

OFFICIAL STATEMENT DATED JANUARY 29, 2020

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

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

NEW ISSUE - Book Entry Only

S&P Global Rating (BAM Insured) "AA"

LIVE OAK CREEK MUNICIPAL UTILITY DISTRICT NO. 1 OF TARRANT COUNTY

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

\$1,865,000

Unlimited Tax Refunding Bonds

Series 2020

Interest accrues from: February 1, 2020

Due: September 1, as shown on inside cover

Interest on the \$1,865,000 Live Oak Creek Municipal Utility District No. 1 of Tarrant County Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds") will accrue from February 1, 2020, and will be payable on September 1, 2020, and on each March 1 and September 1 (each an "Interest Payment Date") thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the Bonds will be payable to registered owners as shown on the records of the Paying Agent/Registrar (herein defined) at the close of business on the 15th calendar day of the month next preceding each interest payment date. The Bonds will be issued in fully registered form only, without coupons, in principal denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for the Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"). The Bonds are obligations solely of Live Oak Creek Municipal Utility District No. 1 of Tarrant County (the "District") and are not obligations of the State of Texas; Tarrant County, Texas (the "County"); the City of Fort Worth, Texas (the "City"); or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas; the County; the City; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

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

The Bonds constitute the first series of unlimited tax refunding bonds issued for the Utility System (herein defined). Voters in the District have authorized a total of \$52,000,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring and maintaining a waterworks, wastewater and storm drainage system (the "Utility System") to serve the District and \$78,000,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds, and \$22,000,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring and maintaining a road system (the "Road System") to serve the District and \$33,000,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds. Following the issuance of the Bonds, \$47,735,000 principal amount of unlimited tax bonds issued for the purpose of purchasing, constructing, acquiring and maintaining the Utility System to serve the District and \$77,900,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds, and \$14,175,000 principal amount of unlimited tax bonds issued for the purpose of purchasing, constructing, acquiring and maintaining the Road System to serve the District and \$33,000,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds will remain authorized and unissued.

The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.



The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by SAMCO Capital Markets, Inc. (the "Underwriter"), subject to the approval of the Attorney General of Texas and of Coats Rose, P.C., Dallas, Texas, Bond Counsel. Certain other matters will be passed upon, on behalf of the Underwriter, by McCall, Parkhurst & Horton L.L.P., Houston, Texas. Delivery of the Bonds is expected on or about February 27, 2020.

SAMCO CAPITAL MARKETS, INC.

PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS

\$1,080,000 Serial Bonds

Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 538081 (b)	Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 538081 (b)
2021	\$ 90,000	3.000%	1.190%	GZ7	2026 (c)	\$ 110,000	2.000%	1.600%	HE3
2022	95,000	3.000%	1.240%	HA1	2027 (c)	115,000	2.000%	1.770%	HF0
2023	100,000	3.000%	1.280%	HB9	2028 (c)	115,000	2.000%	1.930%	HG8
2024	105,000	3.000%	1.360%	HC7	2029 (c)	120,000	2.000%	2.050%	HH6
2025	110,000	3.000%	1.460%	HD5	2030 (c)	120,000	2.000%	2.250%	HJ2

\$785,000 Term Bonds

\$245,000 Term Bonds due September 1, 2032 (c)(d) Interest Rate 2.125% (Price: \$97.254) (a) CUSIP No. 538081 HL7 (b)
 \$265,000 Term Bonds due September 1, 2034 (c)(d) Interest Rate 2.250% (Price: \$96.616) (a) CUSIP No. 538081 HN3 (b)
 \$275,000 Term Bonds due September 1, 2036 (c)(d) Interest Rate 2.500% (Price: \$98.267) (a) CUSIP No. 538081 HQ6 (b)

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- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to this issue by the CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. None of the District, the Financial Advisor (herein defined) or the Underwriter shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.
- (c) Bonds maturing on September 1, 2026, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on September 1, 2025, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*."
- (d) Subject to mandatory 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 Underwriter.

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

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

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.

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

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

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX B - Specimen Municipal Bond Insurance Policy."

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SALE AND DISTRIBUTION OF THE BONDS

Underwriting

SAMCO Capital Markets, Inc. (the “Underwriter”) has agreed to purchase the Bonds from the District for \$1,851,330.67 (representing the principal amount of the Bonds of \$1,865,000.00, plus a net original issue premium on the Bonds of \$9,226.05, and less an underwriter’s discount on the Bonds of \$22,895.38), plus accrued interest on the Bonds to the date of delivery. The Underwriter’s obligation is to purchase all of the Bonds, if any Bonds are purchased.

The following statement is provided by the Underwriter: In accordance with its responsibilities under federal securities laws, the Underwriter has reviewed the information in this Official Statement but does not guarantee its accuracy or completeness.

Prices and Marketability

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

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

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

Securities Laws

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

MUNICIPAL BOND INSURANCE

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as “APPENDIX B” to this Official Statement. The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$552.8 million, \$130.8 million and \$422.1 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

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

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit

Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

RATING

The Bonds are expected to receive an insured rating of “AA” from S&P solely in reliance upon the issuance of the municipal bond insurance policy by BAM at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols “AAA” (the highest rating) through “D” (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant.

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

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OFFICIAL STATEMENT SUMMARY

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

THE BONDS

- The Issuer Live Oak Creek Municipal Utility District No. 1 of Tarrant County (the "District"), a political subdivision of the State of Texas, is located approximately 14 miles west of downtown Fort Worth, Texas, and wholly in the extraterritorial jurisdiction of the City of Fort Worth, Texas (the "City"), and within Tarrant County, Texas (the "County"). See "THE DISTRICT."
- The Issue The \$1,865,000 Live Oak Creek Municipal Utility District No. 1 of Tarrant County Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds") are dated February 1, 2020, and mature on September 1 in the years and amounts set forth on the inside cover of this Official Statement. Interest accrues from February 1, 2020, at the rates per annum set forth on the inside cover of this Official Statement and is payable September 1, 2020, and each March 1 and September 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 of principal amount for any one series and maturity. See "THE BONDS – General."
- Redemption Provisions Bonds maturing on and after September 1, 2026, are subject to redemption, in whole or from time to time in part, at the option of the District on September 1, 2025, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*." The Bonds maturing on September 1, in each of the years 2032, 2034, and 2036 are term bonds that are also subject to the mandatory redemption provisions set out herein under "THE BONDS – Mandatory Redemption – *Mandatory Redemption*."
- Authority of Issuance..... The Bonds are issued pursuant to (i) the legislation creating the District; (ii) an order authorizing the issuance of the Bonds adopted by the Board of Directors of the District; (iii) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207 of the Texas Government Code, as amended; and (iv) an election held within the District by participating voters on November 7, 2006.
- Book-Entry-Only System..... The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), in accordance with the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (herein defined) thereof. Principal of and interest on the Bonds will be payable by The Bank of New York Mellon Trust Company, N.A. Dallas, Texas, to Cede & Co., which 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."

Source of Payment	The Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, unlimited as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas; the County; the City; or any entity other than the District. See "THE BONDS – Source of Payment."
Payment Record.....	The District has never defaulted on the timely payment of principal and interest on its bonded indebtedness.
Use of Proceeds	The proceeds of the Bonds, together with surplus debt service funds, will be applied to pay certain costs incurred in connection with the issuance of the Bonds and to refund \$1,765,000 principal amount of the District's \$2,165,000 Unlimited Tax Bonds, Series 2011 (the "Refunded Bonds"). The refunding of the Refunded Bonds is expected to result in an annual and net present value savings in the District's current annual debt service requirements. See "PLAN OF FINANCING."
Remaining Outstanding Bonds.....	<p>The following bonds have been previously issued by the District for the purpose of purchasing, constructing, acquiring and maintaining a waterworks, wastewater and storm drainage system (the "Utility System") to serve the District: \$2,165,000 Unlimited Tax Bonds, Series 2011 and \$2,100,000 Unlimited Tax Bonds, Series 2019. At the delivery of the Bonds, \$3,930,000 principal amount of such bonds will remain outstanding (the "Outstanding Utility System Bonds"). The District has never issued bonds for the purpose of refunding bonds issued by the District for the purpose of purchasing, constructing, acquiring and maintaining the Utility System. The following bonds have been previously issued by the District for the purpose of purchasing, constructing, acquiring and maintaining a road system (the "Road System") to serve the District and for the refunding of such bonds: \$1,585,000 Unlimited Tax Road Bonds, Series 2013; \$1,090,000 Unlimited Tax Road Bonds, Series 2013A; \$1,040,000 Unlimited Tax Road Bonds, Series 2014; \$1,450,000 Unlimited Tax Road Bonds, Series 2017; and \$2,660,000 Unlimited Tax Road Bonds, Series 2019. At the delivery of the Bonds, \$7,230,000 principal amount of such bonds will remain outstanding (the "Outstanding Road System Bonds"). The District has never issued bonds for the purpose of refunding bonds issued by the District for the purpose of purchasing, constructing, acquiring and maintaining the Road System. See "THE BONDS – Outstanding Bonds."</p> <p>Exclusive of the Refunded Bonds, \$2,165,000 principal amount of unlimited tax bonds previously issued for the purpose of purchasing, constructing, acquiring and maintaining the Utility System to serve the District will remain outstanding following the issuance of the Bonds (the "Remaining Outstanding Utility System Bonds"). The Remaining Outstanding Utility System Bonds and the Outstanding Road System Bonds are collectively referred to herein as the "Remaining Outstanding Bonds." See "PLAN OF FINANCING – Remaining Outstanding Bonds."</p>
Municipal Bond Insurance	Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND INSURANCE."
Municipal Bond Rating.....	S&P Global Rating (BAM Insured): "AA." See "RATING."

Qualified Tax-Exempt Obligations	The Bonds have been designated “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Qualified Tax-Exempt Obligations.”
Legal Counsel	Coats Rose, P.C., Dallas, Texas.
Underwriter’s Counsel	McCall, Parkhurst & Horton L.L.P., Houston Texas.
Financial Advisor	Robert W. Baird & Co. Incorporated, Houston, Texas.
Verification Agent	Robert Thomas CPA LLC, Minneapolis, Minnesota.
Paying Agent	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.

THE DISTRICT

Description	The District is a political subdivision of the State of Texas, and is located in the extraterritorial jurisdiction of the City in the County, approximately 14 miles west of the City. The District is located in the White Settlement Independent School District. See “THE DISTRICT – General.”
Authority	The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT – General.”
Development Within the District	The District contains approximately 265 acres. Land within the District has been developed as the single-family subdivision of Live Oak Creek, Phase 1 (approximately 92 acres as 237 single-family lots and approximately 17 undevelopable acres), Live Oak Creek, Phase 2 (approximately 10 acres as 40 single-family lots), Live Oak Creek, Phase 3A (approximately 13 acres as 61 single-family lots), Live Oak Creek, Phase 3B (approximately 11 acres as 57 single-family lots), Live Oak Creek, Phase 4 (approximately 27 acres as 100 single-family lots), and Live Oak Creek, Phase 5 (approximately 33 acres as 102 single-family lots). Land within Live Oak Creek, Phase 6 (approximately 18 acres as 72 single-family lots) is currently under construction, with an anticipated completion date of May 15, 2020. As of December 1, 2019, the District consisted of 428 completed homes, 25 homes under construction and 144 vacant developed lots. The remaining acreage within the District is comprised of approximately 79 undeveloped but developable acres (including approximately 18 acres being developed as 72 single-family lots as Live Oak Creek, Phase 6). See “DEVELOPMENT STATUS OF THE DISTRICT.”
Developers and Principal Landowners	The current developer of land located within the District is 351 Development LLC, a Texas limited liability company (the “Developer”). L.O. Haywire Investments LP, a Texas limited partnership (“L.O. Haywire Investments”), is a related entity of the Developer that has purchased and holds the land to be developed within the District by the Developer. L.O. Haywire LLC, a Texas limited liability company (“L.O. Haywire”), is another related entity of the Developer that owns the rights to reimbursement from the development activities of the Developer. The Developer, L.O. Haywire Investments and L.O. Haywire are under common control and management. L.O. Haywire Investments currently owns approximately 28 acres that are being held for future development. There can be no assurance given as to when, if ever, such development will occur. See “THE DEVELOPER.”

Homebuilders Within the District..... The homebuilders within the District are Sandlin Custom Homes LTD, Impression Homes LLC and Stonehollow Homes LLC. The homebuilders are constructing homes on the remaining lots within Live Oak Creek, Phases 1, 2, 3A, 3B, 4 and 5. The homes being marketed in the District range in size from approximately 1,600 square feet to approximately 2,200 square feet and range price from approximately \$245,000 to approximately \$325,000. Homebuilding began in Live Oak Creek in late 2008. See "HOMEBUILDERS."

