable to certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it is acquired in or /imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local Taxing Units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken no official action to allow taxation of all such goods-in-transit personal property.

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

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year, except for certain categories of land designated for agricultural use, open space or timberland as described below. See "Agricultural, Open Space, Timberland and Inventory Deferment." Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements on the property. Once an appraisal roll is prepared and approved by the appraisal review board, it is used by the District in establishing its tax rate.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the appraisal review board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the value of the property in question will be determined by the court, or by a jury, if requested by any party. In addition, taxing units, such as the District, are entitled to challenge certain matters before the appraisal review board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal rolls or the granting in whole or in part of certain exemptions. A taxing unit may not, however, challenge the valuation of individual properties.

The Property Tax Code establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. If the landowner of qualified open space land is a member of the U.S. armed forces, subject to certain conditions, the appraisal of land as qualified open space land does not change while the landowner is deployed or stationed outside Texas. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) to five (5) years prior to the loss of the designation for agricultural, timberland or open space land.

Notice and Hearing Procedures

The Property Tax Code establishes procedures for providing notice and the opportunity for a hearing for taxpayers in the event of certain proposed tax increases and provides for taxpayers referenda which could result in the repeal of certain tax increases. The District is required to publish a notice of a public hearing regarding the tax rate proposed to be levied in the current year and comparing the proposed tax rate to the tax rate set in the preceding year. If the proposed combined debt service, operation and maintenance and contract tax rates impose a tax more than 1.08 times the amount of tax imposed in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead, disregarding any homestead exemption available to the disabled or persons 65 years of age or older, the qualified voters of the taxing jurisdiction by petition of ten percent of the registered voters in the taxing jurisdiction may require that an election be held to determine whether to reduce the operation and maintenance tax to the rollback tax rate.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes, unless it elects to transfer the collection functions to another governmental entity. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board based upon the valuation of property within the District as of the preceding January 1 and the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations.

The Board may under certain circumstances be required to advertise and hold a public hearing within the District on a proposed tax rate before the Board can vote on the tax rate. If the tax rate adopted exceeds by more than 8% the rate needed to pay debt service and certain contractual obligations and to produce, when applied to the property which was on the prior year's roll, the prior year's total taxes levied for purposes other than debt service and such contractual obligations, such excess portion of the levy may, subject to constitutional restrictions on the impairment of existing obligations, be repealed at an election within the District held upon petition of 10% of the District's qualified voters.

Taxes are due on receipt of the tax bill and become delinquent after January 31 of the following year or on the first day of the calendar month next following the expiration of twenty-one (21) days after mailing of the tax bills, whichever occurs later. A delinquent tax incurs an initial penalty of six percent (6%) of the amount to the tax and accrues an additional penalty of one percent (1%) per month up to July 1, at which time the total penalty becomes twelve percent (12%). In addition, delinquent taxes accrue interest at one percent (1%) per month. If the tax is not paid by July 1, an additional penalty of up to twenty percent (20%) of the total amount of taxes, penalties and interest then due may, under certain circumstances, be imposed by the District. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payments, partial payments of taxes and the postponement of the delinquency date of taxes under certain circumstances. Effective as of January 1, 2018, property owners who are disabled or at least 65 years of age or older and qualify to receive a homestead exemption, may pay property taxes in four equal installments following a disaster. Further, a person who is 65 years of age or older or disabled is entitled by law to pay current taxes on his residential homestead in installments or to receive a deferral or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead. Effective as of September 1, 2017, certain classes of disabled veterans may receive a deferral or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead.

Rollback of Operation and Maintenance Tax Rate

Under current law, 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.

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See "DISTRICT DEBT - Bonded Indebtedness" for a description of the District's current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

SB 2 classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

Special Taxing Units

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

Developed Districts

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

Developing Districts

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

The District

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis, beginning with the 2020 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

Collection of Delinquent Taxes

Taxes levied by the District are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of all other such taxing units. A tax lien on real property has 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. In the event a taxpayer fails to make timely payment of taxes due the District, the District may file suit to foreclose its lien securing payment of the tax, to enforce personal liability for the tax, or both. 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. In the absence of such federal law, the District's tax lien takes priority over a tax lien of the United States. The ability of the District to collect delinquent taxes by foreclosure may be adversely affected by the amount of taxes owed to other taxing units, the foreclosure sale price attributable to market conditions, the taxpayer's right to redeem the property

within six (6) months of foreclosure (2 years in the case of residential or agricultural property), or by bankruptcy proceedings which restrain the collection of a taxpayer's debts.

TAX DATA

General

Taxable property within the District is subject to the assessment, levy, and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements, and available funds. In addition, the District has the power and authority to assess, levy, and collect ad valorem taxes, not to exceed \$1.00 per \$100 of assessed valuation, for operation and maintenance purposes. The District levied a total 2018 tax rate of \$0.563 per \$100 of assessed valuation with \$0.243 per \$100 of assessed valuation for operation and maintenance purposes and \$0.32 per \$100 of assessed valuation for debt service.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	\$1.00 per \$100 of Assessed Valuation.

Tax Rate Distribution

	2018	2017	2016 (a)
Debt Service	\$0.320	\$0.000	\$0.000
Maintenance	0.243	0.563	0.563
Total	\$0.563	\$0.563	\$0.563

(a) First year of tax levy.

Historical Tax Collections

The following table illustrates the collection history of the District for the 2016–2018 tax years:

Tax Year	Assessed Valuation	Tax Rate (b)	Adjusted Levy	Collections Current Year	Current Year Ended 9/30	Collections 05/31/2019
2016 (a)	\$ 12,508,568	\$0.563	\$ 70,423	99.99%	2017	100.00%
2017	50,285,893	0.563	283,100	100.00	2018	100.00
2018	95,600,262	0.563	538,229	99.24(c)	2019	99.24(c)

(a) First year of tax levy.

(b) Total tax rate per \$100 of assessed valuation for each respective tax year. See "Tax Rate Distribution" above.

(c) In process of collection.

Analysis of Tax Base

The following table illustrates the District's total taxable assessed value for the 2016–2018 tax years by type of property.

Type of Property	2018 Taxable Valuation	2017 Taxable Valuation	2016 Taxable Valuation(a)
Land	\$38,190,737	\$26,910,543	\$12,839,211
Improvements	59,199,379	25,078,884	1,884,897
Personal Property	348,428	133,782	94,130
Exemptions	(2,138,282)	(1,837,316)	(2,309,670)
Total	\$95,600,262	\$50,285,893	\$12,508,568

(a) First year of tax levy.

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2018:

Taxpayer	Type of Property	Assessed Valuation 2018 Tax Roll
Highland Homes Dallas LLC (a)	Land & Improvements	\$5,677,774
LH Wildridge, LLC (b)	Land & Improvements	5,016,341 (c)
American Legend Homes LLC (a)	Land & Improvements	4,582,423
MHI Partnership LTD (a)	Land & Improvements	2,409,511
Homeowner	Land & Improvements	630,683
Homeowner	Land & Improvements	504,197
Homeowner	Land & Improvements	493,663
Homeowner	Land & Improvements	464,491
Homeowner	Land & Improvements	464,348
Homeowner	Land & Improvements	<u>459,574</u>
Total		\$20,703,005
Total as Percentage of District 2018 Assessed Taxable Valuation		21.66%

(a) See "THE DISTRICT - Homebuilders."

(b) See "THE DEVELOPER AND PRINCIPAL LANDOWNER."

(c) Such value does not include land under an agricultural exemption. Such land represents approximately \$1,668,448 of market value.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rate per \$100 of assessed taxable valuation that would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District occurs beyond the District's 2017 Assessed Taxable Valuation (\$95,600,262). The following further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Average Annual Debt Service Requirement (2020-2044).....	\$625,888
Debt Service Tax Rate of \$0.69 on the 2018 Assessed Taxable Valuation produces	\$626,660
Debt Service Tax Rate of \$0.51 on the 2019 Preliminary Assessed Taxable Valuation.....	\$635,027
Debt Service Tax Rate of \$0.49 on the Estimate of Value as of April 15, 2019	\$631,497
Maximum Annual Debt Service Requirement (2043).....	\$646,250
Debt Service Tax Rate of \$0.72 on the 2018 Assessed Taxable Valuation produces	\$653,906
Debt Service Tax Rate of \$0.52 on the 2019 Preliminary Assessed Taxable Valuation.....	\$647,478
Debt Service Tax Rate of \$0.51 on the Estimate of Value as of April 15, 2019	\$657,273

Estimated Overlapping Taxes

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

Set forth below is a compilation of all 2018 taxes levied by such jurisdictions on property within the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other charges by entities other than political subdivisions.

Taxing Jurisdiction	2018 Tax Rate Per \$100 of Assessed Taxable Valuation
The District	\$0.563000
Denton County	\$0.225574
Little Elm Independent School District	<u>\$1.640000</u>
Total Tax Rate	\$2.428574 (a)

- (a) Does not include PID assessments on certain property in the District which aggregate per parcel assessments range from \$14,316 to \$20,053 with annual payments that range from approximately \$1,218 to \$2,257 and will be used to reimburse the Developer for costs of the public improvement projects constructed for the benefit of the PID. The City has also levied an aggregate per parcel assessment for supplemental services that range from approximately \$245 to \$343 with annual payments that range from approximately \$21 to \$39 and will be used to reimburse the City for certain maintenance expenses related to the public improvement projects. See "PUBLIC IMPROVEMENT DISTRICTS."

THE DISTRICT

General

The District was created by order of the TCEQ on August 22, 2006, pursuant to Article XVI, Section 59 of the Texas Constitution and the Texas Water Code, Chapters 49 and 51, as amended. The District was confirmed by an election held within the District on May 12, 2007.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of stormwater. The District may also provide solid waste collection and disposal service and operate and maintain recreational facilities. Currently the District contracts for solid waste collection service. The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters and the TCEQ. The District does not operate and/or maintain a fire department.

The District is subject to the continuing supervision of the TCEQ and is located entirely within Denton County and the extraterritorial jurisdiction ("ETJ") of the City.

Description

The District, a political subdivision of the State of Texas, is located in central Denton County, approximately 40 miles north of Downtown Dallas, Texas. The District lies on the north side of Shahan Prairie Road approximately 3,000 feet east of F.M. 720. Shahan Prairie Road and F.M. 720 provide access to the City and the greater Dallas-Fort Worth Market. All of the land within the District is within the ETJ of the City.

Management of the District

The District is governed by a board of five directors which has control and management supervision over all affairs of the District. All of the present members of the Board own property within the District. Directors are elected in even-numbered years for staggered, four-year terms. The present members and officers of the Board are listed below:

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Chris Armstrong	President	2022
Dwayne Bollmeyer	Vice President	2020
Michael Cooley	Secretary	2020
Steve Horne	Assistant Secretary	2022
Donna Feldheim	Assistant Secretary	2022

The District has contracted the following companies and individuals to operate its utilities and recreational facilities.

Tax Assessor/Collector: The District's Tax Assessor/Collector is the Denton County Tax Assessor/Collector.

Bookkeeper: The District contracts with L&S District Services, LLC for bookkeeping services. Such firm presently serves as bookkeeper to approximately 100 utility districts.

System Operator: The District's operator is Mustang Special Utility District ("MSUD").

Auditor: The District employed the independent accounting firm of McCall Gibson Swedlund Barfoot PLLC to audit its financial records for the fiscal year ended April 30, 2018. Excerpts from such audit are included in "APPENDIX A."

Engineer: The consulting engineer retained by the District in connection with the design and construction of the District's facilities is Kimley-Horn and Associates Inc. (the "Engineer").

Legal Counsel: The District employs Coats Rose, P.C. as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentages of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds. Coats Rose, P.C. also acts as general counsel for the District.

Financial Advisor: The District has employed the firm of Robert W. Baird & Co. Incorporated as financial advisor to the District. Payment to the Financial Advisor by the District is contingent upon the issuance, sale and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

Status of Development

The District is part of a 382-acre master-planned community, known as "Wildridge", of which the District encompasses approximately 213.35 acres. To date, approximately 166.85 acres (482 lots) within the District have been developed as the residential subdivision of Wildridge, Phases 1A, 1B, 2A, 2B, 2C, 3A, 3B, 3C and an amenity center.

As of April 15, 2019, the District was composed of 273 completed homes, 28 homes under construction and approximately 184 vacant developed lots. The remaining land within the District consists of approximately 35.81 undeveloped but developable acres and approximately 10.7 undevelopable acres consisting of streets and permanent floodplain.

The following is a status of construction of single-family housing within the District as of April 15, 2019:

<u>Section</u>	<u>Type of Development</u>	<u>Acreage</u>	<u>No. of Lots</u>	<u>Homes</u>		<u>Vacant Lots</u>
				<u>Complete</u>	<u>Under Construction</u>	
Wildridge, Phase 1 (a)	Single Family	62.46	172	167	9	2
Wildridge, Phase 2 (b)(c)	Single Family	70.69	186	89	15	82
Wildridge, Phase 3 (d)	Single Family	<u>33.69</u>	<u>124</u>	<u>20</u>	<u>7</u>	<u>97</u>
Total		166.84	482	273	28	181
Undevelopable	10.70					
Remaining Developable	<u>35.81</u>					
Total District Acreage	213.35					

- (a) Includes Phases 1A and 1B.
- (b) Includes Phases 2A, 2B and 2C.
- (c) The total platted area of Wildridge, Phase 2C consists of 28.59 acres and 81 lots. Approximately 5.70 acres lies within the City limits and 22.89 acres lies within the District. Of the 81platted lots, 72 lots lies entirely within the District and 9 lots lies partially within the District.
- (d) Includes Phases 3A, 3B. and 3C. The total platted area of Wildridge Phase 3C is 11.217 Acres. Of the total area, 5.666 Acres lies within the Oak Point City Limits and 5.551 Acres lies within the WCID.

Homebuilders

American Legend Homes, Chesmar Homes, Highland Homes, Plantation Homes and Pulte Homes are actively building homes within the District. New homes within the District are being offered for sale at prices ranging from \$280,000 to over \$500,000 and range in size from 1,800 to 4,200 square feet.

PUBLIC IMPROVEMENT DISTRICTS

The City created a public improvement district, Wildridge Public Improvement District No. 1 (the "PID") pursuant to Chapter 372, Texas Local Government Code, as amended, in order to undertake public improvement projects that confer a special benefit on the property within the PID and to pay for such improvements by levying special assessments against property within the PID. The District is located wholly within the PID. The City has levied assessments on certain properties within the District for public improvement projects. Such assessments are levied in addition to the taxes levied on property owners within the District. The City anticipates levying additional assessments on the remaining undeveloped property within the District and likely on any land added to the boundaries of the District in the future. The aggregate per parcel assessments range from \$14,316 to \$20,053 with annual payments that range from approximately \$1,218 to \$2,257 and will use to reimburse the Developer for the costs of the public improvement projects constructed for the benefit of the PID. The City has also levied an aggregate per parcel assessment for maintenance of the public improvement projects that range from approximately \$245 to \$343 with annual payments that range from approximately \$21 to \$39 and will be used to reimburse the City for certain maintenance expenses related to the public improvement projects.

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(June 2019)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(June 2019)



THE DEVELOPER

The Role of a Developer

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

The Developer

The developer of the District is Ashlar Development LLC, a privately held real estate development company founded in 2017 and based in Dallas, Texas (the "Developer" or "Ashlar"). Ashlar is developing such property on behalf of the owner of such property, LH Wildridge LLC. Ashlar, a Delaware limited liability company, was established by a private investment firm with experience in acquisition, development and construction of residential communities across the U.S. and Europe, including three master planned communities in Dallas, Austin and Houston, Texas. Funds managed by such private investment firm acquired the District, through the entity CR-TDI, LLC, in February 2017 from the previous developer, Crescent Communities, LLC, which had owned the property since 2012.

Developer Financing

The Developer is financing its acquisition and development activities within the District with proceeds of a development loan from IBC Bank ("IBC"). The IBC loan, which is dated February 2017, is a revolving line of credit secured by a first lien deed of trust against the property owned by the Developer in the District and an assignment of contract rights of the Developer to receivables to be received from the District. The IBC loan provides that, in the event Ashlar receives reimbursement of any such receivables assigned to it, 90% of such amount shall be applied to reduce the then outstanding balance of the loan and that the principal amount of the revolving credit represented by the note will be correspondingly reduced. It is expected that all of the proceeds of the sale of the Bonds which are due to the Developer will be paid to LH Wildridge, as assignee of the Developer.

THE SYSTEM

Regulation

According to the Engineer, the System has been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the City, MSUD, and Denton County. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies and inspected by the TCEQ.

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

Description of the System

- Water Supply -

The area within the District lies wholly within the water certificate of convenience and necessity number 11856 held by Mustang Special Utility District ("Mustang"). Mustang is the provider of retail water service to the users within the District.