RISK FACTORS

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

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SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2019 Assessed Valuation.....	\$	94,411,550	(a)
Estimated Valuation as of December 1, 2019.....	\$	138,505,213	(b)
Direct Debt:			
The Remaining Outstanding Bonds.....	\$	9,395,000	
The Bonds.....		<u>1,865,000</u>	
Total.....	\$	11,260,000	
Estimated Overlapping Debt.....	\$	<u>6,411,530</u>	
Total Direct and Estimated Overlapping Debt.....	\$	<u>17,671,530</u>	
Direct Debt Ratios:			
As a percentage of 2019 Assessed Valuation.....		11.93 %	
As a percentage of the Estimated Valuation as of December 1, 2019.....		8.13 %	
Direct and Estimated Overlapping Debt Ratios:			
As a percentage of 2019 Assessed Valuation.....		18.72 %	
As a percentage of the Estimated Valuation as of December 1, 2019.....		12.76 %	
Utility System Debt Service Fund Balance (as of November 18, 2019).....	\$	146,589	(c)
Road System Debt Service Fund Balance (as of November 18, 2019).....	\$	241,069	(d)
Utility System Capital Projects Fund Balance (as of November 18, 2019).....	\$	79,455	
Road System Capital Projects Fund Balance (as of November 18, 2019).....	\$	56,107	
Operating Fund Balance (as of November 18, 2019).....	\$	399,801	
2019 Tax Rate per \$100 of Assessed Valuation			
Utility System Debt Service.....	\$	0.430	
Road System Debt Service.....		0.440	
Maintenance & Operation.....		<u>0.130</u>	
Total.....	\$	1.000	(e)
Average Annual Debt Service Requirements on the Remaining			
Outstanding Bonds and the Bonds (2020-2043).....	\$	673,404	(f)
Maximum Annual Debt Service Requirement on the Remaining			
Outstanding Bonds and the Bonds (2036).....	\$	790,781	(f)
Tax Rate per \$100 of Assessed Valuation Required to Pay Average			
Annual Debt Service Requirements on the Remaining Outstanding			
Bonds and the Bonds (2020-2043) at 95% Tax Collections:			
Based Upon the 2019 Assessed Valuation (\$94,411,550).....	\$	0.76	
Based Upon the Estimated Valuation as of December 1, 2019 (\$138,505,213)....	\$	0.52	
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum			
Annual Debt Service Requirements on the Remaining Outstanding			
Bonds and the Bonds (2036) at 95% Tax Collections:			
Based Upon the 2019 Assessed Valuation (\$94,411,550).....	\$	0.89	
Based Upon the Estimated Valuation as of December 1, 2019 (\$138,505,213)....	\$	0.61	

(a) As certified by the Appraisal District (herein defined). See "TAX DATA" and "TAXING PROCEDURES."

(b) As provided by the Appraisal District for informational purposes only. This value is net of estimated exemptions. Such amount is only an estimate of the assessed valuation within the District as of December 1, 2019, and may be revised upward or downward once certified by the Appraisal District. This value reflects the addition of value from new construction within the District from January 1, 2019, to December 1, 2019. No taxes will be levied on this value. See "TAX DATA" and "TAXING PROCEDURES."

(c) Neither Texas Law nor the Bond Order (herein defined) requires that the District maintain any particular sum in the Utility System Debt Service Fund. At the time of closing, on the Bonds, accrued interest from February 1, 2020, to the date of delivery will be deposited into the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on the Outstanding Road System Bonds.

(d) Neither Texas Law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on the Outstanding Utility System Bonds or the Bonds.

- (e) See "TAX DATA – Tax Rate Calculations."
- (f) Debt service on the Bonds is estimated using current market rates. Outstanding debt service is calculated as of the delivery of the Bonds. See "DISTRICT DEBT – Debt Service Requirements."

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OFFICIAL STATEMENT

relating to

**LIVE OAK CREEK MUNICIPAL UTILITY DISTRICT NO. 1 OF TARRANT COUNTY
(A political subdivision of the State of Texas, located within Tarrant County)**

\$1,865,000

**Unlimited Tax Refunding Bonds
Series 2020**

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Live Oak Creek Municipal Utility District No. 1 of Tarrant County (the "District") of its \$1,865,000 Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds") and the sale of the Bonds to the underwriter listed on the cover of this Official Statement, SAMCO Capital Markets, Inc. (the "Underwriter").

The Bonds are issued pursuant to (i) the legislation creating the District; (ii) an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"); (iii) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207 of the Texas Government Code, as amended; and (iv) an election held within the District by participating voters on November 7, 2006.

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.

RISK FACTORS

General

The Bonds, which are obligations of the District and are not obligations of the State of Texas; Tarrant County, Texas (the "County"); the City of Fort Worth, Texas (the "City"); or any political subdivision, will be secured by a continuing direct annual ad valorem tax, levied without legal limitation as to rate or amount, on all 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 on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by the registered owners of the District's obligations to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "Bankruptcy Limitation to Registered Owners' Rights" below.

Economic Factors Affecting Taxable Values and Tax Payments

The rate of development within the District is directly related to the vitality of the single-family housing in the Fort Worth, Texas, metropolitan area, particularly in the price range (\$250,000-\$350,000) of homes in the District. 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 approximately 453 single-family homes are built or under construction as of December 1, 2019, the District cannot predict the pace or magnitude of any future development in the District. See "DEVELOPMENT STATUS OF THE DISTRICT."

Developer's Obligations to the District: There is no commitment by or legal requirement of the Developer (herein defined), 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 landowner'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 "DEVELOPMENT STATUS OF THE DISTRICT" and "THE DEVELOPER."

Dependence on Major Taxpayers and the Developer: The top ten principal taxpayers represent \$5,924,751 or 6.28% of the 2019 assessed valuation, which represents ownership as of January 1, 2019. The Developer represents \$2,027,396 or 2.14% of such value. If these or other principal taxpayers were to default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds would be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its debt service fund. See "Tax Collections and Foreclosure Remedies" in this section, "TAX DATA - Principal Taxpayers" and "TAXING PROCEDURES - Levy and Collection of Taxes."

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 2019 assessed valuation of property within the District is \$94,411,550 and the estimated valuation as of December 1, 2019, is \$138,505,213. See "SELECTED FINANCIAL INFORMATION." After issuance of the Bonds, the maximum annual debt service requirement will be \$790,781 (2036) and the average annual debt service requirement will be \$673,404 (2020 through 2043). Assuming no increase or decrease from the 2019 assessed valuation, tax rates of \$0.89 and \$0.76 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirements and the average annual debt service requirements, respectively. Assuming no increase or decrease from the estimated valuation as of December 1, 2019, tax rates of \$0.61 and \$0.52 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirements and the average annual debt service requirements, respectively. See "DISTRICT DEBT - Debt Service Requirement Schedule." For the 2019 fiscal year, the District levied a combined tax rate of \$0.87 per \$100 of assessed valuation for debt service purposes and a tax rate of \$0.13 per \$100 of assessed valuation for maintenance purposes.

Tax Collections and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by difficulties in collecting ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on 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.

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 taxpayer's right to redeem property after foreclosure). Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer.

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the registered owners of the Bonds (the "Registered Owners") have the right to seek of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not

specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

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

Bankruptcy Limitation to Registered Owners' Rights

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

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

If the petitioning District were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district. The District may not be placed into bankruptcy involuntarily.

Marketability

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

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 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.

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

In 2015, the EPA and 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 expanded the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. The CWR was challenged in numerous jurisdictions, including the Southern District of Texas, causing significant uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction.

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal will officially become final on December 23, 2019.

On December 11, 2018, the EPA and USACE released a 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 took comments on the proposal for 60 days after publication in the Federal Register, which occurred on February 14, 2019, but the proposed rule has not been finalized.

Due to the pending rulemaking activity, there remains 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 additional permitting requirements.

Potential Impact of Natural Disaster

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

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

Bond Insurance Risk Factors

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

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

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such

event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "RATING."

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

Neither the District or Underwriter has 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" for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

Continuing Compliance with Certain Covenants

Failure of the District to comply with such 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 issue. See "TAX MATTERS."

Future Debt

Voters in the District have authorized a total of \$52,000,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring and maintaining a waterworks, wastewater and storm drainage system (the "Utility System") to serve the District and \$78,000,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds, and \$22,000,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring and maintaining a road system (the "Road System") to serve the District and \$33,000,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds. Following the issuance of the Bonds, \$47,735,000 principal amount of unlimited tax bonds issued for the purpose of purchasing, constructing, acquiring and maintaining the Utility System to serve the District and \$77,900,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds, and \$14,175,000 principal amount of unlimited tax bonds issued for the purpose of purchasing, constructing, acquiring and maintaining the Road System to serve the District and \$33,000,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds will remain authorized and unissued.

On November 22, 2019, the District issued its Bond Anticipation Note, Series 2019 (the "BAN") in the amount of \$2,785,000 to fund projects for the Utility System. The BAN will be redeemed upon the closing of the District's Unlimited Tax Bonds, Series 2020, which is anticipated to occur in the third quarter of 2020.

Following the issuance of the Bonds, the District will owe the Developer approximately \$5,205,000 for the expenditures relating to the Utility System to serve the developed land within the District and approximately \$3,470,000 for the expenditures relating to the Road System to serve the developed land within the District.

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the Engineer (herein defined), following the issuance of the Bonds, the remaining principal amount of authorized but unissued bonds will be sufficient to fully reimburse the Developer for the existing facilities and finance the water, sewer and drainage facilities and roads necessary to serve the remaining undeveloped but developable land within the District.

Bonds issued by the District for the Utility System are subject to prior approval by the TCEQ. Such agency has in place certain "economic feasibility rules" which for districts located in the County limit the amount of bonds which can be issued to an amount that can be amortized with a tax rate not exceeding \$1.20 per \$100 valuation, including all other obligations of the issuer secured by ad valorem taxes. Bonds to be issued by the District for roads currently are not subject to such "economic feasibility rules" but are subject to a "no growth tax rate limitation" of \$2.50 per \$100 valuation imposed by the Office of the Attorney General of Texas. See "SELECTED FINANCIAL INFORMATION."

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. The District does not employ any formula with respect to assessed valuations, tax collections, or otherwise to limit the amount of bonds which it may issue.

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 does not pass upon or guarantee the security of the Bonds as an investment, nor does he pass upon the adequacy or accuracy of the information contained in this Official Statement.

Changes in Tax Legislation

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

THE BONDS

General

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order adopted by the Board. A copy of the Bond Order may be obtained from the District upon request to Bond Counsel. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will bear interest from February 1, 2020, and will mature on September 1 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the inside cover of this Official Statement. Interest on the Bonds will be paid on September 1, 2020, and on each March 1 and September 1 (each an "Interest Payment Date") thereafter until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 of principal amount or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent and registrar for the Bonds is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar").

Record Date for Interest Payment

Interest on the Bonds will be paid to the Registered Owner appearing on the registration and transfer books of the Paying Agent/Registrar at the close of business on the fifteenth calendar day of the month next preceding each interest payment date. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

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

Redemption Provisions

Optional Redemption

The Bonds maturing on and after September 1, 2026, 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, 2025, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption. The Paying Agent/Registrar shall give written notice of redemption, by registered mail, overnight delivery, or other comparably secure means, not less than thirty (30) days prior to the redemption date, to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar, but neither the failure to give such notice nor any defect therein shall affect the sufficiency of notice given to the Registered Owner as herein above stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile.

The Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same series and maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds, the particular maturities of the Bonds to be redeemed shall be selected by the District; if less than all of the Bonds of a particular maturity are to be redeemed; the Paying Agent/Registrar is required to select the Bonds of such maturity to be redeemed by lot.

Mandatory Redemption

The Bonds due on September 1 in the years 2032, 2034, and 2036 are term bonds (the "Term Bonds") and 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, at a redemption price of par plus interest to the date of redemption.

\$245,000 Term Bonds due September 1, 2032

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2031	\$120,000
September 1, 2032 (maturity)	125,000

\$265,000 Term Bonds due September 1, 2034

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2033	\$130,000
September 1, 2034 (maturity)	135,000

\$275,000 Term Bonds due September 1, 2036

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2035	\$135,000
September 1, 2036 (maturity)	140,000

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 System 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.

Registration, Transfer and Exchange

In the event the Book-Entry-Only System (herein defined) should be discontinued, the Bonds are transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the Registered Owner, except for any tax or other governmental charges

required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds of the same maturity will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Paying Agent/Registrar, or sent by the United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Mutilated, Lost, Stolen or Destroyed Bonds

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

Paying Agent/Registrar

The Board has selected The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as the initial Paying Agent/Registrar for the Bonds. The initial designated payment office for the Bonds is located in Dallas, 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.

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are assessed, levied and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and cost of collection. In the Bond Order, the District covenants that said taxes are irrevocably pledged to the payment of the interest and principal of the Bonds, the Remaining Outstanding Bonds, and any unlimited tax bonds hereafter issued. The Bonds are obligations of the District and are not the obligations of the State of Texas; County; the City; or any other political subdivision or any entity other than the District.

Payment Record

The District has never defaulted on the timely payment of principal and interest on its bonded indebtedness.

Authority for Issuance

The Bonds constitute the first series of unlimited tax refunding bonds issued for the Utility System. Voters in the District have authorized a total of \$52,000,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring and maintaining the Utility System to serve the District and \$78,000,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds, and \$22,000,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring and maintaining the Road System to serve the District and \$33,000,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds. Following the issuance of the Bonds, \$47,735,000 principal amount of unlimited tax

bonds issued for the purpose of purchasing, constructing, acquiring and maintaining the Utility System to serve the District and \$77,900,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds, and \$14,175,000 principal amount of unlimited tax bonds issued for the purpose of purchasing, constructing, acquiring and maintaining the Road System to serve the District and \$33,000,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds will remain authorized and unissued.

The Bonds are issued pursuant to (i) the legislation creating the District; (ii) the Bond Order adopted by the Board; (iii) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207 of the Texas Government Code, as amended; and (iv) an election held within the District by participating voters on November 7, 2006.

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.