On March 4, 2015, the District entered into a water supply and wastewater treatment service contract with Mustang (the "Contract") to provide capacity for 1,204 equivalent single-family connections ("esfcs") to Wildridge and the District, of which 685 esfcs are in the District. Under the terms of the Contract, the District will construct, or have constructed, a water production or distribution system and a wastewater collection system. Upon completion of such systems, the systems will be conveyed to Mustang. In consideration of the District's construction and conveying such systems, Mustang shall assume all operation and maintenance responsibilities for the water and wastewater systems.

Mustang has entered into an agreement with the Upper Trinity Regional Water District (the "UTRWD") pursuant to which Mustang receives wholesale treated surface water from the UTRWD. Such water is delivered to the District at a point of delivery as described in the Contract between the District and Mustang. Mustang owns sufficient water capacity through its agreement with the UTRWD to provide 685 esfcs, as referenced above, which is more than sufficient to serve the full development of the District.

- Wastewater Treatment -

The area within the District lies wholly within the sewer certificate of convenience and necessity number 20930 held by Mustang. Mustang is the provider of retail wastewater service to the users within the District.

As noted above, under the terms of the Contract entered into by and between the District and Mustang, the District will construct, or have constructed, a water production or distribution system and a wastewater collection system. Upon completion of such systems, the systems will be conveyed to Mustang. In consideration of the District's construction and conveying such systems, Mustang shall assume all operation and maintenance responsibilities for the water and wastewater systems.

Mustang, under the terms of its agreement with the UTRWD, is made a participant in the Riverbend Wastewater Treatment Plant, which is operated and maintained by the UTRWD. As referenced above, Mustang owns sufficient wastewater treatment capacity through its agreement with the UTRWD to provide 1,204 esfcs, which is more than sufficient to serve the development of the District.

- Drainage -

The majority of the District lies adjacent to and drains directly to Lake Lewisville. Approximately 13 acres along the eastern edge of the District drains to the adjacent development to the east then drains to Lake Lewisville.

According to the District's Engineer, the District has constructed and will continue to construct underground drainage infrastructure. The drainage infrastructure within the District will, upon completion, utilize curb inlets, area inlets, reinforced concrete pipe, concrete box culverts and drainage channels to collect and convey flows to Lake Lewisville.

Historical Operations of the System

The following is a summary of the District's Operating Fund for the last five years. The figures for the fiscal years ended April 30 in the year 2016 through 2018, were obtained from the District's annual financial reports, reference to which is hereby made. The figures for the fiscal year ending April 30, 2019, were obtained from the District's bookkeeper. The District is required by statute to have a certified public accountant prepare and file an annual audit of its financial records with the TCEQ.

Revenues	Fiscal Year Ending April 30,			
	2019(a)	2018	2017	2016
Property taxes	\$ 232,305	\$ 282,012	\$ 70,423	\$ -
Developer Advances		585	32,672	1,500
Interest Income	3,668			
TOTAL REVENUES	\$ 235,973	\$ 282,597	\$ 103,095	\$ 1,500
Expenditures				
Operating and Administrative				
Professional Fees	\$ 36,851	\$ 37,065	\$ 16,748	\$ 8,522
Contracted Services	9,923	3,785	2,288	1,480
Other	2,942	6,365	2,765	2,940
TOTAL EXPENDITURES	\$ 49,716	\$ 47,215	\$ 21,801	\$ 12,942
Excess (Deficiency) of Revenues Over Expenditures	\$ 186,257	\$ 235,382	\$ 81,294	\$ (11,442)

(a) Unaudited.

INVESTMENT CONSIDERATIONS

General

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

Economic Factors Affecting Taxable Values and Tax Payment

The rate of development within the District is directly related to the vitality of the single-family housing in the Dallas, Texas and Denton, Texas metropolitan areas. New single-family residential construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of single-family residential construction would restrict the growth of property values in the District. Although, as of April 15, 2019, construction of 273 single-family homes has been completed, and construction of another 28 homes was in progress, the District cannot predict the pace or magnitude of any future development in the District. See "THE DISTRICT – Status of Development."

Developer's Obligations to the District: There is no commitment by or legal requirement of the Developer, or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any home builder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on any land owner's right to sell its land. Therefore, the District can make no representation about the profitability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "THE DISTRICT – Status of Development," and "THE DEVELOPER."

Maximum Impact on District Tax Rate: 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 property owners to pay their taxes. The 2018 Assessed Taxable Valuation of property within the District is \$95,600,262, the 2019 Preliminary Taxable Assessed Valuation is \$131,068,048 and the Estimate of Value as of April 15, 2019 is \$135,660,000. (See "DISTRICT DEBT.") After issuance of the Bonds, the maximum annual debt service requirement of the Bonds will be \$646,250 (2043) and the average annual debt service requirement of the Bonds will be \$625,888 (2020-2044). Assuming no increase or decrease from the 2018 Assessed Taxable Valuation, a tax rate of \$0.72 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$646,250, and a tax rate of \$0.69 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of \$625,888. Assuming no increase or decrease from the 2019 Preliminary Assessed Taxable Valuation, a tax rate of \$0.52 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$646,250, and a tax rate of \$0.51 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of \$625,888. Assuming no increase or decrease from the Estimate of Value as of April 15, 2019, a tax rate of \$0.51 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$646,250, and a tax rate of \$0.49 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of \$625,888. (See "DISTRICT DEBT – Pro-Forma Debt Service Requirements.")

The District levied a debt service tax rate of \$0.32 per \$100 of assessed valuation and a tax rate for maintenance and operation purposes of \$0.243 per \$100 of assessed valuation for the 2018 tax year.

In addition to ad valorem taxes levied by the District and the other taxing entities that overlap the District, the City levies assessments on certain property in the District, which aggregate per parcel assessments ranging from \$14,316 to \$20,053 with annual payments that range from approximately \$1,218 to \$2,257. The majority of such assessments will be used to reimburse the Developer for the costs of public improvement projects constructed for PID Improvements (hereinafter defined). The City has also levied an aggregate per parcel assessment for supplemental services that range from approximately \$245 to \$343 with annual payments that range from approximately \$21 to \$39 and will be used to reimburse the City for certain maintenance expenses related to the PID improvements. In addition, the City plans to levy additional assessments on the remaining undeveloped property within the District and likely on any land added to the boundaries of the District in the future such that all residential properties in the District pay an assessment for PID Improvements and supplemental services. See "PUBLIC IMPROVEMENT DISTRICTS" and "TAX DATA – Estimated Overlapping Taxes."

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

Dependence on Major Taxpayers and the Developer: The District's tax base is concentrated in a small numbers of taxpayers. As reflected in this Official Statement under the caption "TAX DATA – Principal Taxpayers," the Developer owned approximately 5.94% and the District's ten principal taxpayers owned approximately 21.66% of the assessed value of the property within the District as of January 1, 2018, including personal property, located in the District. The District cannot represent that its tax base will in the future be (i) distributed among a significantly larger number of taxpayers, or (ii) less concentrated in property owned by a relatively small number of property owners than it currently is. Failure by one of more

of the District's principal property owners to make full and timely payments of taxes due may have an adverse effect on the investment quality or security of the Bonds. If any one or more of the principal taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meet its debt service requirements, the availability of which is uncertain. See "- Tax Collections and Foreclosure Remedies."

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. The District levied a debt service tax rate of \$0.32 per \$100 of assessed valuation and a tax rate for maintenance and operation purposes of \$0.243 per \$100 of assessed valuation for the 2018 tax year.

Tax Collection and Foreclosure Remedies

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

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

Bondholders' Remedies

Remedies available to the registered owners of the Bonds (the "Bondholders") in the event of a default by the District under the Bond Order are limited. Although the Bond Order provides that the Bondholders may obtain a writ of mandamus requiring performance by the District, such remedy must be exercised upon each default and may prove time-consuming, costly and difficult to enforce. The Bond Order does not provide for acceleration of maturity of the Bonds, appointment of a trustee to protect the interests of the Bondholders or any other additional remedy in the event of a default by the District. The Bonds are not secured by an interest in the improvements financed with the Bonds, or any other property of the District. No judgment against the District is enforceable by execution of a levy against the District's public purpose property. Further, the Bondholders themselves cannot foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The rights of the Bondholders and the enforceability of the Bonds may also be delayed, reduced or otherwise affected by proceedings under the Federal Bankruptcy Code or other laws affecting the enforcement of creditors' rights generally.

Future Debt

After issuance of the Bonds, \$27,465,000 principal amounts for the System remain authorized but unissued.

The District reserves in the Bond Order the right to issue the remaining authorized but unissued bonds plus such additional bonds as may hereafter be authorized by voters in the District. In addition, the District has the right to issue obligations, other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow money for any valid public purpose. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for and the investment quality and value of the Bonds.