Outstanding Bonds

The following bonds have been previously issued by the District for the purpose of purchasing, constructing, acquiring and maintaining the Utility System to serve the District: \$2,165,000 Unlimited Tax Bonds, Series 2011 and \$2,100,000 Unlimited Tax Bonds, Series 2019. At the delivery of the Bonds, \$3,930,000 principal amount of such bonds will remain outstanding (the "Outstanding Utility System Bonds"). The District has never issued bonds for the purpose of refunding bonds issued by the District for the purpose of purchasing, constructing, acquiring and maintaining the Utility System. The following bonds have been previously issued by the District for the purpose of purchasing, constructing, acquiring and maintaining the Road System to serve the District and for the refunding of such bonds: \$1,585,000 Unlimited Tax Road Bonds, Series 2013; \$1,090,000 Unlimited Tax Road Bonds, Series 2013A; \$1,040,000 Unlimited Tax Road Bonds, Series 2014; \$1,450,000 Unlimited Tax Road Bonds, Series 2017; and \$2,660,000 Unlimited Tax Road Bonds, Series 2019. At the delivery of the Bonds, \$7,230,000 principal amount of such bonds will remain outstanding (the "Outstanding Road System Bonds"). The District has never issued bonds for the purpose of refunding bonds issued by the District for the purpose of purchasing, constructing, acquiring and maintaining the Road System.

Exclusive of the Refunded Bonds, \$2,165,000 principal amount of unlimited tax bonds previously issued for the purpose of purchasing, constructing, acquiring and maintaining the Utility System to serve the District will remain outstanding following the issuance of the Bonds (the "Remaining Outstanding Utility System Bonds"). The Remaining Outstanding Utility System Bonds and the Outstanding Road System Bonds are collectively referred to herein as the "Remaining Outstanding Bonds." See "PLAN OF FINANCING – Remaining Outstanding Bonds."

Issuance of Additional Debt

The Bonds constitute the first series of unlimited tax refunding bonds issued for the Utility System. Voters in the District have authorized a total of \$52,000,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring and maintaining the Utility System to serve the District and \$78,000,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds, and \$22,000,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring and maintaining the Road System to serve the District and \$33,000,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds. Following the issuance of the Bonds, \$47,735,000 principal amount of unlimited tax bonds issued for the purpose of purchasing, constructing, acquiring and maintaining the Utility System to serve the District and \$77,900,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds, and \$14,175,000 principal amount of unlimited tax bonds issued for the purpose of purchasing, constructing, acquiring and maintaining the Road System to serve the District and \$33,000,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds will remain authorized and unissued.

On November 22, 2019, the District issued its BAN in the amount of \$2,785,000 to fund projects for the Utility System. The BAN will be redeemed upon the closing of the District's Unlimited Tax Bonds, Series 2020, which is anticipated to occur in the third quarter of 2020.

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. Except with respect to the

issuance of bonds for road purposes, the District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. The total amount of bonds and other obligations of the District issued for road purposes may not exceed one-fourth of the assessed valuation of the real property in the District.

The Board is further empowered to borrow money for any lawful purpose and pledge the revenues of the waterworks and sewer system therefore and to issue bond anticipation notes and tax anticipation notes.

The Bond Order imposes no limitation on the amount of additional bonds, which may be issued by the District. Any additional bonds issued by the District may be on parity with the Bonds.

Registered Owners' Remedies

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

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District may be annexed for full purposes by the City without the District's consent, subject to compliance by the City with various requirements of Chapter 43 of the Texas Local Government Code, as amended. If the District is annexed, the City must assume the District's assets and obligations (including the Bonds) and abolish

the District within ninety (90) days of the date of annexation. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and, therefore, the District makes no representation that the City will ever annex the District for full purposes and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

Consolidation

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, 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 and the Underwriter believe the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The District and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participant, (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 United States Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each 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 an S&P Global Ratings' rating of AA+. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issue as soon as possible after the record date. The Omnibus Proxy assigns Cede &

Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or 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 Registered Owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry system, and (ii) except as described above, notices that are to be given to Registered Owners under the Bond Order will be given only to DTC.

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PLAN OF FINANCING

Use of Proceeds

The proceeds of the Bonds, together with surplus debt service funds, will be applied to pay certain costs incurred in connection with the issuance of the Bonds and to refund \$1,765,000 principal amount of the District's \$2,165,000 Unlimited Tax Bonds, Series 2011 (the "Refunded Bonds"). The refunding of the Refunded Bonds is expected to result in an annual and net present value savings in the District's current annual debt service requirements.

Refunded Bonds	
Principal Amount	Maturity Date
\$ 70,000	09/01/2021
75,000	09/01/2022
80,000	09/01/2023
85,000	09/01/2024
90,000	09/01/2025
95,000 (a)	09/01/2026
100,000 (a)	09/01/2027
105,000 (a)	09/01/2028
110,000 (b)	09/01/2029
115,000 (b)	09/01/2030
120,000 (b)	09/01/2031
130,000 (b)	09/01/2032
135,000 (c)	09/01/2033
145,000 (c)	09/01/2034
150,000 (c)	09/01/2035
<u>160,000 (c)</u>	<u>09/01/2036</u>
\$ 1,765,000	

Total Principal Amount of the Refunded Bonds: \$1,765,000

Redemption Date: February 27, 2020

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- (a) Represents mandatory sinking fund payments for a term bond with a maturity date of September 1, 2028.
(b) Represents mandatory sinking fund payments for a term bond with a maturity date of September 1, 2032.
(c) Represents mandatory sinking fund payments for a term bond with a maturity date of September 1, 2036.

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Remaining Outstanding Bonds

The following table represents the previously issued bonds for the purpose of purchasing, constructing, acquiring and maintaining the Utility System to serve the District that will remain outstanding following the issuance of the Bonds. The District has never issued bonds for the purpose of refunding bonds issued by the District for the purpose of purchasing, constructing, acquiring and maintaining the Utility System.

	Original Principal Amount	Outstanding Principal Amount	Less: Refunded Bonds	Remaining Outstanding Bonds
Unlimited Tax Bonds, Series 2011	\$ 2,165,000	\$ 1,830,000	\$ (1,765,000)	\$ 65,000
Unlimited Tax Bonds, Series 2019	<u>2,100,000</u>	<u>2,100,000</u>	<u>-</u>	<u>2,100,000</u>
	<u>\$ 4,265,000</u>	<u>\$ 3,930,000</u>	<u>\$ (1,765,000)</u>	<u>\$ 2,165,000</u>

The following table represents the previously issued bonds for the purpose of purchasing, constructing, acquiring and maintaining the Road System to serve the District that will remain outstanding following the issuance of the Bonds. The District has never issued bonds for the purpose of refunding bonds issued by the District for the purpose of purchasing, constructing, acquiring and maintaining the Road System.

	Original Principal Amount	Outstanding Principal Amount	Less: Refunded Bonds	Remaining Outstanding Bonds
Unlimited Tax Road Bonds, Series 2013	\$ 1,585,000	\$ 1,325,000	\$ -	\$ 1,325,000
Unlimited Tax Road Bonds, Series 2013A	1,090,000	955,000	-	955,000
Unlimited Tax Road Bonds, Series 2014	1,040,000	930,000	-	930,000
Unlimited Tax Road Bonds, Series 2017	1,450,000	1,360,000	-	1,360,000
Unlimited Tax Road Bonds, Series 2019	<u>2,660,000</u>	<u>2,660,000</u>	<u>-</u>	<u>2,660,000</u>
	<u>\$ 7,825,000</u>	<u>\$ 7,230,000</u>	<u>\$ -</u>	<u>\$ 7,230,000</u>

Sources and Uses of Funds

The proceeds from the sale of the Bonds, together with surplus debt service funds, will be applied as follows:

SOURCES OF FUNDS:

Principal Amount of the Bonds	\$ 1,865,000.00
Net Premium.....	9,226.05
Accrued Interest on the Bonds.....	3,224.27
Debt Service Surplus.....	<u>45,000.00</u>
Total Sources of Funds	\$ 1,922,450.32

USES OF FUNDS:

Deposit for Payment of the Refunded Bonds.....	\$ 1,809,114.89
Deposit of Accrued Interest to Debt Service Fund	3,224.27
Issuance Expenses and Underwriter's Discount (a).....	106,362.01
Additional Proceeds.....	<u>3,749.15</u>
Total Uses of Funds	\$ 1,922,450.32

(a) Includes insurance premium.

THE DISTRICT

General

The District is a political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution. The District was created by Special Act of the Texas Legislature, House Bill No. 3530, passed in May 2005 (now codified as Chapter 8139; Texas Special District Local Laws Code). The District was originally named City of Fort Worth Municipal Utility District No. 2 of Tarrant County in the Special Act. The District's name was changed to Live Oak Creek Municipal Utility District No. 1 of Tarrant County by Order issued by the TCEQ on June 13, 2007. The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. In addition, the District is authorized to purchase, construct, operate and maintain roads. The District is also authorized to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; the control and diversion of storm water. The District may also provide solid waste collection and disposal service and operate and maintain recreational facilities. 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.

The District is located in the extraterritorial jurisdiction of the City in the County, approximately 14 miles west of the City. The District is located in the White Settlement Independent School District. The District contains approximately 265 acres.

Management of the District

- Board of Directors -

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

<u>Name</u>	<u>Title</u>	<u>Term Expires May</u>
Neal Morris	President	2022
Amy May	Vice President/Treasurer	2022
Mark Ratliff	Secretary	2020
Nathan Golik	Assistant Secretary	2020
Brian Shiller	Assistant Secretary	2022

- Consultants -

Tax Assessor/Collector – The District's tax assessor/collector is the Tarrant County Tax Office.

Bookkeeper – The District contracts with L&S District Services, LLC for bookkeeping services.

Engineer – The consulting engineer engaged by the District in connection with the design and construction of the District's facilities is Peloton Land Solutions (the "Engineer").

Auditor – As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. A copy of the District's audit prepared by McCall Gibson Swedlund Barfoot PLLC for the fiscal year ended February 28, 2019, is included as "APPENDIX A" to this Official Statement.

Financial Advisor – Robert W. Baird & Co. Incorporated serves as the District's financial advisor (the "Financial Advisor"). The fee for services rendered in connection with the issuance of the Bonds is based on the percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the 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.

Bond Counsel – The District engaged Coats Rose, P.C. as bond counsel (“Bond Counsel”) in connection with the issuance of the Bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage 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.

Special Consultants Related to Issuance of the Bonds

Verification Agent – At the time of delivery of the Bonds, Robert Thomas CPA LLC, Certified Public Accountants, will verify to the District, Bond Counsel, Special Tax Counsel, and the Underwriter certain matters related to the issuance of the bonds and the refunding of the Refunded Bonds. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.”

Utility Agreement with the City

The District and the Developer entered into an agreement with the City (the "Utility Agreement") in 2006. Pursuant to the Utility Agreement, the District has agreed to acquire and construct, for ultimate conveyance to the City, the water distribution, wastewater collection and certain drainage facilities to serve development occurring within the boundaries of the District (the "District Utility Facilities").

The District Facilities: The Utility Agreement provides that the District Utility Facilities will be designed and constructed in accordance with the City's requirements and criteria. See "THE SYSTEM – Description of the System".

Authority of District to Issue Bonds: The District has the authority to issue, sell, and deliver bonds as permitted by law and the City's consent resolution. Bonds issued by the District are obligations solely of the District and shall not be construed to be obligations or indebtedness of the City.

Ownership, Operation, and Maintenance of the District Utility Facilities: Upon approval and acceptance of the District Utility Facilities by the City, the District shall convey legal title to the District Utility Facilities to the City. Upon acceptance of the District Utility Facilities by the District, the District will acquire a capacity interest in the District Utility Facilities in an amount equal to the capacity funded by or on behalf of the District, which capacity interest shall be reserved for and available to provide water and wastewater service to customers within the District, provided development occurs in substantial compliance with the development agreement between the City and the Developer.

Upon dedication of the District Utility Facilities to the City, the City will operate and maintain such facilities. If repairs to roads within the District are needed as a result of repair or maintenance of the District Utility Facilities by the City, the District shall perform such repairs at its own expense.

Water and Sewer Capacity and Service: The District pays impact fees to the City for water and wastewater capacity in the City's water and wastewater treatment plants. The City also charges tap and service connection fees in an amount equal to the amount if the services were provided within the City's corporate limits. The City bills and collects for retail water and sewer service to customers within the District at the rates established by the City for service within the City's extraterritorial jurisdiction. See "THE SYSTEM – Description of the System."

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DEVELOPMENT STATUS OF THE DISTRICT

The District contains approximately 265 acres. Land within the District has been developed as the single-family subdivision of Live Oak Creek, Phase 1 (approximately 92 acres as 237 single-family lots and approximately 17 undevelopable acres), Live Oak Creek, Phase 2 (approximately 10 acres as 40 single-family lots), Live Oak Creek, Phase 3A (approximately 13 acres as 61 single-family lots), Live Oak Creek, Phase 3B (approximately 11 acres as 57 single-family lots), Live Oak Creek, Phase 4 (approximately 27 acres as 100 single-family lots), and Live Oak Creek, Phase 5 (approximately 33 acres as 102 single-family lots). Land within Live Oak Creek, Phase 6 (approximately 18 acres as 72 single-family lots) is currently under construction, with an anticipated completion date of May 15, 2020. As of December 1, 2019, the District consisted of 428 completed homes, 25 homes under construction and 144 vacant developed lots. The remaining acreage within the District is comprised of approximately 79 undeveloped but developable acres (including approximately 18 acres being developed as 72 single-family lots as Live Oak Creek, Phase 6).