Based on present engineering cost estimates and on development plans, in the opinion of the District's Engineer, following the issuance of the Bonds, the remaining \$27,465,000 principal amount of authorized but

unissued bonds for the System will be sufficient to fully finance the remaining undeveloped but developable land within the District.

Competitive Nature of Dallas Residential Market

The housing industry in the Dallas, Texas, metropolitan area, where the District is located, is very competitive, and the District can give no assurance that the building programs which are planned by the homebuilders will be continued or completed. The respective competitive positions of the homebuilders are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Collection of Taxes

The District's ability to pay debt service on the Bonds may be adversely affected by its ability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien on the property in favor of the District on a parity with the lien of all other state and local authorities. Such lien can be foreclosed in judicial proceedings. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) collection procedures, (b) a bankruptcy court's stay of a tax collection procedure against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property including the taxpayer's right to redeem property for a specified period of time after foreclosure at the foreclosure sale price. See "TAXING PROCEDURES – Collection of Delinquent Taxes."

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.

2019 Legislative Session – Pending Legislation Affecting Ad Valorem Taxation

The 86th Texas Legislature convened on January 8, 2019 and adjourned on May 27, 2019. The Governor may call one or more additional special sessions, which may last no more than 30 days, and for which the Governor sets the agenda. The Governor may call one or more additional special sessions, which may last no more than 30 days, and for which the Governor sets the agenda.

During the 86th Regular Legislative Session, the Texas Legislature passed Senate Bill 2 ("SB 2"), a law that materially changes ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which may have an adverse impact on the District's operations and financial condition.

SB 2 was signed into law by the Governor on June 12, 2019.

SB 2 includes provisions that address the following goals as described by the Texas Senate Research Center: (1) lowering the rollback rate for maintenance and operations taxes from the existing 8.0% for the largest taxing units in the State (but this provision does not apply to school districts); (2) requiring a tax ratification election if the rollback rate is exceeded, eliminating the petition requirement in current statute; (3) making information about the tax rates proposed by local taxing units more accessible to property owners and more timely; and (4) making it easier for property owners to express their opinions about proposed tax rates to local elected officials before tax rates are adopted.

The District cannot predict whether the Governor will call one or more special sessions to address other property tax reforms not included in SB 2.

The Legislature meets in regular session in odd-numbered years, for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The District can make no representations or predictions regarding legislation that may pass during future sessions of the Legislature.

Environmental Regulation and Air Quality

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

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

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

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

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and Environmental Protection Agency’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system.

Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

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

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

In 2015, the EPA and the United States Army Corps of Engineers (“USACE”) promulgated a rule known as the Clean Water Rule (“CWR”) aimed at redefining “waters of the United States” over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expands the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. The CWR could have an adverse impact on municipal utility districts, including the District, particularly with respect to jurisdictional wetland determinations, and could increase the size and scope of activities requiring USACE permits. The CWR has been challenged in various jurisdictions, including the Southern District of Texas, and the litigation challenging the CWR is still pending.

On February 28, 2017, the President signed an executive order ordering the EPA and USACE to modify or rescind the CWR. In response, the EPA and the USACE subsequently released a proposed rule rescinding the CWR, reinstating the regulatory text that existed prior to the adoption of the CWR and proposing the development of a revised definition of “waters of the United States.” In June 2018, the EPA and USACE issued a supplemental notice of proposed rulemaking to the 2017 proposed action to repeal the 2015 definition of “waters of the United States” to clarify that the agencies are proposing to permanently repeal the CWR in its entirety and reinstate language in place before the adoption of the CWR while developing a revised definition of “waters of the United States.” Meanwhile, in January 2018, the EPA and the USACE finalized a rule extending the effective date of the CWR until 2020 while the agencies finalize actions to repeal and replace the CWR. This rule delaying the effective date of the CWR was challenged in court and, on August 16, 2018, the U.S. District Court for the District of South Carolina issued a nation-wide injunction rendering the rule extending the effective date of the CWR void, thereby reinstating the CWR in 26 states, including Texas. However, on September 12, 2018, the U.S. District Court for the Southern District of Texas temporarily enjoined the implementation of the CWR in Texas, Louisiana and Mississippi until the case filed by the States of Texas, Louisiana and Mississippi in 2015 is finally resolved.

On December 11, 2018, the EPA and USACE released the proposed replacement definition of “waters of the United States.” The proposed definition outlines six categories of waters that would be considered “waters of the United States,” including traditional navigable waters, tributaries to those waters, certain ditches, certain lakes and ponds, impoundments of jurisdictional waters, and wetlands adjacent to jurisdictional waters. The proposed rule also details what are not “waters of the United States,” such as features that only contain water during or in response to rainfall (e.g., ephemeral features); groundwater; many ditches, including most roadside or farm ditches; prior converted cropland; stormwater control features; and waste treatment systems. The agencies will take comment on the proposal for 60 days after publication in the Federal Register, which occurred on February 14, 2019. If finalized, the proposed rule would apply nationwide, replacing the patchwork framework for Clean Water Act jurisdiction that has resulted from litigation challenging the CWR.

Due to the pending rulemaking activity and rule challenge litigation, there is significant uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including permitting requirements.

Bond Insurance Risk Factors

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

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

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

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

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

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

Marketability of the Bonds

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

Bankruptcy Limitations to Bondholders' Rights

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. Under Texas law, the District must obtain the approval of the TCEQ prior to filing bankruptcy. The rights and remedies of the Bondholders could be adjusted in accordance with the confirmed plan of adjustment of the District's debt.

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

Approval of the Bonds

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

LEGAL MATTERS

Legal Opinion

The District will furnish to the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The District will also furnish the approving legal opinion of Coats Rose, P.C., Dallas, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Bondholders of the Bonds 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 and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See "Tax Exemption" below. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. Bond Counsel's opinion will also address the matters described below.

In addition to serving as Bond Counsel, Coats Rose, P.C., also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel.

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.

Legal Review

In its capacity as Bond Counsel, Coats Rose, P.C., has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS" (except for information under the subsections "Book-Entry-Only System" and "Use and Distribution of Bond Proceeds"), "THE DISTRICT - General" and - "Management of the District - Bond Counsel and General Counsel," "TAXING PROCEDURES," and "LEGAL MATTERS" solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm 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 such firm'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 of the other information contained herein.

Tax Exemption

On the date of initial delivery of the Bonds, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, 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, as amended (the "Code"). Except as stated above, Bond Counsel will express

no opinion as to any federal, state, or local tax consequences resulting from the ownership of, receipt of, interest on, or disposition of the Bonds.

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

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

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."

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.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, certain S corporations with accumulated earnings

and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and individuals allowed an earned income credit. THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds will be included as an adjustment for “adjusted current earnings” of a corporation for purposes of computing its alternative minimum tax under Section 55 of the Code.

Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

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

State, Local and Foreign Taxes

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

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

The initial public offering price to be paid for one or more maturities of the Bonds is less than the principal amount thereof or one or more periods for the payment of interest on the Bonds is not equal to the accrued period or be in excess of one year (the “Original Issue Discount Bonds”). 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 constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. 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, such initial owner 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 period that such Original Issue Discount Bond continues to be owned by such owner. See “Tax Exemption” herein for a discussion of certain collateral federal tax consequences.

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 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 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 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.

The initial public offering price to be paid for certain maturities of the Bonds is greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. PURCHASERS OF THE PREMIUM BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION OF AMORTIZABLE BOND PREMIUM WITH RESPECT TO THE PREMIUM BONDS FOR FEDERAL INCOME TAX PURPOSES AND WITH RESPECT TO THE STATE AND LOCAL TAX CONSEQUENCES OF OWNING PREMIUM BONDS.

NO-LITIGATION CERTIFICATE

The District will furnish the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature is then pending against or, to the best knowledge and belief of the certifying officers, threatened against the District contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority of proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the titles of the then present officers of the Board.

NO MATERIAL ADVERSE CHANGE

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

PREPARATION OF OFFICIAL STATEMENT

General

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, DCAD and information from 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 to such effect. 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.

Experts

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

The information contained in this Official Statement relating to the District's financial statements, in particular, the information in "APPENDIX A," has been provided by the Auditor and has been included herein in reliance upon their authority and knowledge of such party concerning the matters described therein.

The information contained in this Official Statement relating to engineering and to the description of the System generally and, in particular, the engineering information included in the sections captioned "THE DISTRICT – Status of Development" and "THE SYSTEM" has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning valuations, analysis of the tax base and percentages of tax collections contained in the sections captioned "TAX DATA" has been provided by the Denton Central Appraisal District and the District's Tax Assessor/Collector, and has been included herein in reliance upon the authority of such parties as experts in the field of tax assessing and collecting.

Certification as to Official Statement

At the time of payment for and delivery of the Bonds, the District will furnish the Initial Purchaser a certificate, executed by the President and Secretary of the Board of Directors of the District, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in this Official Statement, on the date thereof and on the date of delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, this Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; and (c) insofar as the descriptions and statements, including financial data, contained in this Official Statement, of or pertaining to entities other than the District, such statements and data have been obtained from sources which the District believes to be reliable, and the District has no reason to believe that they are untrue in any material respect.

Updating the Official Statement

If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to United States Securities and Exchange Commission Rule 15c2-12 ("SEC Rule 15c2-12") (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in SEC Rule 15c2-12) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser. The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the "end of the underwriting period" within the meaning of the SEC Rule 15c2-12), unless the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than

all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the “end of the underwriting period” as defined in the SEC Rule 15c2-12.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to the EMMA annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement included as “APPENDIX A.”

The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings “DISTRICT DEBT” (with the exception of the information under the subheading “Estimated Overlapping Debt”), “TAX DATA” and “APPENDIX A.” The District will update and provide this information to EMMA within six months after the end of each of its fiscal years ending in or after 2020. Any information 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 is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six month period, and audited financial statements when the audit report becomes available.

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

Material Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of such SEC Rule 15c2-12 or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of such SEC Rule 15c2-12, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or obligated person, any of which reflect financial difficulties.

The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

The District has agreed to provide the foregoing notices to the MSRB. The District is required to file its continuing disclosure information using EMMA, which is the format currently prescribed by the MSRB and has been established by the MSRB to make such continuing disclosure information available to investors free of charge. Investors may access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

The District’s first issuance of bonds occurred in 2018, and the District has been in material compliance with its prior continuing disclosure agreement in accordance with SEC Rule 15c2-12.

CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of Oak Point Water Control and Improvement District No. 4 of Denton County as of the date specified on the cover page hereof.

/s/ _____
Chris Armstrong
President, Board of Directors
Oak Point Water Control and Improvement District No. 4
of Denton County

ATTEST:

/s/ _____
Michael Cooley
Secretary, Board of Directors
Oak Point Water Control and Improvement District No. 4
of Denton County

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

**OAK POINT WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 4**

DENTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

APRIL 30, 2018

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	8-9
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	10
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	11-12
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	13
NOTES TO THE FINANCIAL STATEMENTS	14-24
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND	26
SUPPLEMENTARY INFORMATION REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	28
GENERAL FUND EXPENDITURES	29
INVESTMENTS	30
TAXES LEVIED AND RECEIVABLE	31-32
LONG-TERM DEBT SERVICE REQUIREMENTS	33
CHANGES IN LONG-TERM BOND DEBT	34-35
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - THREE YEARS	36-39
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	40-41

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Oak Point Water Control and Improvement
District No. 4
Denton County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Oak Point Water Control and Improvement District No. 4 (the "District"), as of and for the year ended April 30, 2018, 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 opinions 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 from 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 District'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 evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of April 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund 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.

Other Information

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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

August 30, 2018

**OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2018**

Management’s discussion and analysis of Oak Point Water Control and Improvement District No. 4’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended April 30, 2018. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for property tax revenues and developer advances as well as general and administrative expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for serving bond debt and the costs of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2018**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information including a General Fund budgetary comparison schedule, as well as other schedules required by the Texas Commission on Environmental Quality.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$1,359,637 as of April 30, 2018. The following is a comparative analysis of government-wide changes in net position.

**OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2018	2017	Change Positive (Negative)
Current and Other Assets	\$ 727,268	\$ 58,188	\$ 669,080
Intangible Assets (Net of Accumulated Amortization)	3,071,957		3,071,957
Total Assets	\$ 3,799,225	\$ 58,188	\$ 3,741,037
Due to Developer	\$ 330,006	\$ 111,149	\$ (218,857)
Bonds Payable	4,805,113		(4,805,113)
Other Liabilities	23,743	2,705	(21,038)
Total Liabilities	\$ 5,158,862	\$ 113,854	\$ (5,045,008)
Net Position:			
Net Investment in Intangible Assets	\$ (1,869,786)		\$ (1,869,786)
Restricted	260,178		260,178
Unrestricted	249,971	(55,666)	305,637
Total Net Position	\$ (1,359,637)	\$ (55,666)	\$ (1,303,971)

The following table provides a summary of the District's operations for the years ending April 30, 2018, and April 30, 2017.

	Summary of Changes in the Statement of Activities		
	2018	2017	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 283,110	\$ 59,525	\$ 223,585
Other Revenues	921		921
Total Revenues	\$ 284,031	\$ 59,525	\$ 224,506
Total Expenses	1,588,002	21,801	(1,566,201)
Change in Net Position	\$ (1,303,971)	\$ 37,724	\$ (1,341,695)
Net Position, Beginning of Year	(55,666)	(93,390)	37,724
Net Position, End of Year	\$ (1,359,637)	\$ (55,666)	\$ (1,303,971)

**OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of April 30, 2018, were \$703,879, an increase of 648,396 from the previous fiscal year.

The District's General Fund fund balance as of April 30, 2018, was \$290,865, an increase of \$235,382 from the prior year primarily due to property tax revenues exceeding general and administrative costs.

The District's Debt Service Fund was created during the current fiscal year and had a fund balance of \$261,630 which consisted primarily of capitalized interest from the sale of Series 2018 bonds.

The District's Capital Projects Fund was created during the current fiscal year and had a fund balance of \$151,384 as a result of bond proceeds remaining after reimbursing the developer and payment of bond issuance costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the year ended April 30, 2018. Actual revenues were \$222,597 more than budgeted revenues primarily due to higher than anticipated property tax revenues. Actual expenditures were \$14,330 more than budgeted expenditures primarily due to higher than anticipated professional fees.

INTANGIBLE ASSETS

Intangible assets as of April 30, 2018, total \$3,071,957. Intangible assets consist of water and wastewater facilities acquired and conveyed to the Mustang Special Utility District for ownership and maintenance. See also Note 11.

Intangible Assets At Year-End, Net of Accumulated Amortization			
	2018	2017	Change Positive (Negative)
Intangible Assets Subject to Amortization			
Water System	\$ 1,177,558	\$	\$ 1,177,558
Wastewater System	1,894,399		1,894,399
Total Net Intangible Assets	\$ 3,071,957	\$ -0-	\$ 3,071,957

**OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2018**

LONG-TERM DEBT ACTIVITY

As of April 30, 2018, the District had total bond debt payable of \$4,830,000. The changes in the debt position of the District during the year ended April 30, 2018, are summarized as follows:

Bond Debt Payable, May 1, 2017	\$ -0-
Add: Bond Sale - Series 2018	<u>4,830,000</u>
Bond Debt Payable, April 30, 2018	<u>\$ 4,830,000</u>

The Series 2018 Bonds do not carry an underlying or insured rating.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Oak Point Water Control and Improvement District No. 4, c/o Coats Rose, P.C., 14755 Preston Road, Suite 600, Dallas, TX 75254.

OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
APRIL 30, 2018

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 298,058	\$ 87,434
Investments		187,000
Receivables:		
Property Taxes Receivable	1,098	
Accrued Interest		262
Prepaid Costs	2,032	
Intangible Assets (Net of Accumulated Amortization)		
TOTAL ASSETS	\$ 301,188	\$ 274,696
LIABILITIES		
Accounts Payable	\$ 9,225	\$
Accrued Interest Payable		
Due to Developer		
Accrued Interest Received at Time of Sale		13,066
Long-Term Liabilities:		
Bonds Payable Due After One Year		
TOTAL LIABILITIES	\$ 9,225	\$ 13,066
DEFERRED INFLOWS OF RESOURCES		
Property Tax Revenues	\$ 1,098	\$ -0-
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 2,032	\$
Restricted for Authorized Construction		
Restricted for Debt Service		261,630
Unassigned	288,833	
TOTAL FUND BALANCES	\$ 290,865	\$ 261,630
TOTAL LIABILITIES AND FUND BALANCES	\$ 301,188	\$ 274,696
NET POSITION		
Net Investment in Intangible Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 151,384	\$ 536,876 187,000	\$	\$ 536,876 187,000
	1,098		1,098
	262		262
	2,032		2,032
		<u>3,071,957</u>	<u>3,071,957</u>
<u>\$ 151,384</u>	<u>\$ 727,268</u>	<u>\$ 3,071,957</u>	<u>\$ 3,799,225</u>
\$	\$ 9,225	\$	\$ 9,225
		14,518	14,518
		330,006	330,006
	13,066	(13,066)	
		<u>4,805,113</u>	<u>4,805,113</u>
<u>\$ -0-</u>	<u>\$ 22,291</u>	<u>\$ 5,136,571</u>	<u>\$ 5,158,862</u>
<u>\$ -0-</u>	<u>\$ 1,098</u>	<u>\$ (1,098)</u>	<u>\$ -0-</u>
\$	\$ 2,032	\$ (2,032)	\$
151,384	151,384	(151,384)	
	261,630	(261,630)	
	288,833	(288,833)	
<u>\$ 151,384</u>	<u>\$ 703,879</u>	<u>\$ (703,879)</u>	<u>\$ -0-</u>
<u>\$ 151,384</u>	<u>\$ 727,268</u>		
		\$ (1,869,786)	\$ (1,869,786)
		260,178	260,178
		<u>249,971</u>	<u>249,971</u>
		<u>\$ (1,359,637)</u>	<u>\$ (1,359,637)</u>