The table below summarizes the development within the District as of December 1, 2019, by section.

	Approximate Acreage	Lots	Homes		Vacant Developed Lots
			Completed	Under Construction	
Live Oak Creek, Phase 1 (a)	92.263	237	233	-	4
Live Oak Creek, Phase 2	9.706	40	30	5	5
Live Oak Creek, Phase 3A	12.602	61	53	-	8
Live Oak Creek, Phase 3B	11.109	57	57	-	-
Live Oak Creek, Phase 4	27.202	100	55	20	25
Live Oak Creek, Phase 5	32.785	102	-	-	102
Totals	185.667	597	428	25	144
 Remaining Undeveloped but Developable Acres (b)	 78.861				
Total	264.528				

(a) Includes approximately 17 acres that are undevelopable in Live Oak Creek, Phase 1.

(b) Land within Live Oak Creek, Phase 6 (approximately 18 acres as 72 single-family lots) is currently under construction, with an anticipated completion date of May 15, 2020.

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PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(January 2020)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(January 2020)



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 current developer of land located within the District is 351 Development LLC, a Texas limited liability company (the "Developer"). L.O. Haywire Investments LP, a Texas limited partnership ("L.O. Haywire Investments"), is a related entity of the Developer that has purchased and holds the land to be developed within the District by the Developer. L.O. Haywire LLC, a Texas limited liability company ("L.O. Haywire"), is another related entity of the Developer that owns the rights to reimbursement from the development activities of the Developer. The Developer, L.O. Haywire Investments and L.O. Haywire are under common control and management. L.O. Haywire Investments currently owns approximately 28 acres that are being held for future development. There can be no assurance given as to when, if ever, such development will occur.

Development Financing

The Developer is financing the development of the land within the District with available cash on hand.

Lot Sales Contracts

The Developer has entered into lot sales contracts with Impression Homes and Stonehollow Homes to purchase the 392 lots that are planned for development as Live Oak Creek, Phases 3A, 3B, 4, 5 and Phase 6 upon completion of the lot construction.

HOMEBUILDERS

The homebuilders within the District are Sandlin Custom Homes LTD, Impression Homes LLC and Stonehollow Homes LLC. The homebuilders are constructing homes on the remaining lots within Live Oak Creek, Phases 1, 2, 3A, 3B, 4 and 5. The homes being marketed in the District range in size from approximately 1,600 square feet to approximately 2,200 square feet and range price from approximately \$245,000 to approximately \$325,000. Homebuilding began in Live Oak Creek in late 2008.

THE SYSTEM

General

The Utility System and Road System improvements, the purchase, acquisition and construction of which have been and will be financed by the District with future bond proceeds, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities. According to the Engineer, the design of the improvements has been approved by all governmental agencies, which have jurisdiction over the District.

Description of the System

- Wastewater Treatment and Conveyance System -

The District has contracted with the City for wastewater service to the District (see "THE DISTRICT – Utility Agreement with the City"). The District's wastewater ultimately flows to the Village Creek Wastewater Treatment Plant (the "WWTP"), which is owned and operated by the City. According to the District's Engineer,

the City has sufficient capacity in the WWTP to serve the District at the projected full development of 696 equivalent single-family connections (“ESFCs”).

- Water Supply and Distribution -

The District’s water supply is provided by the City. The City holds a Certificate of Convenience and Necessity (“CCN”) issued by the TCEQ to provide retail water service. The City has contracted to provide water service to the District. According to the District’s Engineer, the City has sufficient capacity to supply water to the District at the projected full development of 696 ESFCs.

- Drainage -

Stormwater runoff within the District drains through a storm sewer system consisting of inlets and storm sewer piping which eventually discharges into Live Oak Creek. None of the developable acreage within the District lies within the 100-year floodplain.

- Roads -

Construction of the road improvements within the boundaries of the District has been financed with funds advanced by the Developer and reimbursed with proceeds of the Outstanding Road Bonds and the Bonds. The roads within the District vary in width in accordance with standards adopted by the County, but are sized to accommodate the anticipated traffic demands of full build-out of the property within the District. The District owns and maintains the roads within the District.

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Historical Operations of the System

Since the District receives water supply and wastewater services from the City, it is anticipated that the proceeds of the District's maintenance tax will be the sole source of revenue available to the District to pay for District operations. The following is a summary of the District's general operating fund for the previous five fiscal years. The figures for the fiscal years ended February 2016 through February 2019 were obtained from the District's annual financial reports. See "APPENDIX A." The figures for the ten-month period ended December 31, 2019, are unaudited and have been obtained from reports of 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	Unaudited	Fiscal Year Ended February			
	2020 (a)	2019	2018	2017	2016
Property taxes	\$ 15,932	\$ 209,054	\$ 106,438	\$ 114,084	\$ 58,140
Penalties and interest	-	-	-	10	177
Investment income	3,313	3,102	1,469	625	490
Total	\$ 19,245	\$ 212,156	\$ 107,907	\$ 114,719	\$ 58,807
Expenditures					
Professional Fees	\$ 66,674	\$ 109,539	\$ 67,548	\$ 34,563	\$ 23,098
Contracted Services	6,969	6,946	6,728	6,415	4,183
Utilities	15,507	14,504	11,699	10,481	10,023
Repairs & Maintenance	7,985	8,129	7,651	3,791	4,977
Other Expenditures	7,288	8,581	8,626	13,638	6,530
Capital Outlay	-	-	-	-	-
Total	\$ 104,424	\$ 147,696	\$ 102,252	\$ 68,888	\$ 48,811
NET REVENUES (Deficit)	\$ (85,179)	\$ 64,460	\$ 5,655	\$ 45,831	\$ 9,996
Beginning fund balance	\$ 465,944	\$ 401,484	\$ 395,829	\$ 349,998	\$ 340,002
Ending fund balance	<u>\$ 380,765</u>	<u>\$ 465,944</u>	<u>\$ 401,484</u>	<u>\$ 395,829</u>	<u>\$ 349,998</u>

(a) Unaudited. Represents a summary of the ten-month period ended December 31, 2019.

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DISTRICT DEBT

Debt Service Requirement Schedule

The following schedule sets forth the current debt service requirements on the District's outstanding debt, less the Refunded Bonds, plus the principal and interest requirements on the Bonds.

Calendar Year	Outstanding Debt Service (a)	Refunded Bonds	The Bonds		Total Debt Service
			Principal	Interest	
2020	\$ 772,009	\$ 90,235	\$ -	\$ 24,813	\$ 707,816
2021	779,609	160,235	90,000	44,644	754,018
2022	775,999	162,085	95,000	41,944	750,858
2023	781,729	163,710	100,000	39,094	757,113
2024	776,494	165,110	105,000	36,094	752,478
2025	780,219	166,073	110,000	32,944	757,090
2026	784,994	166,798	110,000	29,644	757,840
2027	788,484	167,048	115,000	27,444	763,880
2028	791,078	167,048	115,000	25,144	764,174
2029	792,729	166,798	120,000	22,844	768,775
2030	798,041	166,023	120,000	20,444	772,463
2031	802,373	164,985	120,000	18,044	775,431
2032	805,623	168,685	125,000	15,494	777,431
2033	807,741	166,860	130,000	12,837	783,719
2034	813,414	169,570	135,000	9,913	788,756
2035	807,690	166,740	135,000	6,875	782,825
2036	815,921	168,640	140,000	3,500	790,781
2037	647,219	-	-	-	647,219
2038	561,288	-	-	-	561,288
2039	403,025	-	-	-	403,025
2040	406,050	-	-	-	406,050
2041	408,200	-	-	-	408,200
2042	414,800	-	-	-	414,800
2043	315,675	-	-	-	315,675
Total	\$ 16,630,404	\$ 2,746,643	\$ 1,865,000	\$ 411,716	\$ 16,161,705

(a) Outstanding debt service is calculated as of the delivery of the Bonds.

Average Annual Debt Service Requirements on the Remaining Outstanding Bonds and the Bonds (2020-2043).....	\$ 673,404
Maximum Annual Debt Service Requirement on the Remaining Outstanding Bonds and the Bonds (2036)	\$ 790,781

DISTRICT FINANCIAL DATA

Assessed Value

2019 Assessed Valuation	\$	94,411,550 (a)
Estimated Valuation as of December 1, 2019	\$	138,505,213 (b)
Direct Debt:		
The Remaining Outstanding Bonds	\$	9,395,000
The Bonds.....		<u>1,865,000</u>
Total	\$	11,260,000
Estimated Overlapping Debt.....	\$	<u>6,411,530</u>
Total Direct and Estimated Overlapping Debt	\$	<u>17,671,530</u>
Direct Debt Ratios:		
As a percentage of 2019 Assessed Valuation		11.93 %
As a percentage of the Estimated Valuation as of December 1, 2019		8.13 %
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of 2019 Assessed Valuation		18.72 %
As a percentage of the Estimated Valuation as of December 1, 2019		12.76 %
Utility System Debt Service Fund Balance (as of November 18, 2019)	\$	146,589 (c)
Road System Debt Service Fund Balance (as of November 18, 2019).....	\$	241,069 (d)
Utility System Capital Projects Fund Balance (as of November 18, 2019).....	\$	79,455
Road System Capital Projects Fund Balance (as of November 18, 2019)	\$	56,107
Operating Fund Balance (as of November 18, 2019).....	\$	399,801
2019 Tax Rate per \$100 of Assessed Valuation		
Utility System Debt Service	\$	0.430
Road System Debt Service		0.440
Maintenance & Operation		<u>0.130</u>
Total	\$	1.000 (e)
Average Annual Debt Service Requirements on the Remaining		
Outstanding Bonds and the Bonds (2020-2043).....	\$	673,404 (f)
Maximum Annual Debt Service Requirement on the Remaining		
Outstanding Bonds and the Bonds (2036)	\$	790,781 (f)
Tax Rate per \$100 of Assessed Valuation Required to Pay Average		
Annual Debt Service Requirements on the Remaining Outstanding		
Bonds and the Bonds (2020-2043) at 95% Tax Collections:		
Based Upon the 2019 Assessed Valuation (\$94,411,550).....	\$	0.76
Based Upon the Estimated Valuation as of December 1, 2019 (\$138,505,213).....	\$	0.52
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum		
Annual Debt Service Requirements on the Remaining Outstanding		
Bonds and the Bonds (2036) at 95% Tax Collections:		
Based Upon the 2019 Assessed Valuation (\$94,411,550).....	\$	0.89
Based Upon the Estimated Valuation as of December 1, 2019 (\$138,505,213).....	\$	0.61

(a) As certified by the Appraisal District (herein defined). See "TAX DATA" and "TAXING PROCEDURES."

(b) As provided by the Appraisal District for informational purposes only. This value is net of estimated exemptions. Such amount is only an estimate of the assessed valuation within the District as of December 1, 2019, and may be revised upward or downward once certified by the Appraisal District. This value reflects the addition of value from new construction within the District from January 1, 2019, to December 1, 2019. No taxes will be levied on this value. See "TAX DATA" and "TAXING PROCEDURES."

(c) Neither Texas Law nor the Bond Order (herein defined) requires that the District maintain any particular sum in the Utility System Debt Service Fund. At the time of closing, on the Bonds, accrued interest from February 1, 2020, to the date of delivery will be deposited into the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on the Outstanding Road System Bonds.

(d) Neither Texas Law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on the Outstanding Utility System Bonds or the Bonds.

(e) See "TAX DATA – Tax Rate Calculations."

(f) Debt service on the Bonds is estimated using current market rates. Outstanding debt service is calculated as of the delivery of the Bonds. See "DISTRICT DEBT – Debt Service Requirements."

Unlimited Tax Bonds Authorized but Unissued

<u>Election Date</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Remaining Unissued</u>
11/07/2006	Water, Sewer & Drainage	\$ 52,000,000	\$ 4,265,000	\$ 47,735,000
11/07/2006	Road	22,000,000	7,825,000	14,175,000
11/07/2006	Water, Sewer & Drainage Refunding	78,000,000	100,000 (a)	77,900,000
11/07/2006	Road Refunding	33,000,000	-	33,000,000

(a) Reflects the amount of authorization used from the issuance of the Bonds and refunding of the Refunded Bonds.

Estimated Direct and Overlapping Debt Statement

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

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt as of November 30, 2019</u>	<u>Estimated Overlapping</u>	
		<u>Percent</u>	<u>Amount</u>
Tarrant County	\$ 266,375,000	0.05%	\$ 125,908
Tarrant County Hospital District	17,735,000	0.05%	8,365
White Settlement Independent School District	153,712,305	4.08%	6,277,257
Total Estimated Overlapping Debt			<u>\$ 6,411,530</u>
The District			<u>\$ 11,260,000 (a)</u>
Total Direct & Estimated Overlapping Debt			<u>\$ 17,671,530 (a)</u>

(a) Includes the Bonds and excludes the Refunded Bonds.

Debt Ratios

	<u>Direct Debt (a)</u>	<u>Direct and Estimated Overlapping Debt (a)</u>
2019 Assessed Valuation (\$94,411,550)	11.93%	18.72%
Estimated Valuation as of December 1, 2019 (\$138,505,213)	8.13%	12.76%

(a) Includes the Bonds and excludes the Refunded Bonds.