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

OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
APRIL 30, 2018

Fund Balances - Governmental Funds	\$	703,879
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Intangible assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		3,071,957
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Deferred inflows of resources related to property tax revenues for the 2017 tax levy became part of recognized revenue in the governmental activities of the District.		1,098
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (330,006)	
Accrued Interest Payable	(1,452)	
Bonds Payable	<u>(4,805,113)</u>	<u>(5,136,571)</u>
Total Net Position - Governmental Activities		<u>\$ (1,359,637)</u>

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

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OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED APRIL 30, 2018

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 282,012	\$
Miscellaneous Revenues	585	336
TOTAL REVENUES	\$ 282,597	\$ 336
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 37,065	\$
Contracted Services	3,785	
Amortization		
Other	6,365	21
Capital Outlay		
Conveyance of Assets		
Debt Service:		
Issuance Costs		
Bond/Bond Anticipation Note Interest		
TOTAL EXPENDITURES/EXPENSES	\$ 47,215	\$ 21
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ 235,382	\$ 315
OTHER FINANCING SOURCES (USES)		
Bond Discount	\$	\$
Proceeds from Issuance of Long-Term Debt		261,315
TOTAL OTHER FINANCING SOURCES (USES)	\$ -0-	\$ 261,315
NET CHANGE IN FUND BALANCES	\$ 235,382	\$ 261,630
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - MAY 1, 2017	55,483	
FUND BALANCES/NET POSITION - APRIL 30, 2018	\$ 290,865	\$ 261,630

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 282,012	\$ 1,098	\$ 283,110
	921		921
<u>\$ - 0 -</u>	<u>\$ 282,933</u>	<u>\$ 1,098</u>	<u>\$ 284,031</u>
\$	\$ 37,065	\$	\$ 37,065
	3,785		3,785
		171,055	171,055
18,178	24,564		24,564
3,862,383	3,862,383	(3,862,383)	
		838,229	838,229
463,879	463,879		463,879
47,966	47,966	1,459	49,425
<u>\$ 4,392,406</u>	<u>\$ 4,439,642</u>	<u>\$ (2,851,640)</u>	<u>\$ 1,588,002</u>
<u>\$ (4,392,406)</u>	<u>\$ (4,156,709)</u>	<u>\$ 2,852,738</u>	<u>\$ (1,303,971)</u>
\$ (24,895)	\$ (24,895)	\$ 24,895	\$
4,568,685	4,830,000	(4,830,000)	
<u>\$ 4,543,790</u>	<u>\$ 4,805,105</u>	<u>\$ (4,805,105)</u>	<u>\$ -0-</u>
\$ 151,384	\$ 648,396	\$ (648,396)	\$
		(1,303,971)	(1,303,971)
	55,483	(111,149)	(55,666)
<u>\$ 151,384</u>	<u>\$ 703,879</u>	<u>\$ (2,063,516)</u>	<u>\$ (1,359,637)</u>

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

**OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2018**

Net Change in Fund Balances - Governmental Funds	\$ 648,396
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	1,098
Governmental funds do not account for amortization. However, in the Statement of Net Position, intangible assets are amortized and amortization expense is recorded in the Statement of Activities.	(171,055)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, intangible assets are increased by new purchases and the Statement of Activities is not affected.	3,024,154
Governmental funds report bond discounts as other financing uses in the year paid. However, in the Statement of Net Position, bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	24,895
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(1,459)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(4,830,000)
Change in Net Position - Governmental Activities	<u>\$ (1,303,971)</u>

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

OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 1. CREATION OF DISTRICT

Oak Point Water Control and Improvement District No. 4 of Denton County (the “District”) was created effective August 22, 2006, by an Order of the Texas Commission on Environmental Quality (the “Commission”). The District was confirmed by an election held May 12, 2007. The District as created is wholly within the corporate limits of the City of Oak Point and wholly within the boundaries of Denton County, Texas and operates pursuant to the provisions of Chapters 49 and 51 of the Texas Water Code, as amended. The District is empowered to purchase, operate and maintain all facilities, plants, and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to operate and maintain a fire department to perform all fire-fighting activities within the District. The District does not operate or maintain a fire department. The Board of Directors held its organizational meeting on January 5, 2007 and sold its first bonds on March 28, 2018.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”). The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

Governmental Fund

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

General Fund - To account for property tax revenues and developer advances as well as general and administrative costs.

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

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

Basis of Accounting

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

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

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

OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Intangible Assets

The District is located within an area for which Mustang Special Utility District (“Mustang”) holds certificates of convenience and necessity that entitles and obligates Mustang to provide retail water service and retail wastewater service to the property located within the District. All water and wastewater facilities are conveyed to Mustang once constructed and placed in service. The District recognizes intangible assets for the cost of the facilities conveyed to Mustang. Drainage facilities are conveyed to the City of Oak Point.

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year.

Pensions

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

Measurement Focus

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

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

OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 3. LONG-TERM DEBT

	Series 2018
Amounts Outstanding – April 30, 2018	\$ 4,830,000
Interest Rates	2.25%-4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2020/2043
Interest Payment Dates	September 1/ March 1
Callable Dates	September 1, 2023*

* Or any date thereafter at a price of par plus unpaid accrued interest to the date fixed for redemption. The Series 2018 bonds maturing on September 1, 2036, and September 1, 2043, are term bonds and are subject to mandatory redemption beginning September 1, 2034, and September 1, 2037, respectively.

The following is a summary of transactions regarding bonds payable for the year ended April 30, 2018:

	May 1, 2017	Additions	Retirements	April 30, 2018
Bonds Payable	\$	\$ 4,830,000	\$	\$ 4,830,000
Unamortized Discounts		(24,895)	(8)	(24,887)
Bonds Payable, Net	\$ -0-	\$ 4,805,105	\$ (8)	\$ 4,805,113
		Amount Due Within One Year		\$ -0-
		Amount Due After One Year		4,805,113
		Bonds Payable, Net		\$ 4,805,113

The District has authorized but unissued bonds in the amount \$33,130,000 for water, wastewater and drainage purposes and authorized but unissued refunding bonds of one and one-half times the amount of bonds previously issued. The bonds of the District are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. As of April 30, 2018, the debt service requirements on the outstanding bonds were as follows:

OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 3. LONG-TERM DEBT (Continued)

Fiscal Year	Principal	Interest	Total
2019	\$	\$ 161,144	\$ 161,144
2020		174,210	174,210
2021	125,000	172,804	297,804
2022	130,000	169,773	299,773
2023	135,000	166,325	301,325
2024-2028	750,000	768,397	1,518,397
2029-2033	920,000	633,272	1,553,272
2034-2038	1,110,000	444,467	1,554,467
2039-2043	1,355,000	200,900	1,555,900
2044	305,000	6,100	311,100
	<u>\$ 4,830,000</u>	<u>\$ 2,897,392</u>	<u>\$ 7,727,392</u>

During current year, the District did not levy an ad valorem debt service tax. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy. The District’s tax calendar is as follows:

- Levy Date - October 1 or as soon thereafter as practicable.
- Lien Date - January 1.
- Due Date - Not later than January 31.
- Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds be rebated to the federal government, within the meaning of Section 148(f) of the Internal Revenue Code.

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

In the current fiscal year, \$261,315 was deposited into the Debt Service Fund and restricted for the payment of bond interest. The District did not make any interest payments during the current fiscal year.

OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$723,876 and the bank balance was \$724,544. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance and the Statement of Net Position at April 30, 2018, as listed below:

	<u>Cash</u>	<u>Certificate of Deposit</u>	<u>Total</u>
GENERAL FUND	\$ 298,058	\$	\$ 298,058
DEBT SERVICE FUND	87,434	187,000	274,434
CAPITAL PROJECTS FUND	<u>151,384</u>	<u></u>	<u>151,384</u>
TOTAL DEPOSITS	<u>\$ 536,876</u>	<u>\$ 187,000</u>	<u>\$ 723,876</u>

Investments

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

OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act. All investments are recorded at cost. As of April 30, 2018, the District had the following investments and maturities.

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>DEBT SERVICE FUND</u>		
Certificate of Deposit	<u>\$ 187,000</u>	<u>\$ 187,000</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District manages credit risk by investing in certificates of deposit with balances below FDIC coverage. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

Restrictions - All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

NOTE 6. INTANGIBLE ASSETS

Intangible asset activity for the year ended April 30, 2018:

	May 1, 2017	Increases	Decreases	April 30, 2018
Intangible Assets Subject to Amortization				
Water System	\$	\$ 1,233,467	\$	\$ 1,233,467
Wastewater System		<u>2,009,545</u>		<u>2,009,545</u>
Total Intangible Assets at Historical Cost Subject to Amortization	<u>\$ - 0 -</u>	<u>\$ 3,243,012</u>	<u>\$ - 0 -</u>	<u>\$ 3,243,012</u>
Less Accumulated Amortization				
Water System	\$	\$ 55,909	\$	\$ 55,909
Wastewater System		<u>115,146</u>		<u>115,146</u>
Total Accumulated Amortization	<u>\$ - 0 -</u>	<u>\$ 171,055</u>	<u>\$ - 0 -</u>	<u>\$ 171,055</u>
Total Amortizable Assets, Net of Accumulated Amortization	<u>\$ - 0 -</u>	<u>\$ 3,071,957</u>	<u>\$ - 0 -</u>	<u>\$ 3,071,957</u>

OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 6. INTANGIBLE ASSETS (Continued)

The District is located within an area for which Mustang Special Utility District (“Mustang”) holds certificates of convenience and necessity that entitles and obligates Mustang to provide retail water service and retail wastewater service to the property located within the District. All water and wastewater facilities are conveyed to Mustang once constructed and placed in service. The District recognizes intangible assets for the cost of the facilities conveyed to Mustang. Drainage facilities are conveyed to the City of Oak Point.

NOTE 7. MAINTENANCE TAX

On May 12, 2007, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.00 per \$100 of assessed valuation of taxable property within the District. During the year ended April 30, 2018, the District levied an ad valorem maintenance tax rate of \$0.563 per \$100 of assessed valuation, which resulted in a tax levy of \$283,110 on the adjusted taxable valuation of \$50,285,893 for the 2017 tax year. This maintenance tax is to be used for any lawful purpose.

NOTE 8. UNREIMBURSED COSTS

The District executed a financing agreement with the Developer which calls for the Developer to make operating advances as well as fund costs associated with the construction of water, wastewater, and drainage facilities. Reimbursement for such costs will be paid from future bond sales to the extent approved by the Commission. After the issuance of the Series 2018 Bonds, it is estimated that the District owes the Developer \$1,300,000.

NOTE 9. RISK MANAGEMENT

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

NOTE 10. CAPACITY AGREEMENT

Effective July 9, 2010, the Common to All sewer line (“CTAL”) Conveyance and Capacity Reservation Agreement among the City of Oak Point, Texas (“City”), Oak Point Water Control and Improvement District Nos. 1, 2, 3, and 4 of Denton County, Prairie Oaks, Ltd., Highwood Development, LTD, Jefferson Bank, and Shahan Prairie L.P. provided for the conveyance of the parties’ respective ownership interests and rights in and to the CTAL sewer line to the City.

OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 11. AGREEMENT WITH MUSTANG SPECIAL UTILITY DISTRICT

On March 4, 2015, the District entered into a water supply and wastewater treatment service contract with Mustang Special Utility District to provide capacity for 1,204 equivalent single-family connections (“esfcs”) to Wildridge and the District, of which 685 esfcs are in the District. Under the terms of the Contract, the District will construct, or have constructed, a water production or distribution system and a wastewater collection system. Upon completion of such systems, the systems will be conveyed to Mustang. In consideration of the District's construction and conveying such systems, Mustang shall assume all operation and maintenance responsibilities for the water and wastewater systems.

Mustang has entered into an agreement with the Upper Trinity Regional Water District (the “UTRWD”) pursuant to which Mustang receives wholesale treated surface water from the UTRWD and is a participant in the Riverbend Wastewater Treatment Plant.

NOTE 12. SALE OF BOND ANTICIPATION NOTE

On June 29, 2017, the District closed on the sale of its \$2,673,000 Series 2017 Bond Anticipation Note (“BAN”). Proceeds from the BAN sale were used to reimburse the Developer for: a portion of the construction and engineering for water, wastewater and drainage facilities to serve Wildridge, Phases 1A, 1B, 2A, 2B and 2C; Wildridge lift station, SCADA controls and force main; the “Common to All” sewer line; operating advances; and to pay for issuance costs of the BAN. The BAN was redeemed with proceeds from the Series 2018 bonds. See Note 13.

NOTE 13. SALE OF BONDS

On March 28, 2018, the District issued its \$4,830,000 Unlimited Tax Bonds, Series 2018. Proceeds from the bonds were used to redeem the Series 2017 BAN and reimburse the Developer for: a portion of the costs associated with construction and engineering for water, wastewater and drainage facilities to serve Wildridge, Phases 1A, 1B, 2A, 2B and 2C; Wildridge lift station, SCADA controls and force main; the “Common to All” sewer line; and operating advances. Additional proceeds were used to provide for capitalized interest and to pay for BAN costs and issuance costs of the bonds.

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OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4

REQUIRED SUPPLEMENTARY INFORMATION

APRIL 30, 2018

OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 60,000	\$ 282,012	\$ 222,012
Miscellaneous Revenues		585	585
TOTAL REVENUES	<u>\$ 60,000</u>	<u>\$ 282,597</u>	<u>\$ 222,597</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 23,000	\$ 37,065	\$ (14,065)
Contracted Services	4,800	3,785	1,015
Other	5,085	6,365	(1,280)
TOTAL EXPENDITURES	<u>\$ 32,885</u>	<u>\$ 47,215</u>	<u>\$ (14,330)</u>
NET CHANGE IN FUND BALANCE	\$ 27,115	\$ 235,382	\$ 208,267
FUND BALANCE - MAY 1, 2017	<u>55,483</u>	<u>55,483</u>	
FUND BALANCE - APRIL 30, 2018	<u>\$ 82,598</u>	<u>\$ 290,865</u>	<u>\$ 208,267</u>

See accompanying independent auditor's report.

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OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
APRIL 30, 2018

**OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
SERVICES AND RATES
FOR THE YEAR ENDED APRIL 30, 2018**

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

_____	Retail Water	_____	Wholesale Water	_____	Drainage
_____	Retail Wastewater	_____	Wholesale Wastewater	_____	Irrigation
_____	Parks/Recreation	_____	Fire Protection	_____	Security
_____	Solid Waste/Garbage	_____	Flood Control	_____	Roads
_____	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
_____	Other:				

2. RETAIL SERVICE PROVIDERS:

The District is located within an area for which Mustang Special Utility District holds certificates of convenience and necessity that entitles and obligates Mustang to provide retail water service and retail wastewater service to the property located within the District. All water and wastewater facilities are conveyed to Mustang once constructed and placed in service.

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: NOT APPLICABLE

4. STANDBY FEES: NOT APPLICABLE

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No _____

County in which District is located:

Denton County, Texas

Is the District located within a city?

Entirely _____ Partly _____ Not at all X

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

Entirely X Partly _____ Not at all _____

ETJ in which District is located:

City of Oak Point, Texas

Are Board Members appointed by an office outside the District?

Yes _____ No X

**OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED APRIL 30, 2018**

PROFESSIONAL FEES:	
Auditing	\$ 6,500
Engineering	1,160
Legal	<u>29,405</u>
TOTAL PROFESSIONAL FEES	<u>\$ 37,065</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 937
Bookkeeping	<u>2,848</u>
TOTAL CONTRACTED SERVICES	<u>\$ 3,785</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 4,500
Insurance	1,480
Payroll Taxes	344
Travel and Meetings	<u>41</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 6,365</u>
TOTAL EXPENDITURES	<u><u>\$ 47,215</u></u>

See accompanying independent auditor's report.

OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
INVESTMENTS
APRIL 30, 2018

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>DEBT SERVICE FUND</u>					
Certificate of Deposit	XXXX0709	1.60%	02/23/19	<u>\$ 187,000</u>	<u>\$ 262</u>

See accompanying independent auditor's report.

**OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED APRIL 30, 2018**

	Maintenance Taxes	
TAXES RECEIVABLE -		
MAY 1, 2017	\$ -0-	
Adjustments to Beginning		
Balance	_____	\$ -0-
Original 2017 Tax Levy	\$ 283,560	
Adjustment to 2017 Tax Levy	(450)	283,110
TOTAL TO BE ACCOUNTED FOR		\$ 283,110
TAX COLLECTIONS		
Current Year		282,012
TAXES RECEIVABLE -		
APRIL 30, 2018		\$ 1,098
TAXES RECEIVABLE BY		
YEAR:		
2017		\$ 1,098

See accompanying independent auditor's report.

**OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED APRIL 30, 2018**

	2017	2016
PROPERTY VALUATIONS:		
Land	\$ 26,910,543	\$ 10,557,115
Improvements	25,078,884	1,884,897
Personal Property	133,782	2,376,223
Exemptions	(1,837,316)	(2,309,667)
TOTAL PROPERTY VALUATIONS	\$ 50,285,893	\$ 12,508,568
 TAX RATES PER \$100 VALUATION:		
Debt Service	\$ 0.000	\$ 0.000
Maintenance	0.563	0.563
 TOTAL TAX RATES PER \$100 VALUATION	 \$ 0.563	 \$ 0.563
 ADJUSTED TAX LEVY*	 \$ 283,110	 \$ 70,423
 PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	 99.61 %	 100.00 %

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

Maintenance Tax – Maximum tax rate of \$1.00 per \$100 of assessed valuation was approved by voters on May 12, 2007.

See accompanying independent auditor's report.

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OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
LONG-TERM DEBT SERVICE REQUIREMENTS
APRIL 30, 2018

S E R I E S - 2 0 1 8

Due During Fiscal Years Ending April 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	\$	\$ 161,144	\$ 161,144
2020		174,210	174,210
2021	125,000	172,804	297,804
2022	130,000	169,773	299,773
2023	135,000	166,325	301,325
2024	140,000	162,508	302,508
2025	145,000	158,338	303,338
2026	150,000	153,913	303,913
2027	155,000	149,260	304,260
2028	160,000	144,378	304,378
2029	170,000	139,093	309,093
2030	175,000	133,313	308,313
2031	185,000	127,100	312,100
2032	190,000	120,443	310,443
2033	200,000	113,323	313,323
2034	205,000	105,779	310,779
2035	215,000	97,743	312,743
2036	220,000	89,260	309,260
2037	230,000	80,485	310,485
2038	240,000	71,200	311,200
2039	250,000	61,400	311,400
2040	260,000	51,200	311,200
2041	270,000	40,600	310,600
2042	280,000	29,600	309,600
2043	295,000	18,100	313,100
2044	305,000	6,100	311,100
	<u>\$ 4,830,000</u>	<u>\$ 2,897,392</u>	<u>\$ 7,727,392</u>

See accompanying independent auditor's report.

**OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED APRIL 30, 2018**

Description	Original Bonds Issued	Bonds Outstanding May 1, 2017
Oak Point Water Control and Improvement District No. 4 Unlimited Tax Bonds - Series 2018	<u>\$ 4,830,000</u>	<u>\$ -0-</u>
Bond Authority:	Tax Bonds*	
Amount Authorized by Voters	\$ 37,960,000	
Amount Issued	<u>4,830,000</u>	
Remaining to be Issued	<u>\$ 33,130,000</u>	
Debt Service Fund cash and investment balances as of April 30, 2018:		<u>\$ 274,434</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 297,207</u>

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

* Includes the ability to issue Refunding Bonds of one and one-half times the amount of bonds previously issued.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>			
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding April 30, 2018</u>
	<u>Principal</u>	<u>Interest</u>	
<u>\$ 4,830,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 4,830,000</u>

Amegy Bank
Houston, TX

See accompanying independent auditor's report.

**OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - THREE YEARS**

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 282,012	\$ 70,423	\$
Miscellaneous Revenues	585		
Developer Advances		32,672	1,500
TOTAL REVENUES	<u>\$ 282,597</u>	<u>\$ 103,095</u>	<u>\$ 1,500</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 37,065	\$ 16,748	\$ 8,522
Contracted Services	3,785	2,288	1,480
Other	6,365	2,765	2,940
TOTAL EXPENDITURES	<u>\$ 47,215</u>	<u>\$ 21,801</u>	<u>\$ 12,942</u>
NET CHANGE IN FUND BALANCE	\$ 235,382	\$ 81,294	\$ (11,442)
BEGINNING FUND BALANCE	<u>55,483</u>	<u>(25,811)</u>	<u>(14,369)</u>
ENDING FUND BALANCE	<u>\$ 290,865</u>	<u>\$ 55,483</u>	<u>\$ (25,811)</u>

See accompanying independent auditor's report.

<u>Percentage of Total Revenues</u>		
<u>2018</u>	<u>2017</u>	<u>2016</u>
99.8 %	68.3 %	%
0.2		
<u> </u>	<u>31.7</u>	<u>100.0</u>
<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
13.1 %	16.2 %	568.1 %
1.3	2.2	98.7
<u>2.3</u>	<u>2.7</u>	<u>196.0</u>
<u>16.7 %</u>	<u>21.1 %</u>	<u>862.8 %</u>
<u>83.3 %</u>	<u>78.9 %</u>	<u>(762.8) %</u>

See accompanying independent auditor's report.

**OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - THREE YEARS**

	Amounts		
	2018	2017	2016
REVENUES			
Miscellaneous Revenues	\$ 336	\$	\$
EXPENDITURES			
Tax Collection Expenditures	\$ 21	\$	\$
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 315	\$	\$
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Long-Term Debt	\$ 261,315	\$	\$
NET CHANGE IN FUND BALANCE	\$ 261,630	\$	\$
BEGINNING FUND BALANCE	_____	_____	_____
ENDING FUND BALANCE	<u>\$ 261,630</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

See accompanying independent auditor's report.

<u>Percentage of Total Revenues</u>		
<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>100.0</u> %	<u> </u> %	<u> </u> %
<u>6.3</u> %	<u> </u> %	<u> </u> %
<u>93.7</u> %	<u>N/A</u> %	<u>N/A</u> %

See accompanying independent auditor's report.

OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
APRIL 30, 2018

District Mailing Address - Oak Point Water Control and Improvement District No. 4
c/o Coats Rose, P.C.
14755 Preston Road, Suite 600
Dallas, TX 75254

District Telephone Number - (972) 982-8450

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended April 30, 2018	Expense Reimbursements for the year ended April 30, 2018	Title
Chris Armstrong	05/18 05/22 (Elected)	\$ 1,200	\$ 22	President
Dwayne Bollmeyer	04/18 05/20 (Appointed)	\$ 150	\$ -0-	Vice President
Michael Cooley	05/16 05/20 (Elected)	\$ 1,050	\$ 19	Secretary
Steve Horne	04/18 05/22 (Appointed)	\$ -0-	\$ -0-	Assistant Secretary
Donna Feldheim	04/18 05/22 (Appointed)	\$ -0-	\$ -0-	Assistant Secretary
Kirk Fichtner	05/14 04/18 (Resigned)	\$ 900	\$ -0-	Former President
Steven A. Mundt, Sr.	05/16 04/18 (Resigned)	\$ 1,200	\$ -0-	Former Secretary
Kenton Sassmann	05/14 04/18 (Resigned)	\$ -0-	\$ -0-	Former Assistant Secretary

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.
Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054):
June 5, 2017.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

OAK POINT WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
APRIL 30, 2018

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended April 30, 2018</u>	<u>Title</u>
Coats Rose, P. C.	01/05/07	\$ 29,405 \$ 164,678	General Counsel Bond Related
McCall Gibson Swedlund Barfoot PLLC	09/08/16	\$ 6,500 \$ 5,900	Auditor Bond Related
L&S District Services, LLC	02/13/07	\$ 4,048	Bookkeeper
Kimley-Horn and Associates	02/07/12	\$ 1,160	Engineer
Robert W. Baird & Co.	08/24/15	\$ 129,987	Financial Advisor
Denton County	08/18/16	\$ -0-	Tax Assessor/ Collector
McCreary, Veselka, Bragg & Allen, P.C. and Sawko & Burroughs, P.C.	09/13/17	\$ -0-	Delinquent Tax Attorney

See accompanying independent auditor's report.

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



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