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 \$0.15 per \$100 of assessed valuation, for operation and maintenance purposes. The Board levied a 2019 tax rate of \$0.43 per \$100 of assessed valuation for Utility System debt service, \$0.44 per \$100 of assessed valuation for Road System debt service and \$0.13 per \$100 of assessed valuation for operation and maintenance purposes.

Tax Rate Limitation

Utility System Debt Service:	Unlimited (no legal limit as to rate or amount).
Road System Debt Service:	Unlimited (no legal limit as to rate or amount).
Operations and Maintenance:	\$1.00 per \$100 Assessed Valuation.

Tax Exemption

For the 2019 tax year, the District granted an exemption from ad valorem taxation of \$5,000 of the approved value of residence homestead of individuals who are disabled or are sixty-five (65) years of age or older. To date, the District has not granted a general residential homestead exemption. See "TAXING PROCEDURES."

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Historical Collections

The following table illustrates the collection history of the District for the 2014–2019 tax years:

Tax Year	Assessed Valuation	Tax Rate/ \$100 (a)	Adjusted Levy	% Collections Current Year	Fiscal Year Ending 09/30	% Collections as of 11/30/2019
2014	\$ 40,623,941	0.990	\$ 402,177	100.00%	2015	100.00%
2015	47,567,549	0.990	470,919	100.00%	2016	100.00%
2016	56,743,371	0.990	561,759	100.00%	2017	100.00%
2017	64,404,339	0.990	637,603	100.00%	2018	100.00%
2018	72,089,494	1.000	720,895	100.00%	2019	100.00%
2019	94,411,550	1.000	944,116	(b)	2020	(b)

(a) Includes a tax for maintenance and operation purposes. See "TAX DATA – Tax Rate Distribution."

(b) In process of collection.

Tax Rate Distribution

	2019	2018	2017	2016	2015	2014
Utility System Debt Service	\$0.430	\$0.225	\$0.270	\$0.310	\$0.340	\$0.330
Road System Debt Service	0.440	0.480	0.560	0.475	0.525	0.520
Maintenance & Operations	<u>0.130</u>	<u>0.295</u>	<u>0.160</u>	<u>0.205</u>	<u>0.125</u>	<u>0.140</u>
	<u>\$1.000</u>	<u>\$1.000</u>	<u>\$0.990</u>	<u>\$0.990</u>	<u>\$0.990</u>	<u>\$0.990</u>

Analysis of Tax Base

The following table illustrates the District's total assessed valuation for the 2015–2019 tax years by type of property.

Type of Property	2019 Assessed Valuation	2018 Assessed Valuation	2017 Assessed Valuation	2016 Assessed Valuation	2015 Assessed Valuation
Land	\$ 24,474,880	\$ 14,294,583	\$ 12,414,142	\$ 10,260,208	\$ 9,793,022
Improvements	72,289,888	59,564,250	52,726,635	47,303,555	38,321,661
Personal Property	735,758	822,748	552,985	650,975	27,835
Exemptions	<u>(3,088,976)</u>	<u>(2,592,087)</u>	<u>(1,289,423)</u>	<u>(1,471,367)</u>	<u>(574,969)</u>
Total	<u>\$ 94,411,550</u>	<u>\$ 72,089,494</u>	<u>\$ 64,404,339</u>	<u>\$ 56,743,371</u>	<u>\$ 47,567,549</u>

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Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2019:

Taxpayer	Type of Property	Assessed Valuation 2019 Tax Roll
Stonehollow Homes LLC (a)	Land & Improvements	\$ 1,112,660
351 Development LLC (b)	Land & Improvements	1,070,846
L.O. Haywire Investments LP (b)	Land & Improvements	956,550
Impression Homes LLC (a)	Land & Improvements	477,600
Live Oak 40 Development LLC	Land & Improvements	446,936
IH Operations LLC	Land & Improvements	400,373
Wall Family Living Trust	Land & Improvements	370,764
Homeowner	Land & Improvements	368,308
Sandlin Custom Homes LTD (a)	Land & Improvements	365,131
Homeowner	Land & Improvements	<u>355,583</u>
Total		<u>\$ 5,924,751</u>
%		6.28%

(a) See "HOMEBUILDERS."

(b) See "THE DEVELOPER and "RISK FACTORS – Economic Factors Affecting Taxable Value and Tax Payments."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed valuation that would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2019 assessed valuation of \$94,411,550 or the estimated valuation as of December 1, 2019, of \$138,505,213. The foregoing further assumes collection of 95% of taxes levied and the sale of no additional bonds by the District. Debt service on the Bonds is estimated using current market rates.

Average Annual Debt Service Requirement on the Remaining Outstanding

Bonds and the Bonds (2020-2043).....	\$ 673,404
Tax Rate of \$0.76 on the 2019 assessed valuation at 95% collection produces.....	\$ 681,651
Tax Rate of \$0.52 on the estimated valuation (12/01/2019) at 95% collection produces.....	\$ 684,216

Maximum Annual Debt Service Requirement on the Remaining Outstanding

Bonds and the Bonds (2036)	\$ 790,781
Tax Rate of \$0.89 on the 2019 assessed valuation at 95% collection produces.....	\$ 798,250
Tax Rate of \$0.61 on the estimated valuation (12/01/2019) at 95% collection produces.....	\$ 802,638

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Estimated Overlapping Taxes

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

Set forth below are the 2019 taxes levied by such jurisdictions per \$100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other charges made by entities other than political subdivisions.

Taxing Jurisdiction	2019 Tax Rate Per \$100 Of Assessed Valuation
The District	\$ 1.000000
Tarrant County	0.234000
Tarrant County College District	0.130170
Tarrant County Hospital District	0.224429
Tarrant County Emergency Service District No. 1	0.081900
White Settlement Independent School District	<u>1.450000</u>
Total Tax Rate	<u>\$3.120499</u>

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TAXING PROCEDURES

Authority to Levy Taxes

The District is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see “RISK FACTORS – Future Debt”), and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully above under “THE BONDS – Source of Payment.” Under Texas law, the District may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and the System and for the payment of certain contractual obligations. See “TAX DATA – General.”

Property Tax Code and County-wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years of age or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve the same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran’s residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse, and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. For the 2019 tax year, the District granted an exemption from ad valorem taxation of \$5,000 of the approved value of residence homestead of individuals who are disabled or are sixty-five (65) years of age or older

A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran’s disability rating if the residence homestead was donated by a charitable organization. This exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Property Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads but not less than \$5,000, if any exemption is granted, from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District has never granted a homestead exemption. See "TAX DATA."

Freeport Goods and Goods-in-Transit Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

The County may designate all or part of the area within the District as a reinvestment zone. Thereafter, the County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. At this time, the County has not designated any of the area within the District as a reinvestment zone.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Code. Nevertheless, certain

land may be appraised at less than market value, as such is defined in the Property Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10 percent annually regardless of the market value of the property.

The Property Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property 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 of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

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

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties, and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment

agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

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 "SELECTED FINANCIAL INFORMATION" 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.

District's Rights in the Event of Tax Delinquencies

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

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

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LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from an annual ad valorem tax levied without limit as to rate or amount upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of Bond Counsel that, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. The legal opinion will further state that the interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions as described below under "TAX EXEMPTION." The legal opinion of Bond Counsel may be printed on the Bonds.

Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. Certain legal matters will be passed upon for the Underwriter by McCall, Parkhurst & Horton L.L.P., Houston, Texas, Underwriter's Counsel.

In addition to serving as Bond Counsel, Coats Rose, P.C. also acts as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid Bond Counsel and Underwriter's 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.

No-Litigation Certificate

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

TAX MATTERS

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

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

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

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

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

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

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

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution’s investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for “qualified tax-exempt obligations,” which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as “qualified tax-exempt obligations” and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District has designated the Bonds “qualified tax-exempt obligations” and represent that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2020 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in “qualified tax-exempt obligations” (including the Bonds) during calendar year 2020.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a twenty percent (20%) disallowance of allocable interest expense.

VERIFICATION OF MATHEMATICAL CALCULATIONS

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriter on behalf of the District relating to (a) computation of the adequacy of the principal or redemption price of and interest on the Refunded Bonds, (b) the computation of the yields on the Bonds and was verified by Robert Thomas CPA LLC. The computations were independently verified by Robert Thomas CPA LLC based upon certain assumptions and information supplied by the Underwriter on behalf of the District, and the District. Robert Thomas CPA LLC has restricted its procedures to verifying the arithmetical accuracy of certain

computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of future events.

CONTINUING DISCLOSURE

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

Annual Reports

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "DISTRICT FINANCIAL DATA" (except under the subheading "Estimated Direct and Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A" (Financial Statements of the District). The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2020. The District will provide the updated information to EMMA.

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 a six month period. 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 the end of February. Accordingly, it must provide updated information by the end of August in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA 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 business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material 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 CFR §240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or 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 terms "material" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under federal securities laws. Neither the Bonds nor the Bond Order make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide

information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from EMMA

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

Limitations and Amendments

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

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

Compliance With Prior Undertakings

During the past five years, the District has complied with its prior continuing disclosure agreement in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission.

SOURCES OF INFORMATION

General

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

Experts

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

The information contained in this Official Statement relating to development and the status of development within the District generally and, in particular, the information in the section captioned "THE DEVELOPER" and

“DEVELOPMENT STATUS OF THE DISTRICT” has been provided by the Developer 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 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 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 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

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

Updating of Official Statement

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

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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 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 Live Oak Creek Municipal Utility District No. 1 of Tarrant County as of the date shown on the cover of this Official Statement.

/s/ Neal Morris
President, Board of Directors
Live Oak Creek Municipal Utility District No. 1
of Tarrant County

ATTEST:

/s/ Mark Ratliff
Secretary, Board of Directors
Live Oak Creek Municipal Utility District No. 1
of Tarrant County

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY**

TARRANT COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FEBRUARY 28, 2019

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY**

TARRANT COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FEBRUARY 28, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Live Oak Creek Municipal Utility
District No. 1 of Tarrant County
Tarrant County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Live Oak Creek Municipal Utility District No. 1 of Tarrant County (the "District"), as of and for the year ended February 28, 2019, 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.

Board of Directors
Live Oak Creek Municipal Utility
District No. 1 of Tarrant County

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 February 28, 2019, 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

July 8, 2019

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2019**

Management’s discussion and analysis of Live Oak Creek Municipal Utility District No. 1 of Tarrant County’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended February 28, 2019. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The Statement of Activities reports how the District’s net position changed during the current 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 resources not accounted for in another fund, maintenance tax revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2019**

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 (“RSI”). A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets by \$2,354,208 as of February 28, 2019.

A portion of the District’s net position reflects its net investment in capital and intangible assets (water, wastewater, drainage and road facilities, less any debt used to acquire those assets that is still outstanding).

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

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2019	2018	Change Positive (Negative)
Current and Other Assets	\$ 1,480,369	\$ 1,327,397	\$ 152,972
Capital and Intangible Assets (Net of Accumulated Depreciation)	9,256,626	7,660,802	1,595,824
Total Assets	<u>\$ 10,736,995</u>	<u>\$ 8,988,199</u>	<u>\$ 1,748,796</u>
Due to Developer	\$ 4,609,051	\$ 3,799,441	\$ (809,610)
Bond Anticipation Note Payable	1,305,000		(1,305,000)
Long -Term Liabilities	6,483,202	6,685,938	202,736
Other Liabilities	185,703	149,821	(35,882)
Total Liabilities	<u>\$ 12,582,956</u>	<u>\$ 10,635,200</u>	<u>\$ (1,947,756)</u>
Deferred Inflows of Resources	\$ 508,247	\$ 534,557	\$ 26,310
Net Position:			
Net Investment in Capital Assets	\$ (3,071,154)	\$ (2,767,223)	\$ (303,931)
Restricted	251,165	207,167	43,998
Unrestricted	465,781	378,498	87,283
Total Net Position	<u>\$ (2,354,208)</u>	<u>\$ (2,181,558)</u>	<u>\$ (172,650)</u>

The following table provides a summary of the District's operations for the years ending February 28, 2019, and February 28, 2018. The District's net position decreased by \$172,650.

	Summary of Changes in the Statement of Activities		
	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 747,390	\$ 549,135	\$ 198,255
Other Revenues	9,945	5,168	4,777
Total Revenues	<u>\$ 757,335</u>	<u>\$ 554,303</u>	<u>\$ 203,032</u>
Expenses for Services	929,985	1,220,439	290,454
Change in Net Position	\$ (172,650)	\$ (666,136)	\$ 493,486
Net Position, Beginning of Year	<u>(2,181,558)</u>	<u>(1,515,422)</u>	<u>(666,136)</u>
Net Position, End of Year	<u>\$ (2,354,208)</u>	<u>\$ (2,181,558)</u>	<u>\$ (172,650)</u>

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS

The District’s combined fund balances as of February 28, 2019, was \$919,244, an increase of \$136,576 from the prior year.

The General Fund fund balance increased by \$64,460, primarily due to property tax revenues exceeding operating costs.

The Debt Service Fund fund balance increased by \$40,817, primarily due to the structure of the District’s outstanding long-term debt.

The Capital Projects Fund fund balance increased by \$31,299, primarily due to unspent bond anticipation note proceeds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$117,656 more than budgeted primarily due to higher than anticipated maintenance tax revenues. Actual expenditures were \$55,636 more than budgeted primarily due to higher than anticipated professional fees.

CAPITAL AND INTANGIBLE ASSETS

Capital assets as of February 28, 2019, total \$6,316,433. These capital assets include drainage and road facilities which the District will be responsible for maintaining. Significant capital asset activity during the current fiscal year was the developer reimbursement for Haywire Ranch, Section 1 water, wastewater and drainage facilities.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 589,332	\$ 298,541	\$ 290,791
Capital Assets, Net of Accumulated Depreciation:			
Drainage System	1,418,544	1,401,180	17,364
Road Facilities	<u>4,308,557</u>	<u>2,998,738</u>	<u>1,309,819</u>
Total Net Capital Assets	<u>\$ 6,316,433</u>	<u>\$ 4,698,459</u>	<u>\$ 1,617,974</u>

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2019**

CAPITAL AND INTANGIBLE ASSETS (Continued)

The District is located within the extraterritorial jurisdiction of the City of Fort Worth, Texas (the “City”). In accordance with a Utility Agreement with the City, all water and wastewater facilities are conveyed to the City once constructed and placed in service. The City operates the facilities and is responsible for the maintenance. The District has recognized an intangible asset for the cost of the facilities conveyed which has a February 28, 2019 balance, net of accumulated amortization, of \$2,940,193.

LONG-TERM DEBT ACTIVITY

As of February 28, 2019, the District had total bond debt payable of \$6,620,000. The changes in the debt position of the District during the year ended February 28, 2019, are summarized as follows:

Bond Debt Payable, March 1, 2018	\$ 6,830,000
Less: Bond Principal Paid	<u>210,000</u>
Bond Debt Payable, February 28, 2019	<u><u>\$ 6,620,000</u></u>

The Series 2011, 2013, Series 2013A, Series 2014 and Series 2017 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 Live Oak Creek Municipal Utility District No. 1 of Tarrant County, c/o Coats Rose, P.C., 14755 Preston Road, Suite 600, Dallas, Texas 75254.

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
FEBRUARY 28, 2019**

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 483,039	\$ 452,285
Investments		304,000
Cash with Fiscal Agent		137,883
Receivables:		
Property Taxes	5,057	12,085
Accrued Interest		3,352
Due from Other Funds	7,531	
Intangible Assets - Right to Receive Service (Net of Accumulated Amortization)		
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 495,627	\$ 909,605

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 82,668	\$ 1,017,992	\$	\$ 1,017,992
	304,000		304,000
	137,883		137,883
	17,142		17,142
	3,352		3,352
	7,531	(7,531)	
		2,940,193	2,940,193
		589,332	589,332
		<u>5,727,101</u>	<u>5,727,101</u>
<u>\$ 82,668</u>	<u>\$ 1,487,900</u>	<u>\$ 9,249,095</u>	<u>\$ 10,736,995</u>

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

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
FEBRUARY 28, 2019**

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 24,626	\$ 4,008
Accrued Interest Payable		
Due to Developer		
Due to Other Funds		7,531
Due to Taxpayers		772
Bond Anticipation Note Payable		
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	\$ 24,626	\$ 12,311
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 5,057	\$ 508,247
FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		389,047
Unassigned	465,944	
TOTAL FUND BALANCES	\$ 465,944	\$ 389,047
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 495,627	\$ 909,605
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 18,415	\$ 28,634 18,415	\$ 137,882 4,609,051 (7,531)	\$ 28,634 156,297 4,609,051
	7,531 772	1,305,000	772 1,305,000
		220,000 6,263,202	220,000 6,263,202
<u>\$ 18,415</u>	<u>\$ 55,352</u>	<u>\$ 12,527,604</u>	<u>\$ 12,582,956</u>
<u>\$ - 0 -</u>	<u>\$ 513,304</u>	<u>\$ (5,057)</u>	<u>\$ 508,247</u>
\$ 64,253	\$ 64,253 389,047 465,944	\$ (64,253) (389,047) (465,944)	\$
<u>\$ 64,253</u>	<u>\$ 919,244</u>	<u>\$ (919,244)</u>	<u>\$ -0-</u>
<u>\$ 82,668</u>	<u>\$ 1,487,900</u>		
		\$ (3,071,154) 251,165 465,781	\$ (3,071,154) 251,165 465,781
		<u>\$ (2,354,208)</u>	<u>\$ (2,354,208)</u>

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

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FEBRUARY 28, 2019**

Total Fund Balances - Governmental Funds	\$	919,244
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital and intangible assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		9,256,626
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Deferred inflows of resources related to property tax revenues for the 2018 and prior maintenance tax levies and the 2017 and prior debt service tax levies became part of recognized revenue in the governmental activities of the District.		5,057
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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	\$ (4,609,051)	
Accrued Interest Payable	(137,882)	
Bonds Anticipation Note Payable	(1,305,000)	
Bonds Payable	<u>(6,483,202)</u>	<u>(12,535,135)</u>

Total Net Position - Governmental Activities	\$	<u>(2,354,208)</u>
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The accompanying notes to the financial statements are an integral part of this report.

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**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED FEBRUARY 28, 2019**

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Property Taxes	\$ 209,054	\$ 534,693
Penalty and Interest		281
Investment Revenues	<u>3,102</u>	<u>6,435</u>
TOTAL REVENUES	<u>\$ 212,156</u>	<u>\$ 541,409</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 109,539	\$
Contracted Services	6,943	8,257
Utilities	14,504	
Repairs and Maintenance	8,129	
Amortization and Depreciation		
Other	8,581	209
Capital Outlay		
Debt Service:		
Bond Principal		210,000
Bond Interest		282,126
Bond Anticipation Note Issuance Costs		
Bond Anticipation Note Interest		
TOTAL EXPENDITURES/EXPENSES	<u>\$ 147,696</u>	<u>\$ 500,592</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	<u>\$ 64,460</u>	<u>\$ 40,817</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from Issuance of Bond Anticipation Note	<u>\$ -0-</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCES	\$ 64,460	\$ 40,817
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - MARCH 1, 2018	<u>401,484</u>	<u>348,230</u>
FUND BALANCES/NET POSITION - FEBRUARY 28, 2019	<u>\$ 465,944</u>	<u>\$ 389,047</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 743,747	\$ 3,643	\$ 747,390
	281		281
<u>127</u>	<u>9,664</u>	<u></u>	<u>9,664</u>
\$ 127	\$ 753,692	\$ 3,643	\$ 757,335
\$	\$ 109,539	\$ 52,119	\$ 161,658
	15,200		15,200
	14,504		14,504
	8,129		8,129
		385,898	385,898
20	8,810		8,810
1,224,232	1,224,232	(1,224,232)	
	210,000	(210,000)	
	282,126	4,084	286,210
31,161	31,161		31,161
<u>18,415</u>	<u>18,415</u>	<u></u>	<u>18,415</u>
\$ 1,273,828	\$ 1,922,116	\$ (992,131)	\$ 929,985
\$ (1,273,701)	\$ (1,168,424)	\$ 995,774	\$ (172,650)
\$ 1,305,000	\$ 1,305,000	\$ (1,305,000)	\$ -0-
\$ 31,299	\$ 136,576	\$ (136,576)	\$
		(172,650)	(172,650)
<u>32,954</u>	<u>782,668</u>	<u>(2,964,226)</u>	<u>(2,181,558)</u>
\$ 64,253	\$ 919,244	\$ (3,273,452)	\$ (2,354,208)

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

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2019**

Net Change in Fund Balances - Governmental Funds	\$	136,576
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		3,643
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Governmental funds do not account for amortization and depreciation. However, in the Statement of Net Position, capital and intangible assets are amortized and depreciated and expense is recorded in the Statement of Activities.		(385,898)
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Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		1,172,113
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Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		210,000
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Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		(4,084)
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Governmental funds report bond anticipation note proceeds as other financing sources. Bond anticipation note proceeds increase long-term liabilities in the Statement of Net Position.		<u>(1,305,000)</u>
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Change in Net Position - Governmental Activities	\$	<u><u>(172,650)</u></u>
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The accompanying notes to the financial statements are an integral part of this report.

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2019**

NOTE 1. CREATION OF DISTRICT

The City of Fort Worth Municipal Utility District No. 2 of Tarrant County, now known as Live Oak Creek Municipal Utility District No. 1 of Tarrant County (the “District”), was created effective June 18, 2005, by House Bill 3530, Texas Legislature, as a conservation district created under and essential to accomplishing the purposes of Section 59, Article XVI of the Texas Constitution. The District is under the oversight of the Texas Commission on Environmental Quality (the “Commission”). Pursuant to its creation legislation, the District also has the authority to provide roads under Section 52 Article II of the Texas Constitution. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code and H.B. No. 3530, the District is empowered to purchase, operate and maintain all facilities, plants, and improvements necessary to provide water, wastewater, storm sewer drainage, irrigation, roads, solid waste collection and disposal, including recycling. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its organizational meeting on August 29, 2006, and the first bonds were sold on December 15, 2011.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic 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”).

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2019**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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 Asset; Restricted; and Unrestricted. These classifications are defined as follows:

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

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

Government-Wide Financial Statements

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

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

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

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2019**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Governmental Funds

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

General Fund – To account for resources not required to be accounted for in another fund, maintenance tax revenues, operating costs and general expenditures.

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

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

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means 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. Recognition of revenues for the 2018 debt service tax levied in the current fiscal year has been deferred until the next fiscal year.

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

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2019**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$10,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Drainage System	10-45
Roads	10-50

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 the directors are considered to be employees for federal payroll tax purposes only.

Measurement Focus

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

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2019**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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 are classified in governmental funds using the following hierarchy:

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

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

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

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.

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2019**

NOTE 3. LONG-TERM DEBT

	Series 2011	Series 2013	
Amount Outstanding - February 28, 2019	\$ 1,895,000	\$ 1,375,000	
Interest Rates	4.00% - 5.40%	2.80% - 4.00%	
Maturity Dates -Serially Beginning/Ending	September 1, 2019/2036	September 1, 2019/2037	
Interest Payment Dates	March 1/ September 1	March 1/ September 1	
Callable Dates	September 1, 2019*	September 1, 2021*	
	Series 2013A	Series 2014	Series 2017
Amount Outstanding - February 28, 2019	\$ 985,000	\$ 960,000	\$ 1,405,000
Interest Rates	3.00% - 5.125%	2.25% - 4.125%	2.00% - 4.00%
Maturity Dates -Serially Beginning/Ending	September 1, 2019/2038	September 1, 2019/2038	September 1, 2019/2042
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2021*	September 1, 2022*	September 1, 2025*

* On any date thereafter, at a price equal to the par value plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Series 2011 term bonds maturing on September 1, 2028, September 1, 2032, and September 1, 2036, are subject to mandatory redemption beginning September 1, 2026, September 1, 2029, and September 1, 2033, respectively. The Series 2013 term bonds maturing on September 1, 2032, and September 1, 2037, are subject to mandatory redemption beginning September 1, 2026, and September 1, 2033, respectively. The Series 2013A term bonds maturing on September 1, 2032, and September 1, 2038, are subject to mandatory redemption beginning September 1, 2029, and September 1, 2033, respectively. The Series 2014 term bonds maturing on September 1, 2034, September 1, 2036 and September 1, 2038, are subject to mandatory redemption beginning September 1, 2033, September 1, 2035 and September 1, 2037, respectively. The Series 2017 term bonds maturing on September 1, 2042 are subject to mandatory redemption beginning September 1, 2036.

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2019**

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding long-term liabilities for the year ended February 28, 2019:

	March 1, 2018	Additions	Retirements	February 28, 2019
Bonds Payable	\$ 6,830,000	\$	\$ 210,000	\$ 6,620,000
Unamortized Discounts	(144,062)		(7,264)	(136,798)
Bonds Payable, net	\$ 6,685,938	\$ -0-	\$ 202,736	\$ 6,483,202
			Amount Due Within One Year	\$ 220,000
			Amount Due After One Year	6,263,202
			Bonds Payable, net	\$ 6,483,202

As of February 28, 2019, the District had authorized but unissued bonds in the amount of \$49,835,000 for utility bonds and \$16,835,000 for road bonds.

As of February 28, 2019, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 220,000	\$ 275,766	\$ 495,766
2021	225,000	269,290	494,290
2022	235,000	262,477	497,477
2023	245,000	254,943	499,943
2024	255,000	246,610	501,610
2025-2029	1,445,000	1,078,548	2,523,548
2030-2034	1,810,000	740,012	2,550,012
2035-2039	1,835,000	295,841	2,130,841
2040-2043	350,000	36,000	386,000
	\$ 6,620,000	\$ 3,459,487	\$ 10,079,487

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

During the year ended February 28, 2019, the District levied an ad valorem debt service tax at the rate of \$0.705 (\$0.225 for utility bonds and \$0.48 for road bonds) per \$100 of assessed valuation, which resulted in a tax levy of \$508,247 on the adjusted taxable valuation of \$72,091,755 for the 2018 tax year. 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 maintenance tax levy.

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2019**

NOTE 3. LONG-TERM DEBT (Continued)

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 bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data to each nationally recognized municipal securities information repository and the state information depository. 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.

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, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five year anniversary of the issue.

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

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2019**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

carrying amount of the District’s deposits was \$1,321,992 and the bank balance was \$1,321,992. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at February 28, 2019, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 483,039	\$	\$ 483,039
DEBT SERVICE FUND	452,285	304,000	756,285
CAPITAL PROJECTS FUND	82,668		82,668
TOTAL DEPOSITS	\$ 1,017,992	\$ 304,000	\$ 1,321,992

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.”

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.

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2019**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

All investments are recorded at cost. As of February 28, 2019, 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>		
Certificates of Deposit	<u>\$ 304,000</u>	<u>\$ 304,000</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 typically 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.

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2019**

NOTE 6. CAPITAL AND INTANGIBLE ASSETS

Capital asset activity for the year ended February 28, 2019:

	March 1, 2018	Increases	Decreases	February 28, 2019
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 298,541	\$ 290,791	\$ - 0 -	\$ 589,332
Capital Assets Subject to Depreciation				
Drainage Facilities	\$ 1,788,621	\$ 75,117	\$	\$ 1,863,738
Roads	3,886,608	1,534,321		5,420,929
Total Capital Assets Subject to Depreciation	<u>\$ 5,675,229</u>	<u>\$ 1,609,438</u>	<u>\$ - 0 -</u>	<u>\$ 7,284,667</u>
Accumulated Depreciation				
Drainage Facilities	\$ 387,441	\$ 57,753	\$	\$ 445,194
Roads	887,870	224,502		1,112,372
Total Accumulated Depreciation	<u>\$ 1,275,311</u>	<u>\$ 282,255</u>	<u>\$ - 0 -</u>	<u>\$ 1,557,566</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 4,399,918</u>	<u>\$ 1,327,183</u>	<u>\$ - 0 -</u>	<u>\$ 5,727,101</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 4,698,459</u>	<u>\$ 1,617,974</u>	<u>\$ - 0 -</u>	<u>\$ 6,316,433</u>

In accordance with the Utility Agreement, see Note 8, the water and wastewater assets constructed by the District's Developer, for which the District has recorded a liability in the Statement of Net Position, have been submitted for conveyance to the City of Fort Worth for operations and maintenance. The District has recognized an intangible asset for the costs of the assets conveyed to the City. Intangible assets, net of accumulated amortization, totaled \$2,940,193 as of February 28, 2019. Current year amortization expense was recorded in the amount of \$103,643.

NOTE 7. MAINTENANCE TAX

On November 7, 2006, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed \$1.00 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's facilities. During the current fiscal year, the District levied an ad valorem maintenance tax rate of \$0.295 per \$100 of assessed valuation, which resulted in a tax levy of \$212,671 on the adjusted taxable valuation of \$72,091,755 for the 2018 tax year.

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2019**

NOTE 8. UTILITY AGREEMENT

On November 15, 2006, the District approved a Utility Agreement (the “Agreement”) between the City of Fort Worth, Texas (the “City”) and a Developer in the District. The Agreement acknowledges that the District lies within the City’s extraterritorial jurisdiction. The Agreement provides that the District will acquire, for the benefit of and conveyance to the City, the water and wastewater facilities needed to serve lands being developed within and near the boundaries of the District in order to enhance the economic feasibility of the District.

As facilities are acquired, constructed and conveyed to the City, the City will assume responsibility for operation and maintenance of the water and wastewater facilities. The City will bill and collect for water and wastewater services from the customers within the District at the same rates as those the City charges its other customers.

NOTE 9. RISK MANAGEMENT

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

NOTE 10. UNREIMBURSED DEVELOPER COSTS

The District has executed a Facilities and Operating Costs Reimbursement Agreement with a Developer within the District. The agreement calls for the Developer to fund costs associated with water, sewer, drainage and road facilities until such time as the District can sell bonds. As reflected in the Statement of Net Position, \$4,603,831 has been recorded as a liability for facilities financed by Developer. The District expects to reimburse the Developer from future bond proceeds.

The Developer has also advanced money to the District’s General Fund in order for the District to meet its ongoing financial obligations. Through February 28, 2019, the Developer advanced directly to the District a total of \$5,220 to help cover the operating deficits. The District has recorded a Due to Developer for this amount in the Statement of Net Position at February 28, 2019.

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2019**

NOTE 11. STRATEGIC PARTNERSHIP AGREEMENT

Effective March 6, 2007, the District entered into a Strategic Partnership Agreement with the City of Fort Worth, Texas (the “City”). The agreement provides for the City to annex the land that has been determined as commercial property for the limited purposes of imposing and collecting revenues from the sales and use tax authorized to be imposed by the City on sales consummated at locations within the annexed properties pursuant to Chapter 321 of the Texas Tax Code. The sales and use tax will be imposed on all eligible commercial activities at the rate of 1% or other rate allowed under future amendments to Chapter 321 of the Tax Code and imposed by the City. The City will pay to the District an amount equal to 50% of the sales and use tax revenues collected within the annexed properties commencing upon the effective date of the limited purpose annexation of the properties and continuing for nineteen (19) years. The City is required to pay the District’s share within 30 days after the City receives the sales tax report reflecting such revenues from the Comptroller of the State of Texas. Any payment not submitted within the 30-day period shall bear interest calculated in accordance with the Texas Government Code. The agreement allows the City, in the nineteenth year of the limited purpose annexation, to retain \$300,000 from the 50% payment in order to defray the cost of maintaining the roads within the District upon full purpose annexation. Commencing on the first day of the twentieth (20) year of the limited purpose annexation, the City will reduce the payment to the District to 25% of the sales and use tax revenues collected by the City within the annexed properties. To date, no sales tax revenues have been received from the City.

NOTE 12. INTERFUND PAYABLES AND RECEIVABLES

As of February 28, 2019, the General Fund has recorded a receivable of \$7,531 from the Debt Service Fund for maintenance tax revenue collected.

NOTE 13. SALE OF BOND ANTICIPATION NOTE

On June 19, 2018, the District closed on the sale of its \$1,305,000 Series 2018 Bond Anticipation Note (BAN). Proceeds from the BAN sale were used to reimburse the Developer for a portion of the costs associated with construction and engineering for water, wastewater and drainage facilities for Haywire Ranch, Section 1 and to pay for issuance costs of the BAN. The BAN was redeemed with proceeds from the sale of the Unlimited Tax Utility Bonds, Series 2019. See Note 14.

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2019**

NOTE 14. SUBSEQUENT EVENT – BOND SALES

On March 29, 2019, subsequent to year end, the District closed on the sale of its \$2,660,000 Unlimited Tax Road Bonds, Series 2019. Proceeds from the bond sale were used to reimburse the Developer for certain Phase 2 and Phase 3 road improvements with the District. Additional proceeds were used to pay capitalized interest and issuance costs of the bonds.

Also on March 29, 2019, the District closed on the sale of its \$2,100,000 Unlimited Tax Utility Bonds, Series 2019. Proceeds from the bond sale were used to reimburse the Developer for a portion of the costs associated with construction and engineering for water, wastewater and drainage facilities for Haywire Ranch, Section 1. Additional proceeds were used to redeem the Series 2018 BAN and pay issuance costs of the bonds.

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
REQUIRED SUPPLEMENTARY INFORMATION**

FEBRUARY 28, 2019

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED FEBRUARY 28, 2019**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 93,900	\$ 209,054	\$ 115,154
Investment Revenues	<u>600</u>	<u>3,102</u>	<u>2,502</u>
TOTAL REVENUES	<u>\$ 94,500</u>	<u>\$ 212,156</u>	<u>\$ 117,656</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 50,250	\$ 109,539	\$ (59,289)
Contracted Services	6,500	6,943	(443)
Utilities	10,000	14,504	(4,504)
Repairs and Maintenance	7,500	8,129	(629)
Other	<u>17,810</u>	<u>8,581</u>	<u>9,229</u>
TOTAL EXPENDITURES	<u>\$ 92,060</u>	<u>\$ 147,696</u>	<u>\$ (55,636)</u>
NET CHANGE IN FUND BALANCE	\$ 2,440	\$ 64,460	\$ 62,020
FUND BALANCE - MARCH 1, 2018	<u>401,484</u>	<u>401,484</u>	<u>_____</u>
FUND BALANCE - FEBRUARY 28, 2019	<u>\$ 403,924</u>	<u>\$ 465,944</u>	<u>\$ 62,020</u>

See accompanying independent auditor's report.

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**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY**

**SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

FEBRUARY 28, 2019

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
SERVICES AND RATES
FOR THE YEAR ENDED FEBRUARY 28, 2019**

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

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

Pursuant to the Utility Agreement, the water and wastewater facilities constructed by the District have been conveyed to the City. The District retains ownership of the drainage and road facilities. The City owns, operates and maintains facilities which the District conveys to it for the benefit of the residents of the District.

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved or effective N/A.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	N/A				
WASTEWATER:	N/A				
SURCHARGE:	N/A				

Total monthly charges per 10,000 gallons usage: Water: \$N/A Wastewater: \$N/A Surcharge: \$N/A Total: \$N/A

See accompanying independent auditor’s report.

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
SERVICES AND RATES
FOR THE YEAR ENDED FEBRUARY 28, 2019**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

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

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Not Applicable)

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

Does the District have Debt Service standby fees? Yes No

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

See accompanying independent auditor's report.

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
SERVICES AND RATES
FOR THE YEAR ENDED FEBRUARY 28, 2019**

4. Is the District located entirely within one county?

Yes X No

County in which District is located:

Tarrant 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 Fort Worth, Texas

Are Board Members appointed by an office outside the District?

Yes No X

See accompanying independent auditor's report.

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED FEBRUARY 28, 2019**

PROFESSIONAL FEES:	
Auditing	\$ 10,500
Engineering	81,897
Legal	<u>17,142</u>
TOTAL PROFESSIONAL FEES	<u>\$ 109,539</u>
CONTRACTED SERVICES:	
Bookkeeping	<u>\$ 6,943</u>
UTILITIES:	
Electricity	<u>\$ 14,504</u>
REPAIRS AND MAINTENANCE	<u>\$ 8,129</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 2,550
Insurance	3,123
Payroll Taxes	195
Travel and Meetings	<u>106</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 5,974</u>
OTHER EXPENDITURES	<u>\$ 2,607</u>
TOTAL EXPENDITURES	<u><u>\$ 147,696</u></u>

See accompanying independent auditor's report.

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
INVESTMENTS
FEBRUARY 28, 2019**

<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	XXXX1553	2.40%	08/21/19	\$ 124,000	\$ 1,351
Certificate of Deposit	XXXX0535	2.60%	02/21/20	<u>180,000</u>	<u>2,001</u>
TOTAL DEBT SERVICE FUND				<u>\$ 304,000</u>	<u>\$ 3,352</u>

See accompanying independent auditor's report.

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED FEBRUARY 28, 2019**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
MARCH 1, 2018	\$	1,414	\$	7,336
Adjustments to Beginning				
Balance		<u>26</u>	\$	<u>135</u>
		\$	1,440	\$
			<u>7,471</u>	
Original 2018 Tax Levy	\$	212,994	\$	509,020
Adjustment to 2018 Tax Levy		<u>(323)</u>	<u>212,671</u>	<u>(773)</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	214,111	\$
				515,718
 TAX COLLECTIONS:				
Prior Years	\$	1,440	\$	7,471
Current Year		<u>207,614</u>	<u>209,054</u>	<u>496,162</u>
				<u>503,633</u>
 TAXES RECEIVABLE -				
FEBRUARY 28, 2019		<u>\$</u>	<u>5,057</u>	<u>\$</u>
				<u>12,085</u>
 TAXES RECEIVABLE BY				
YEAR:				
2018		<u>\$</u>	<u>5,057</u>	<u>\$</u>
				<u>12,085</u>

See accompanying independent auditor's report.

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED FEBRUARY 28, 2019**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 72,091,755</u>	<u>\$ 64,404,339</u>	<u>\$ 56,427,906</u>	<u>\$ 46,648,085</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.705	\$ 0.83	\$ 0.785	\$ 0.865
Maintenance	<u>0.295</u>	<u>0.16</u>	<u>0.205</u>	<u>0.125</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 1.000</u>	<u>\$ 0.99</u>	<u>\$ 0.990</u>	<u>\$ 0.990</u>
ADJUSTED TAX LEVY*	<u>\$ 720,918</u>	<u>\$ 637,603</u>	<u>\$ 558,636</u>	<u>\$ 461,816</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>97.62 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>

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

Maintenance Tax – Maximum tax rate in an amount not to exceed \$1.00 per \$100 assessed valuation approved by voters on November 7, 2006.

See accompanying independent auditor's report.

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2019**

S E R I E S - 2 0 1 1

Due During Fiscal Years Ending February 28	Principal Due September 1	Interest Due March 1/ September 1	Total
2020	\$ 65,000	\$ 95,598	\$ 160,598
2021	65,000	92,998	157,998
2022	70,000	90,235	160,235
2023	75,000	87,085	162,085
2024	80,000	83,710	163,710
2025	85,000	80,110	165,110
2026	90,000	76,073	166,073
2027	95,000	71,798	166,798
2028	100,000	67,048	167,048
2029	105,000	62,048	167,048
2030	110,000	56,798	166,798
2031	115,000	51,023	166,023
2032	120,000	44,985	164,985
2033	130,000	38,685	168,685
2034	135,000	31,860	166,860
2035	145,000	24,570	169,570
2036	150,000	16,740	166,740
2037	160,000	8,640	168,640
2038			
2039			
2040			
2041			
2042			
2043			
	<u>\$ 1,895,000</u>	<u>\$ 1,080,004</u>	<u>\$ 2,975,004</u>

See accompanying independent auditor's report.

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2019**

S E R I E S - 2 0 1 3

Due During Fiscal Years Ending February 28	Principal Due September 1	Interest Due March 1/ September 1	Total
2020	\$ 50,000	\$ 51,940	\$ 101,940
2021	50,000	50,540	100,540
2022	50,000	49,140	99,140
2023	55,000	47,640	102,640
2024	55,000	45,935	100,935
2025	60,000	44,120	104,120
2026	60,000	42,020	102,020
2027	65,000	39,800	104,800
2028	65,000	37,200	102,200
2029	70,000	34,600	104,600
2030	75,000	31,800	106,800
2031	75,000	28,800	103,800
2032	80,000	25,800	105,800
2033	85,000	22,600	107,600
2034	90,000	19,200	109,200
2035	90,000	15,600	105,600
2036	95,000	12,000	107,000
2037	100,000	8,200	108,200
2038	105,000	4,200	109,200
2039			
2040			
2041			
2042			
2043			
	<u>\$ 1,375,000</u>	<u>\$ 611,135</u>	<u>\$ 1,986,135</u>

See accompanying independent auditor's report.

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2019**

S E R I E S - 2 0 1 3 A

Due During Fiscal Years Ending February 28	Principal Due September 1	Interest Due March 1/ September 1	Total
2020	\$ 30,000	\$ 45,715	\$ 75,715
2021	30,000	44,815	74,815
2022	30,000	43,915	73,915
2023	35,000	42,955	77,955
2024	35,000	41,765	76,765
2025	35,000	40,470	75,470
2026	40,000	39,070	79,070
2027	40,000	37,390	77,390
2028	45,000	35,630	80,630
2029	45,000	33,605	78,605
2030	50,000	31,512	81,512
2031	50,000	29,014	79,014
2032	55,000	26,512	81,512
2033	55,000	23,762	78,762
2034	60,000	21,012	81,012
2035	65,000	17,937	82,937
2036	65,000	14,606	79,606
2037	70,000	11,276	81,276
2038	75,000	7,687	82,687
2039	75,000	3,844	78,844
2040			
2041			
2042			
2043			
	<u>\$ 985,000</u>	<u>\$ 592,492</u>	<u>\$ 1,577,492</u>

See accompanying independent auditor's report.

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2019**

S E R I E S - 2 0 1 4

Due During Fiscal Years Ending February 28	Principal Due September 1	Interest Due March 1/ September 1	Total
2020	\$ 30,000	\$ 34,994	\$ 64,994
2021	30,000	34,318	64,318
2022	30,000	33,568	63,568
2023	35,000	32,744	67,744
2024	35,000	31,694	66,694
2025	35,000	30,644	65,644
2026	40,000	29,506	69,506
2027	40,000	28,156	68,156
2028	45,000	26,756	71,756
2029	45,000	25,180	70,180
2030	45,000	23,550	68,550
2031	50,000	21,862	71,862
2032	50,000	19,987	69,987
2033	55,000	18,112	73,112
2034	60,000	15,981	75,981
2035	60,000	13,582	73,582
2036	65,000	11,182	76,182
2037	65,000	8,582	73,582
2038	70,000	5,982	75,982
2039	75,000	3,094	78,094
2040			
2041			
2042			
2043			
	\$ 960,000	\$ 449,474	\$ 1,409,474

See accompanying independent auditor's report.

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2019**

S E R I E S - 2 0 1 7

Due During Fiscal Years Ending February 28	Principal Due September 1	Interest Due March 1/ September 1	Total
2020	\$ 45,000	\$ 47,519	\$ 92,519
2021	50,000	46,619	96,619
2022	55,000	45,619	100,619
2023	45,000	44,519	89,519
2024	50,000	43,506	93,506
2025	50,000	42,256	92,256
2026	45,000	40,881	85,881
2027	50,000	39,531	89,531
2028	45,000	38,031	83,031
2029	50,000	36,625	86,625
2030	50,000	35,000	85,000
2031	55,000	33,375	88,375
2032	55,000	31,519	86,519
2033	55,000	29,594	84,594
2034	50,000	27,669	77,669
2035	55,000	25,856	80,856
2036	55,000	23,863	78,863
2037	60,000	21,800	81,800
2038	55,000	19,400	74,400
2039	80,000	17,200	97,200
2040	80,000	14,000	94,000
2041	85,000	10,800	95,800
2042	90,000	7,400	97,400
2043	95,000	3,800	98,800
	<u>\$ 1,405,000</u>	<u>\$ 726,382</u>	<u>\$ 2,131,382</u>

See accompanying independent auditor's report.

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2019**

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending February 28	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2020	\$ 220,000	\$ 275,766	\$ 495,766
2021	225,000	269,290	494,290
2022	235,000	262,477	497,477
2023	245,000	254,943	499,943
2024	255,000	246,610	501,610
2025	265,000	237,600	502,600
2026	275,000	227,550	502,550
2027	290,000	216,675	506,675
2028	300,000	204,665	504,665
2029	315,000	192,058	507,058
2030	330,000	178,660	508,660
2031	345,000	164,074	509,074
2032	360,000	148,803	508,803
2033	380,000	132,753	512,753
2034	395,000	115,722	510,722
2035	415,000	97,545	512,545
2036	430,000	78,391	508,391
2037	455,000	58,498	513,498
2038	305,000	37,269	342,269
2039	230,000	24,138	254,138
2040	80,000	14,000	94,000
2041	85,000	10,800	95,800
2042	90,000	7,400	97,400
2043	95,000	3,800	98,800
	<u>\$ 6,620,000</u>	<u>\$ 3,459,487</u>	<u>\$ 10,079,487</u>

See accompanying independent auditor's report.

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED FEBRUARY 28, 2019**

Description	Original Bonds Issued	Bonds Outstanding March 1, 2018
Live Oak Creek Municipal Utility District No. 1 Unlimited Tax Bonds - Series 2011	\$ 2,165,000	\$ 1,955,000
Live Oak Creek Municipal Utility District No. 1 Unlimited Tax Road Bonds - Series 2013	1,585,000	1,420,000
Live Oak Creek Municipal Utility District No. 1 Unlimited Tax Road Bonds - Series 2013A	1,090,000	1,015,000
Live Oak Creek Municipal Utility District No. 1 Unlimited Tax Road Bonds - Series 2014	1,040,000	990,000
Live Oak Creek Municipal Utility District No. 1 Unlimited Tax Road Bonds - Series 2017	<u>1,450,000</u>	<u>1,450,000</u>
TOTAL	<u>\$ 7,330,000</u>	<u>\$ 6,830,000</u>

Bond Authority:	<u>Utility Bonds</u>	<u>Road Bonds</u>
Amount Authorized by Voters	\$ 52,000,000	\$ 22,000,000
Amount Issued	<u>2,165,000</u>	<u>5,165,000</u>
Remaining to be Issued	<u>\$ 49,835,000</u>	<u>\$ 16,835,000</u>

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>					
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding February 28, 2019</u>		<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>			
\$	\$ 60,000	\$ 97,998	\$ 1,895,000		The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	45,000	53,200	1,375,000		The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	30,000	46,615	985,000		The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	30,000	35,894	960,000		The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	<u>45,000</u>	<u>48,419</u>	<u>1,405,000</u>		The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 210,000</u>	<u>\$ 282,126</u>	<u>\$ 6,620,000</u>		

Debt Service Fund cash, investments and cash with paying agent balances as of February 28, 2019:

\$ 894,168

Average annual debt service payment (principal and interest) for remaining term of all debt:

\$ 419,979

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

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS**

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 209,054	\$ 106,438	\$ 114,084
Investment Revenues	3,102	1,469	625
Miscellaneous Revenues	<u> </u>	<u> </u>	<u>10</u>
TOTAL REVENUES	<u>\$ 212,156</u>	<u>\$ 107,907</u>	<u>\$ 114,719</u>
EXPENDITURES			
Professional Fees	\$ 109,539	\$ 67,548	\$ 34,563
Contracted Services	6,943	6,728	6,415
Utilities	14,504	11,699	10,481
Repairs and Maintenance	8,129	7,651	3,791
Other	8,581	8,626	13,638
Capital Outlay	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	<u>\$ 147,696</u>	<u>\$ 102,252</u>	<u>\$ 68,888</u>
NET CHANGE IN FUND BALANCE	\$ 64,460	\$ 5,655	\$ 45,831
BEGINNING FUND BALANCE	<u>401,484</u>	<u>395,829</u>	<u>349,998</u>
ENDING FUND BALANCE	<u>\$ 465,944</u>	<u>\$ 401,484</u>	<u>\$ 395,829</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2016	2015	2019	2018	2017	2016	2015
\$ 58,140	\$ 57,087	98.5 %	98.6 %	99.5 %	98.9 %	99.0 %
490	558	1.5	1.4	0.5	0.8	1.0
177					0.3	
<u>\$ 58,807</u>	<u>\$ 57,645</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 23,098	\$ 28,938	51.6 %	62.6 %	30.1 %	39.3 %	50.2 %
4,183	4,237	3.3	6.2	5.6	7.1	7.4
10,023	10,262	6.8	10.8	9.1	17.0	17.8
4,977		3.8	7.1	3.3	8.5	
6,530	8,435	4.0	8.0	11.9	11.1	14.6
	11,790					20.5
<u>\$ 48,811</u>	<u>\$ 63,662</u>	<u>69.5 %</u>	<u>94.7 %</u>	<u>60.0 %</u>	<u>83.0 %</u>	<u>110.5 %</u>
\$ 9,996	\$ (6,017)	<u>30.5 %</u>	<u>5.3 %</u>	<u>40.0 %</u>	<u>17.0 %</u>	<u>(10.5) %</u>
<u>340,002</u>	<u>346,019</u>					
<u>\$ 349,998</u>	<u>\$ 340,002</u>					

See accompanying independent auditor's report.

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 534,693	\$ 445,441	\$ 411,459
Penalty and Interest	281	1,054	920
Investment Revenues	6,435	2,645	1,187
TOTAL REVENUES	\$ 541,409	\$ 449,140	\$ 413,566
EXPENDITURES			
Tax Collection Expenditures	\$ 4,216	\$ 3,909	\$ 3,449
Debt Service Principal	210,000	150,000	145,000
Debt Service Interest and Fees	286,376	258,977	245,737
TOTAL EXPENDITURES	\$ 500,592	\$ 412,886	\$ 394,186
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 40,817	\$ 36,254	\$ 19,380
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	\$ - 0 -	\$ -0-	\$ -0-
NET CHANGE IN FUND BALANCE	\$ 40,817	\$ 36,254	\$ 19,380
BEGINNING FUND BALANCE	348,230	311,976	292,596
ENDING FUND BALANCE	\$ 389,047	\$ 348,230	\$ 311,976
TOTAL ACTIVE RETAIL WATER CONNECTIONS	N/A	N/A	N/A
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	N/A	N/A	N/A

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2016	2015	2019	2018	2017	2016	2015
\$ 347,397	\$ 270,011	98.7 %	99.2 %	99.5 %	99.7 %	99.4 %
59	862	0.1	0.2	0.2		0.3
<u>1,018</u>	<u>929</u>	<u>1.2</u>	<u>0.6</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>
\$ 348,474	\$ 271,802	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 3,439	\$ 2,992	0.8 %	0.9 %	0.8 %	1.0 %	1.1 %
115,000	90,000	38.8	33.4	35.1	33.0	33.1
<u>243,583</u>	<u>201,009</u>	<u>52.9</u>	<u>57.7</u>	<u>59.4</u>	<u>69.9</u>	<u>74.0</u>
\$ 362,022	\$ 294,001	<u>92.5 %</u>	<u>92.0 %</u>	<u>95.3 %</u>	<u>103.9 %</u>	<u>108.2 %</u>
\$ (13,548)	\$ (22,199)	<u>7.5 %</u>	<u>8.0 %</u>	<u>4.7</u>	<u>(3.9) %</u>	<u>(8.2) %</u>
\$ -0-	\$ 18,697					
\$ (13,548)	\$ (3,502)					
<u>306,144</u>	<u>309,646</u>					
\$ 292,596	\$ 306,144					
<u>N/A</u>	<u>N/A</u>					
<u>N/A</u>	<u>N/A</u>					

See accompanying independent auditor's report.

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
FEBRUARY 28, 2019**

District Mailing Address - Live Oak Creek Municipal Utility District No. 1 of Tarrant County
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 February 28, 2019	Expense Reimbursements for the year ended February 28, 2019	Title
Neal Morris	05/18 05/22 (Elected)	\$ 450	\$ 7	President
Amy May	05/18 05/22 (Elected)	\$ 450	\$ 16	Vice President
Mark Ratliff	08/17 05/20 (Appointed)	\$ 750	\$ 39	Secretary
Nathan Golik	05/16 05/20 (Elected)	\$ 300	\$ 23	Assistant Secretary
Brian Shiller	08/18 05/22 (Appointed)	\$ 300	\$ 13	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):
August 28, 2018.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on August 29, 2006. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**LIVE OAK CREEK MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
FEBRUARY 28, 2019**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended February 28, 2019</u>	<u>Title</u>
Coats Rose, P.C.	09/27/06	\$ 17,142 \$ 14,711	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	02/17/11	\$ 10,500 \$ 3,400	Auditor AUP Related
L&S District Services, LLC	09/27/06	\$ 6,943	Bookkeeper/ Investment Officer
Peloton Land Solutions, Inc.	03/02/17	\$ 76,897	Engineer
Robert W. Baird & Co. Incorporated	06/12/15	\$ 13,050	Financial Advisor
Tarrant County Tax Office	09/15/09	\$ 302	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN