

OFFICIAL STATEMENT DATED JUNE 23, 2021

In the opinion of Special Tax Counsel (defined below), under current law and subject to conditions described in the Section herein "Tax Exemption," interest on the Bonds (a) is not included in gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal alternative minimum income tax. A holder may be subject to other federal tax consequences as described in the Section herein "TAX EXEMPTION." Further, in the opinion of Special Tax Counsel, under current law and subject to conditions described in the Section herein "TAX EXEMPTION--Designation for Purchase by Financial Institutions," the Bonds are qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Code.

The District has designated the Bonds as "qualified tax-exempt obligations" for purposes of the calculation of interest expense by financial institutions which may own the Bonds. See "TAX EXEMPTION--Designation for Purchase by Financial Institutions."

NEW ISSUE
BOOK-ENTRY ONLY
CUSIP No. 248799

RATINGS: (S&P's-- underlying) "AA"

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1

(A political subdivision of the State of Texas located within Denton and Dallas Counties, Texas)

\$3,480,000

UNLIMITED TAX REFUNDING BONDS, SERIES 2021

Bonds Dated: July 1, 2021

Due: August 1, as shown on inside cover

The \$3,485,000 Unlimited Tax Refunding Bonds, Series 2021 (the "Bonds") are obligations solely of Denton County Levee Improvement District No. 1 (the "District") and are not obligations of the State of Texas; Denton or Dallas Counties, Texas; the Cities of Coppell or Lewisville, Texas; or any other political subdivision or agency. See "THE BONDS--Source of and Security for Payment."

Principal of and the redemption price for the Bonds are payable by UMB Bank N.A., Houston, Texas or any successor paying agent/registrant (the "Paying Agent/Registrar"). Interest on the Bonds will accrue from July 1, 2021, and will be payable on August 1, 2021 and each February 1 and August 1 thereafter, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are issuable only in fully registered form in principal denominations of \$5,000 or integral multiples thereof. The Bonds will be initially registered solely 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. is the registered owner of the Bonds, as nominee for DTC, principal of and interest on the Bonds shall be payable to Cede & Co., which will in turn, remit such payments to DTC participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS--Book-Entry-Only System."

SEE INSIDE COVER PAGE FOR MATURITY SCHEDULE

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District. See "THE BONDS--Source of and Security for Payment." The Bonds are subject to special investment considerations described herein. See "RISK FACTORS." **Neither the State of Texas; Denton or Dallas Counties, Texas; the Cities of Coppell or Lewisville, Texas; nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds.**

The Bonds will be delivered when, as, and if issued by the District and accepted by the initial purchaser of the Bonds (the "Underwriter"), subject, amongst other things, to the approval of the Initial Bonds by the Attorney General of the State of Texas and by the approval of certain legal matters by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Underwriter's Counsel and Hunton Andrews Kurth LLP, Austin, Texas, Special Tax Counsel. Delivery of the Bonds is expected through the facilities of DTC on July 28, 2021.

SAMCO Capital Markets, Inc.

MATURITY SCHEDULE

Bonds Dated: July 1, 2021

Due: August 1, as shown below

\$2,915,000 Serial Bonds

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Initial Yield(a)</u>	<u>CUSIP (b)</u>	<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Initial Yield(a)</u>	<u>CUSIP (b)</u>
2021	\$140,000	3.000%	0.250%	248799FS2	2026	\$350,000	3.000%	0.950%	248799FX1
2022	310,000	3.000%	0.300%	248799FT0	2027	365,000	3.000%	1.100%	248799FY9
2023	315,000	3.000%	0.460%	248799FU7	2028	380,000	3.000%	1.290%	248799FZ6
2024	325,000	3.000%	0.620%	248799FV5	2029(c)	385,000	2.000%	1.420%	248799GA0
2025	345,000	3.000%	0.800%	248799FW3					

\$565,000 Term Bonds

\$565,000 Term Bonds, Due August 1, 2032 (c)(d), 2.000% Interest Rate, 1.660% Initial Yield (a)
CUSIP (b) 248799GB8

(a) Initial yield represents the initial reoffering yield to the public which has been established by the Underwriter for public offerings and which subsequently may be changed. The initial yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from July 1, 2021 is to be added to the price.

(b) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services LLC and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

(c) Bonds maturing on or after August 1, 2029, are subject to redemption prior to maturity at the option of the District, as a whole or, from time to time, in part, on August 1, 2028, or on any date thereafter, at par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Optional Redemption."

(d) Term Bonds are also subject to mandatory redemption in part by lot or other customary method at a price of par plus accrued interest to the redemption date. See "THE BONDS—Mandatory Redemption."

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USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the District or the Underwriter 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 is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District, c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Boulevard, Suite 1380, Houston, Texas 77056 upon payment of duplication costs.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the condition 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 that 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 "PREPARATION OF OFFICIAL STATEMENT-- Updating of the Official Statement."

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

SALE AND DISTRIBUTION OF THE BONDS

Prices and Marketability

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

THE PRICES AND OTHER TERMS RESPECTING 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 THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

Securities Laws

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

Underwriter

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the “Underwriter”) pursuant to a bond purchase agreement with the District (the “Bond Purchase Agreement”) at a price of \$3,676,663.25 (being the par amount of the Bonds, plus a net premium on the Bonds of \$223,452.55 less an underwriter’s discount of \$26,789.30), plus accrued interest on the Bonds to the date of delivery. The obligation of the Underwriter to purchase the Bonds is subject to certain conditions contained in the Bond Purchase Agreement.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the inside cover page hereof. The initial offering price may be changed from time to time by the Underwriter within the guidelines prescribed by applicable laws and regulations of the United States Securities and Exchange Commission.

Municipal Bond Rating

In connection with the sale of the Bonds, the District made application to S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), which has assigned a rating of “AA” to the Bonds. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P and the District makes no representation as to the appropriateness of such rating.

A security rating is not a recommendation to buy, sell or hold securities. The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. The District is not aware of any rating assigned to the Bonds other than the underlying rating of S&P.

SUMMARY

The following is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement, reference to which is made for all purposes. This summary should not be detached and should be used in conjunction with more complete information contained herein.

- The District -

Issuer/Description Denton County Levee Improvement District No. 1 (the “District”) operates pursuant to Sections 49 and 57 of the Texas Water Code, as amended. The District, with approximately 938.337 acres, is located principally in Denton County, Texas, with approximately 294.41 acres in Dallas County, Texas. The District is located entirely within the Cities of Coppell and Lewisville, Texas. See "THE DISTRICT."

Authority The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to levee improvement districts, including particularly Chapters 49 and 57, Texas Water Code, as amended. See "THE DISTRICT-Authority."

Development Within The District Of the 961.99 acres within the District, approximately 605.78 are developable. The remaining 356.21 acres are devoted to lakes, levees, road rights-of-way, easements and support facilities. The property within the District currently includes 314.39 acres zoned for light industrial, retail and office uses, 7.68 acres zoned for general business uses, 89.19 acres zoned for highway commercial uses, 15.52 acres zoned for parkland/public use, 110.76 acres zoned for multi-family housing and 218.25 acres zoned for single-family residential.

Substantially all of the land within the District has been developed with main thoroughfares and trunk lines for utilities. Improvements within the District include certain retail and restaurant establishments, hotels, over 1100 single family homes and certain amenities. See “THE DISTRICT–Description of the District” for a description of such development projects and a description of the major landowners and developers in the District and the status of their projects.

Infection Disease Outlook (COVID-19)

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the “Pandemic”), which is currently affecting many parts of the world, including the United States and Texas. As described herein under “RISK FACTORS--Infectious Disease Outlook (COVID-19)”, federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. Such actions are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Denton, Texas area and could reduce or negatively affect property values or homebuilding activity within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District’s share of operations and maintenance expenses payable from ad valorem taxes.

While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition. The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District’s financial condition.

- The Bonds -

Authority for Issuance	The Bonds (defined below) are issued pursuant to the Texas Constitution, the general laws of the State of Texas and the Bond Order (defined herein), including Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 57 of the Texas Water Code, as amended, and Chapter 1207, Texas Government Code, as amended. See “THE BONDS--Authority for Issuance.”
Description	\$3,480,000 Unlimited Tax Refunding Bonds, Series 2021 (the “Bonds”) are dated July 1, 2021, and bear interest from such date at the rates per annum set forth on the inside cover page hereof, which interest is payable August 1, 2021 and each February 1 and August 1 thereafter until the earlier of maturity or redemption. The Bonds mature serially on August 1 in the years 2021 through 2029, inclusive, in the principal amounts set forth on the inside cover page hereof (herein, the “Serial Bonds”) and on August 1, 2032 (herein, the “Term Bonds”). The Term Bonds are subject to mandatory redemption as described herein under “THE BONDS—Mandatory Redemption.” The Bonds maturing on and after August 1, 2029, will be callable at the option of the District at par plus any unpaid accrued interest on any date on or after August 1, 2028. See "THE BONDS–Description” and “–Optional Redemption."
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation 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 Denton or Dallas Counties, Texas; the Cities of Coppell or Lewisville, Texas; the State of Texas; or any political subdivision other than the District. See "THE BONDS–Source of and Security for Payment."
Use of Proceeds-- Refunded Bonds	Proceeds of the Bonds will be used to refund \$1,220,000 in principal amount of the District’s Unlimited Tax Bonds, Series 2012 and \$2,280,000 in principal amount of the District’s Unlimited Tax Refunding Bonds, Series 2013 (collectively, the “Refunded Bonds”) and to pay the costs of issuance of the Bonds. See "THE BONDS–Use of Proceeds."
Payment Record	The District has never defaulted on the payment of any bond obligation. See “DISTRICT DEBT.”
Qualified Tax-Exempt Obligations	The District will designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and will represent that the total amount of tax-exempt bonds (including the Bonds) issued by it during the calendar year 2021 is not reasonably expected to exceed \$10,000,000. See "TAX EXEMPTION–Designation for Purchase by Financial Institutions."
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to 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 thereof. Principal of and interest on the Bonds will be payable by UMB Bank N.A., Houston, Texas or any successor

paying agent/registrar (the "Paying Agent/Registrar") to Cede & Co. and Cede & Co. will make distribution of the amounts so paid to the beneficial owners of the Bonds (see "THE BONDS–Book-Entry-Only System").

Legal Opinions	Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas. See "LEGAL MATTERS."
Underwriter's Counsel	Orrick, Herrington & Sutcliffe LLP, Houston, Texas
Special Tax Counsel	Hunton Andrews Kurth LLP, Austin, Texas
Financial Advisor	Blitch Associates, Inc., Houston, Texas.
Verification Agent	Ritz & Associates PA, Bloomington, Minnesota.
Municipal Bond Rating	The District made application to S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), which has assigned a rating of "AA" to the Bonds. See "SALE AND DISTRIBUTION OF THE BONDS--Municipal Bond Rating."

RISK FACTORS

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THE ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED "RISK FACTORS."

**- Financial Highlights -
(Unaudited)**

2020 Taxable Assessed Valuation (100% of Market Value)		\$990,691,744	(a)
Direct Debt			
Outstanding Bonds (As of May 1, 2021)		\$6,675,000	
Less: The Refunded Bonds		(3,500,000)	
The Bonds		<u>3,480,000</u>	
Total Direct Debt		\$6,655,000	
Estimated Overlapping Debt		<u>44,745,931</u>	(b)
Direct and Estimated Overlapping Debt		<u>\$51,400,931</u>	(b)
Direct Debt Ratios:			
Direct Debt to Value		0.67%	
Direct & Estimated Overlapping Debt to Value		5.19%	
2020 Tax Rate per \$100 of Assessed Value			
Debt Service		\$0.069	
Maintenance & Operating		<u>0.113</u>	
Total		<u>\$0.182</u>	
		<u>Current</u>	<u>Total</u> (c)
2019 Tax Collection Percentage	98.64%		99.17%
Five-Year Average (2015/2019) Collection Percentage	99.38%		99.66%
Average Annual Debt Service Requirements (2021/2032)			\$679,037
Maximum Annual Debt Service Requirements (2032)			\$710,800
Tax Rate Required to pay such Requirements at 98% Collection			
Average (2021/2032)			\$0.070
Maximum (2032)			\$0.074
Fund Balances as of May 7, 2021 (Cash & Investments)			
General Fund			\$5,039,589
Debt Service Fund			\$1,094,988 (d)
Capital Projects Fund			\$72,504

- (a) Certified by the Denton Central Appraisal District and the Dallas Central Appraisal District (collectively herein, the "Appraisal Districts"). See "TAX PROCEDURES."
- (b) See "DISTRICT DEBT--Estimated Overlapping Debt."
- (c) See Note to "TAX DATA--Tax Collection History."
- (d) Neither Texas Law nor the Bond Order (defined herein) requires that the District maintain any particular sum in the Debt Service Fund (defined herein).

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1
\$3,480,000
UNLIMITED TAX REFUNDING BONDS, SERIES 2021

This Official Statement of Denton County Levee Improvement District No. 1 (the "District") is provided to furnish certain information with respect to the sale by the District of its \$3,480,000 Unlimited Tax Refunding Bonds, Series 2021 (the "Bonds").

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas and an Order authorizing the issuance of the Bonds (the "Order") adopted by the Board of Directors of the District (the "Board"); Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 57 of the Texas Water Code, as amended; Chapter 1207, Texas Government Code, as amended; and by voter approval on April 5, 1986 of \$20,100,000 unlimited tax refunding bonds. The Board delegated pricing of the Bonds and certain other matters to a pricing officer who will approve and execute a certificate (the "Pricing Certificate") which will complete the sale of the Bonds (the Order and the Pricing Certificate are jointly referred to as the "Bond Order"). See "THE BONDS."

This Official Statement includes descriptions of the Bonds and the Bond Order and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document, copies of which may be obtained by contacting the District, c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Blvd, Suite 1380, Houston, Texas 77056.

THE BONDS

Description

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order. A copy of the Bond Order may be obtained upon request to the District and payment of the applicable copying charges.

The Bonds will mature on August 1 of the years and in principal amounts, and will bear interest from July 1, 2021, at the rates per annum, set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable on August 1, 2021, and semiannually thereafter on each February 1 and August 1 thereafter until the earlier of maturity or redemption. Principal of and interest on the Bonds will be payable to Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"), by the paying agent/registrar, initially UMB Bank N.A., Houston, Texas (the "Paying Agent/Registrar"). Cede & Co. will make distribution of the principal and interest so paid to the beneficial owners of the Bonds. For so long as DTC shall continue to serve as securities depository for the Bonds, all transfers of beneficial ownership interest will be made by book-entry only and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of the Bonds is to receive, hold or deliver any Bond certificate.

If at any time, DTC ceases to hold the Bonds as securities depository, then principal of the Bonds will be payable to the registered owner at maturity or redemption upon presentation and surrender at the principal payment office of the Paying Agent/Registrar. Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to the registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th day of the month next preceding the interest payment date (the "Record Date"). The Bonds of each maturity will be issued in fully-registered form only in the principal amount of \$5,000 or any integral multiple thereof.

If the specified date for any payment of principal (or redemption price) or interest on the Bonds shall be a Saturday, Sunday or legal holiday or equivalent (other than a moratorium) for banking institutions generally in the City of Houston, Texas, such payment may be made on the next succeeding date which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payments.

Use of Proceeds

Proceeds of the Bonds will be used to currently refund the August 1, 2021 through 2032 maturities of the District's Unlimited Tax Bonds, Series 2012 and the August 1, 2022 through 2030 maturities of the District's Unlimited Tax Refunding Bonds, Series 2013 (collectively, the "Refunded Bonds") and to pay the costs of issuance of the Bonds. The Refunded Bonds consist of the following:

<i><u>Maturity</u></i>	<i><u>Series 2012</u></i>	<i><u>Series 2012</u></i>		<i><u>Series 2013</u></i>	<i><u>Series 2013</u></i>
<i><u>August 1</u></i>	<i><u>Amount</u></i>	<i><u>Rate</u></i>		<i><u>Amount</u></i>	<i><u>Rate</u></i>
2021	\$95,000	2.500%	(a)		
2022	100,000	2.500%	(a)	\$210,000	3.000%
2023	100,000	2.500%	(a)	215,000	3.000%
2024	100,000	2.750%	(b)	225,000	3.000%
2025	100,000	2.750%	(b)	240,000	3.000%
2026	105,000	2.750%	(b)	245,000	4.000%
2027	100,000	3.000%	(c)	265,000	4.000%
2028	105,000	3.000%	(c)	280,000	4.000%
2029	105,000	3.000%	(c)	290,000	4.000%
2030	105,000	3.250%	(d)	310,000	4.000%
2031	105,000	3.250%	(d)		
2032	<u>100,000</u>	3.250%	(d)	_____	
Totals	<u>\$1,220,000</u>			<u>\$2,280,000</u>	
Call Date	August 1, 2021			August 1, 2021	

(a) Represents sinking fund redemption payment for term bond maturing on August 1, 2023.

(b) Represents sinking fund redemption payment for term bond maturing on August 1, 2026.

(c) Represents sinking fund redemption payment for term bond maturing on August 1, 2029.

(d) Represents sinking fund redemption payment for term bond maturing on August 1, 2032.

The proceeds derived from the sale of the Bonds will be applied as follows:

Sources:

Par Amount	\$3,480,000.00
Reoffering Premium	223,452.55
Accrued Interest	<u>7,117.50</u>
Total Sources	<u><u>\$3,710,570.05</u></u>

Uses:

Cash Deposit for Refunding	\$3,558,718.75
Underwriter's Discount	26,789.30
Costs of Issuance	117,944.50
Accrued Interest	<u>7,117.50</u>
Total Uses	<u><u>\$3,710,570.05</u></u>

Refunded Bonds

In the Bond Order, the District will give irrevocable instructions to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed prior to stated maturity on which date money will be made available to redeem the Refunded Bonds from money held by the paying agent for the Refunded Bonds, BOKF, N.A. (the "Paying Agent for the Refunded Bonds").

Proceeds from the sale of the Bonds will be used to refund the Refunded Bonds in order to lower the District's overall debt service and to pay costs of issuing the Bonds. The Refunded Bonds and the interest due thereon are to be paid on the date of redemption from funds to be deposited with the Paying Agent for the Refunded Bonds.

The Bond Order provides that from a portion of the proceeds of the sale of the Bonds to the underwriter listed on the cover page hereof (the "Underwriter"), together with other legally available funds of the District, if any, the District will deposit with the Paying Agent for the Refunded Bonds, the amount necessary to accomplish the discharge and final payment of the Refunded Bonds.'

Ritz & Associates PA, a Professional Association, a firm of independent certified public accountants, will verify at the time of delivery of the Bonds to the Underwriter thereof the mathematical accuracy of the schedules that demonstrate the funds on deposit with the Paying Agents for the Refunded Bonds will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. Such funds on deposit with the Paying Agents for the Refunded Bonds will not be available to pay the Bonds. See "VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS."

By the deposit of the cash with the Paying Agent for the Refunded Bonds, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of Chapter 1207, Texas Government Code, and the order authorizing the issuance of the Refunded Bonds. In the opinion of Bond Counsel, as a result of such deposit, firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds, and such Refunded Bonds will be deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds deposited with the Paying Agent for the Refunded Bonds.

Book-Entry-Only System

This section describes how ownership of the Bonds are to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC, while the Bonds are registered in its nominee name. The

information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds, 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 a 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 companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants," together with the Direct Participants, the "Participants"). DTC has a rating of "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through DTC Participants, which will receive a credit for such purchases on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct or 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 interest 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 the 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 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 such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent/Registrar, disbursement of such payments to Direct Participants shall 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 securities 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 securities depository is not obtained, Bonds are required to be printed and delivered.

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Registration and Transfer

The Bonds will be transferable only on the bond register kept by the Paying Agent/Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal aggregate principal of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the principal office of the Paying Agent/Registrar in Houston, Texas. No service charge will be made for any registration, transfer or exchange of Bonds, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith. Neither the District nor the Paying Agent/Registrar is required to issue, transfer

or exchange any Bond during the period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning 15 calendar days prior to the date of the first mailing of any notice of redemption and ending at the close of business on the date of such mailing, or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

Optional Redemption

The District reserves the right, at its option, to redeem the Bonds maturing on or after August 1, 2029, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof on August 1, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the Paying Agent/Registrar shall select by lot those Bonds to be redeemed.

At least thirty (30) days prior to the date fixed for any such redemption a written notice of such redemption shall be given to the registered owner of each Bond or a portion thereof being called for redemption by depositing such notice in the United States mail, first class, postage prepaid, addressed to each such registered owner at his address shown on the registration books of the Paying Agent/Registrar; provided, however, that the failure to receive such notice shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or the portions thereof which are to be so redeemed, plus accrued interest to the date fixed for redemption. If a portion of any Bond shall be redeemed, a substitute Bond having the same maturity date, bearing interest at the same rate, in any integral multiple of \$5,000, and in aggregate principal amount equal to the unredeemed position thereof, will be issued to the registered owner upon the surrender of the Bonds being redeemed, at the expense of the District, all as provided for in the Bond Order.

Mandatory Redemption

The Bonds maturing August 1, 2032 (the “Term Bonds”) are subject to mandatory redemption in part prior to maturity in the amounts (subject to redemption as described below) and on the dates set out below, at a price equal to the principal amount to be redeemed plus accrued interest to the redemption date:

<u>Redemption Date</u>	<u>Principal Amount</u>
<i>\$565,000 Term Bonds Due August 1, 2032</i>	
August 1, 2030	\$400,000
August 1, 2031	85,000
August 1, 2032 (maturity)	80,000

The particular Term Bonds to be mandatorily redeemed shall be selected by lot or other customary random selection method. The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemption requirements shall be reduced, at the option of and as determined by the District, by the principal amount of any Term Bonds of such maturity which, at least 30 days prior to such mandatory redemption, (1) shall have been acquired by the District 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, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Ownership

The District, the Paying Agent/Registrar and any agent of either may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of receiving payment of the principal and the interest thereon, and for all other purposes, whether or not such Bond is overdue. Neither the District, the Paying Agent/Registrar nor any agent of either shall be bound by any notice or knowledge to the contrary. All payments made to the person

deemed to be the owner of any Bond in accordance with the Bond Order shall be valid and effective and shall discharge the liability of the District and the Paying Agent/Registrar for such Bond to the extent of the sums paid.

Source of and Security for Payment

The Bonds and the Outstanding Bonds (as hereinafter defined), together with any additional unlimited tax or combination unlimited tax bonds as may hereafter be issued, are payable as to principal and interest from the proceeds of a continuing, direct, annual ad valorem tax without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Order, the District covenants to levy annually a tax sufficient in amount to pay principal of and interest on the Bonds, full allowance being made for delinquencies and costs of collection. Collected taxes will be placed in the District's Debt Service Fund and used solely to pay principal and interest on the Bonds, the Outstanding Bonds and on any additional bonds payable from taxes which may be issued. See "Issuance of Additional Debt" below.

Annexation

Under Texas law, the District may be annexed in whole or in part, subject to compliance with the requirements of Chapter 43, Texas Local Government Code, as amended. This may include the requirement that the annexing city hold an election within the District to approve the annexation. If the District is annexed, the annexing city will assume the District's assets, functions, and obligations (including the Bonds) and dissolve the District. No representation is made concerning the likelihood of annexation or the ability of the city to make debt service payments should annexation occur. The Bond Order provides for the termination of the pledge of taxes to the Bonds upon annexation and dissolution by the city.

Replacement of Paying Agent/Registrar

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

Authority for Issuance

\$20,100,000 in unlimited tax bonds were authorized at an election held within the District for that purpose on April 5, 1986, \$4,115,000 of which will remain authorized but unissued following issuance of the Bonds. See "Issuance of Additional Debt."

The Bonds are issued pursuant to the Bond Order, Chapters 49 and 57 of the Texas Water Code, and Article XVI, Section 59 of the Texas Constitution.

Outstanding Debt

The District has previously issued its \$4,570,000 Unlimited Tax Bonds, Series 2010 (the "Series 2010 Bonds"); \$2,060,000 Unlimited Tax Bonds, Series 2012 (the "Series 2012 Bonds"); \$2,750,000 Unlimited Tax Refunding Bond, Series 2013 (the "Series 2013 Bonds"); and \$2,810,000 Unlimited Tax Refunding Bonds, Series 2017 (the "Series 2017 Bonds"). As of May 1, 2021, \$165,000 of the Series 2010 Bonds; \$1,220,000 of the Series 2012 Bonds; \$2,480,000 of the Series 2013 Bonds; and \$2,810,000 of the Series 2017 Bonds remain outstanding (collectively, the "Outstanding Bonds"). The District has timely made payments due on the Outstanding Bonds.

Issuance of Additional Debt

The District may issue additional bonds to provide those improvements for which the District was created. Following the issuance of the Bonds, \$4,115,000 unlimited tax bonds authorized by the District's voters will remain unissued. The District has no present plans to issue additional debt within the next twelve months.

Depending upon the rate of development and increases in assessed valuation of taxable property within the District and the amount, maturity schedule and time of issuance of such additional bonds, increases in the District's annual tax rate may be required to provide for the payment of the principal of and interest on such additional bonds, the Outstanding Bonds and the Bonds. Additional tax bonds may be voted in the future. The Board is further empowered 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 a parity with the Bonds, and may dilute the security of the Bonds.

Defeasance

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

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

Mutilated, Lost, Stolen or Destroyed Bonds

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.

Amendments to the Bond Order

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

Registered Owners' Remedies and Effects of Bankruptcy

The Bond Order provides that, in the event the District defaults in the observance or performance of any covenant in the Bond Order, including payment when due of the principal of and interest on the Bonds, any registered owner may apply for a writ of mandamus from a court of competent jurisdiction requiring the Board or other officers of the District to observe or perform any covenants, obligations or conditions prescribed by the Bond Order. Such right is in addition to other rights of the registered owners of the Bonds that may be provided by the laws of the State of Texas.

The Bond Order does not provide additional remedies to a registered owner. Specifically, the Bond Order does not provide for appointment of a trustee to protect and enforce the interests of the registered owners or for the acceleration of maturity of the Bonds upon the occurrence of a default in the District's obligations. Consequently, the remedy of mandamus may have to be relied upon from year to year by the registered owners.

Under Texas law, no judgment obtained against the District may be enforced by execution or a levy against the District's public purpose property. The registered owners cannot themselves foreclose on taxable property within the District or sell property within the District in order to pay principal of and interest on the Bonds. In addition, the enforceability of the rights and remedies of the registered owners may be subject to limitation pursuant to federal bankruptcy laws or other similar laws affecting the rights of creditors of political subdivisions.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the 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. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debt; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, a municipal utility district such as the District must obtain approval of the Texas Commission on Environmental Quality ("TCEQ") prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts, and the Bankruptcy Court would confirm the District’s plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a registered owner 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 such registered owner’s claim against 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.

THE DISTRICT

Authority

The District is a levee improvement district created by an order of the Commissioners Court of Denton County on February 11, 1985. The District operates in accordance with Chapters 49 and 57 of the Texas Water Code, as amended. The District is vested with all of the rights, privileges, authority, and functions conferred by the general laws of the State applicable to levee improvement districts, and is empowered to finance, purchase and contract for levees and other flood control projects and is responsible for the maintenance and control of such facilities. Plans and specification for all District facilities were approved by both the TCEQ and the Cities of Coppell and Lewisville.

Management of the District

The District is governed by the Board, consisting of three directors, which has management control and management supervision over all affairs of the District. Directors are appointed by the Denton County Commissioners Court to serve two-year terms. Two of the Board members reside within the District. The current members and officers of the Board are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Ching	Chairman	July 9, 2022
Ben Carruthers	Vice Chairman/Secretary/Treasurer	July 9, 2022
Jack E. Davis	Asst. Secretary	July 9, 2022

In addition, the District contracts for the services indicated below:

Auditor - The District's audited financial statements for the year ended May 31, 2020, were prepared by Mark C. Eyring, CPA, PLLC, Stafford, Texas.

Operator - The District's facilities are operated by Texas Stormwater Management, Richland Hills, Texas.

Legal Counsel - The District employs Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, as 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 Bonds actually issued and sold; and therefore, such fees are contingent on the sale and delivery of the Bonds. Such firm also acts as general counsel to the District.

Special Tax Counsel - The District has engaged Hunton Andrews Kurth LLP as special tax counsel in connection with the issuance of the Bonds. Special Tax Counsel has agreed to undertake such services for a fixed fee to be paid upon the issuance of the Bonds and, therefore, Special Tax Counsel's fee is contingent on the sale and delivery of the Bonds.

Financial Advisor - The District's financial advisor is Blich Associates, Inc., Houston, Texas. The fees to be paid to the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of Bonds actually issued and sold; and therefore, such fees are contingent on the sale and delivery of the Bonds.

Bookkeeper - The District's books and records are kept by Myrtle Cruz, Inc., Houston, Texas.

Engineer - The consulting engineer for the District is Halff Associates, Inc., Richardson, Texas.

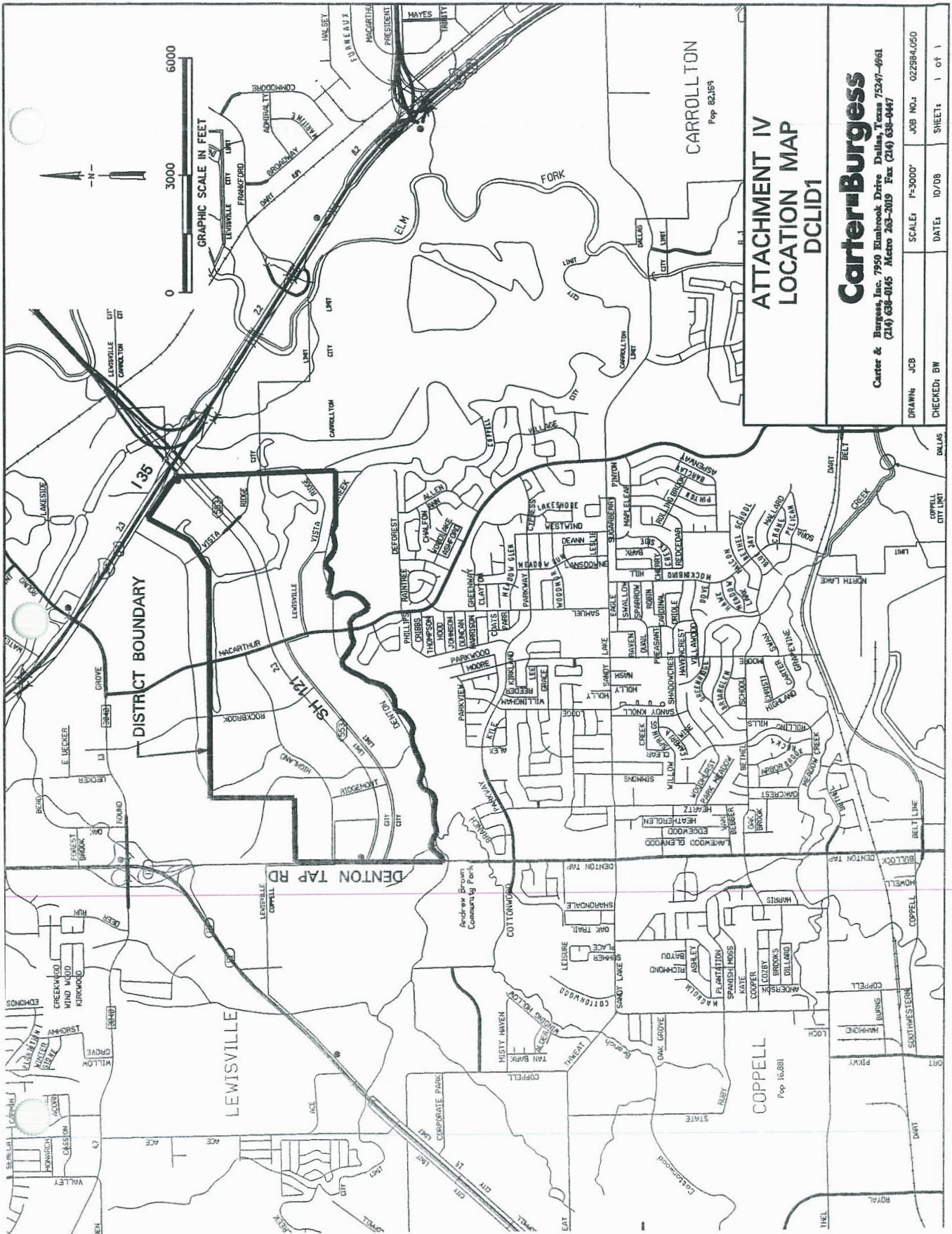
Tax Assessor/Collector - The District's Tax Assessor/Collector is Bob Leared Interests, Inc., Houston, Texas.

Description of the District

The District is located in Denton and Dallas Counties, Texas, approximately 19 miles north of the City of Dallas central business district, less than ten miles from the Dallas/Fort Worth International Airport, and 9 miles from the LBJ/Stemmons corridor in Dallas. The District's eastern boundary lies along Interstate Highway 35E, a major north-south artery in the Dallas metropolitan area. The route Interstate Highway 35E takes is through one of the major industrial areas of the Dallas area and to the Dallas central business district. The District is located entirely within the city limits of the Cities of Lewisville and Coppell, Texas.

Of the approximately 961.99 acres within the District, approximately 605.78 are developable. The remaining 356.21 acres are devoted to lakes, levees, road rights-of-way, easements and support facilities. The property within the District is master planned and is a mixed-use business and residential community. It is zoned to encourage the development of campus office parks and buildings and high-end retail and commercial facilities, as well as single-family and multi-family housing. The property within the District currently includes 314.39 acres zoned for light industrial, retail or office uses, 7.68 acres zoned for general business uses, 89.19 acres zoned for highway commercial uses, 15.52 acres zoned for parkland/public use, 110.76 acres zoned for multi-family housing and 218.25 acres zoned for single family use. Five subdivisions, Vista Ridge Estates, The Peninsulas of Coppell, Villas at Lake Vista, Enclaves at Silver Creek, and Vistas of Coppell, have been developed with over 1100 single-family residences constructed. Current development within the District includes the Vista Del Lago Townhome addition and the Hilton Gardens expansion.

Map of the District



DISTRICT DEBT

Debt Statement

2020 Taxable Assessed Valuation (100% of Market Value)	\$990,691,744	(a)
Direct Debt		
Outstanding Bonds (As of May 1, 2021)	\$6,675,000	
Less: The Refunded Bonds	(3,500,000)	
The Bonds	<u>3,480,000</u>	
Total Direct Debt	\$6,655,000	
Estimated Overlapping Debt	<u>44,745,931</u>	(b)
Direct and Estimated Overlapping Debt	<u><u>\$51,400,931</u></u>	(b)
Direct Debt Ratios:		
Direct Debt to Value	0.67%	
Direct & Estimated Overlapping Debt to Value	5.19%	
Average Annual Debt Service Requirements (2021/2032)	\$679,037	
Maximum Annual Debt Service Requirements (2032)	\$710,800	
Fund Balances as of May 7, 2021 (Cash & Investments)		
General Fund	\$5,039,589	
Debt Service Fund	\$1,094,988	(c)
Capital Projects Fund	\$72,504	

- (a) Certified by the Denton Central Appraisal District and the Dallas Central Appraisal District (collectively herein, the "Appraisal Districts"). See "TAX PROCEDURES."
- (b) See "Estimated Overlapping Debt."
- (c) Neither Texas Law nor the Bond Order (defined herein) requires that the District maintain any particular sum in the Debt Service Fund (defined herein).

Estimated Overlapping Debt

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. This information is based upon data secured from the individual jurisdiction and/or the Texas Municipal Reports. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes. See "TAX DATA--Estimated Overlapping Taxes."

<u>Jurisdiction</u>	<u>Debt As Of May 1, 2021</u>	<u>Overlapping Percent</u>	<u>Overlapping Amount</u>
Coppell, City of	\$133,660,000	3.434%	\$4,575,182
Coppell Independent School District	367,609,473	2.103%	7,730,827
Dallas County (a)	130,445,000	0.103%	134,358
Dallas Co. Community College District	115,750,000	0.103%	119,223
Dallas Co. Hospital District	622,000,000	0.103%	640,660
Denton County	611,835,000	0.615%	3,762,785
Lewisville, City of	109,200,000	5.521%	6,028,932
Lewisville Independent School District	1,404,387,596	1.549%	<u>21,753,964</u>
Estimated Overlapping Debt			\$44,745,931
The District (Includes the Bonds and Excludes the Refunded Bonds)			<u>6,655,000</u>
Total Direct & Estimated Overlapping Debt			<u><u>\$51,400,931</u></u>

(a) Includes \$123,130,000 parking garage tax and revenue certificates of obligation.

Debt Service Schedule

The following sets forth the debt service requirements on the District's Outstanding Bonds and the Bonds. (Note: Totals may not add due to rounding)

<u>Year</u>	<u>Outstanding Debt Service</u>	<u>Refunded Debt Service</u>	<u>The Bonds Principal</u>	<u>The Bonds Interest</u>	<u>The Bonds Total D/S</u>	<u>Grand Total Debt Service</u>
2021	\$699,406	(\$153,719)	\$140,000	\$7,908	\$147,908	\$693,596
2022	687,463	(425,063)	310,000	90,700	400,700	663,100
2023	687,663	(421,263)	315,000	81,400	396,400	662,800
2024	687,313	(422,313)	325,000	71,950	396,950	661,950
2025	696,213	(427,813)	345,000	62,200	407,200	675,600
2026	699,263	(427,863)	350,000	51,850	401,850	673,250
2027	694,175	(430,175)	365,000	41,350	406,350	670,350
2028	703,175	(436,575)	380,000	30,400	410,400	677,000
2029	701,025	(432,225)	385,000	19,000	404,000	672,800
2030	708,075	(437,475)	400,000	11,300	411,300	681,900
2031	728,663	(111,663)	85,000	3,300	88,300	705,300
2032	<u>732,450</u>	<u>(103,250)</u>	<u>80,000</u>	<u>1,600</u>	<u>81,600</u>	<u>710,800</u>
	<u>\$8,424,881</u>	<u>(\$4,299,394)</u>	<u>\$3,480,000</u>	<u>\$472,958</u>	<u>\$3,952,958</u>	<u>\$8,148,446</u>

Average Annual Debt Service (2021/2032)

\$ 679,037

Maximum Annual Debt Service (2032)

\$ 710,800

Historical Operations of the Debt Service Fund

The following statement sets forth in condensed form the historical operations of the District's Debt Service Fund. Such information has been prepared based upon information obtained from the District's audited financial statements. Reference is made to such statements for further and complete information.

	Fiscal Years Ended May 31,				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues					
Property Taxes	\$642,886	\$638,136	\$656,409	\$673,37	\$662,602
Penalty & Interest	13,466	6,793	11,985	10,059	4,647
Interest on	<u>3,262</u>	<u>4,248</u>	<u>3,555</u>	<u>2,249</u>	<u>1,866</u>
Total Revenues	\$659,614	\$649,177	\$671,949	\$685,67	\$669,115
Expenditures					
Principal	\$435,000	\$420,000	\$405,000	\$390,00	\$375,000
Interest	261,908	274,299	237,922	306,039	314,555
Cost of Collection	<u>33,232</u>	<u>29,984</u>	<u>28,794</u>	<u>28,022</u>	<u>24,358</u>
Total Expenditures	<u>\$730,140</u>	<u>\$724,283</u>	<u>\$671,716</u>	<u>\$724,06</u>	<u>\$718,913</u>
Net Revenues	(\$70,526)	(\$75,106)	\$233	(\$38,382)	(\$44,798)
Bond Sale Expense	0	0	(182,959)	0	0
Fund Balance - June 1	<u>1,337,699</u>	<u>1,412,805</u>	<u>1,595,531</u>	<u>1,633,91</u>	<u>1,678,711</u>
Fund Balance - May 31	<u>\$1,267,173</u>	<u>\$1,337,699</u>	<u>\$1,412,805</u>	<u>\$1,595,5</u>	<u>\$1,633,913</u>
Cash/Investments - May 31	<u>\$1,276,169</u>	<u>\$1,345,264</u>	<u>\$1,407,216</u>	<u>\$1,601,1</u>	<u>\$1,635,644</u>

Historical Operations of the General Operating Fund

The following statement sets forth in condensed form the historical operations of the District's General Operating Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such information has been prepared based upon information obtained from the District's audited financial statements (except for the fiscal year ended May 31, 2021, which was taken from District records), reference to which is made for further and complete information.

	<i>Fiscal Year Ended May 31,</i>					
	<u>2021(a)</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues						
Property Taxes	\$996,958	\$1,052,769	\$952,563	\$882,966	\$836,917	\$752,872
Interest & Other	<u>11,858</u>	<u>59,511</u>	<u>61,835</u>	<u>25,036</u>	<u>4,155</u>	<u>2,818</u>
Total Revenues	\$1,008,816	\$1,112,280	\$1,014,398	\$908,002	\$841,072	\$755,690
Expenditures						
Professional Fees	\$56,740	\$86,334	\$87,005	\$203,305	\$137,435	\$133,710
Contracted Services	42,800	47,300	47,450	47,500	47,425	41,050
Utilities	19,372	20,899	12,042	17,316	16,162	17,598
Repairs & Maintenance	79,968	181,486	123,274	78,133	125,259	144,918
Administrative Expenses	<u>45,690</u>	<u>25,822</u>	<u>24,384</u>	<u>23,303</u>	<u>23,715</u>	<u>24,335</u>
Total Expenditures	<u>\$244,569</u>	<u>\$361,841</u>	<u>\$294,155</u>	<u>\$369,557</u>	<u>\$349,996</u>	<u>\$361,611</u>
Net Revenues	<u>\$764,247</u>	<u>\$750,439</u>	<u>\$720,243</u>	<u>\$538,445</u>	<u>\$491,076</u>	<u>\$394,079</u>
Other Sources (Uses)						
Capital Outlay	(37,900)	(90,274)	(31,753)	(64,000)	0	(280,833)
Fund Balance, June 1		<u>3,672,486</u>	<u>2,983,996</u>	<u>2,509,551</u>	<u>2,018,475</u>	<u>1,905,229</u>
Fund Balance, May 31		<u>\$4,332,651</u>	<u>\$3,672,486</u>	<u>\$2,983,996</u>	<u>\$2,509,551</u>	<u>\$2,018,475</u>
Cash/Investments, May 31		<u>\$4,357,408</u>	<u>\$3,710,695</u>	<u>\$3,008,157</u>	<u>\$2,480,369</u>	<u>\$2,035,186</u>

(a) Unaudited

TAX PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the District's Outstanding Bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The Board also is authorized to levy and collect annual ad valorem taxes for the administration, operation and maintenance of the District and its properties and for the payment of certain contractual obligations other than bonds if such taxes are authorized by vote of the District's electors at an election. At an election held within the District on April 5, 1986, the voters in the District authorized the levy of a maintenance and operation tax of not to exceed \$0.25 per \$100 of assessed valuation. For the 2020 tax year, a maintenance and operation tax of \$0.113 per \$100 of assessed value was levied within the District.

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; however, no effort is expected to be made to levy taxes against tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt real property include property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; non-profit cemeteries; certain household goods, family supplies and personal effects; and certain property owned by qualified charitable, religious, veterans, youth, fraternal, or educational organizations. Goods, wares, ores, and merchandise (other than oil, gas or petroleum products) that are acquired in or imported into the state and forwarded out of state within 175 days thereafter are also exempt. Property owned by a disabled veteran or by the spouse or certain children of a deceased disabled veteran or a veteran who died while on active duty is exempt to between \$5,000 and \$12,000 depending on the disability rating of the veteran. State law further mandates a complete exemption for the residential homestead of disabled veterans determined to be 100% disabled by the U.S. Department of Veterans Affairs. Subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled such exemption on the same property to which the disabled veteran's exemption applied, including, effective January 1, 2016, the surviving spouse of a disabled veteran who would have qualified for such an exemption if such an exemption had been in effect on the date the disabled veteran died. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

If approved by the Board or through a process of petition and referendum by the District's voters, residence homesteads of certain persons who are disabled or at least 65 years old are exempt to the extent of \$3,000 or such higher amount, as the Board or the District's voters may approve. The District's tax assessor is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. The District currently grants no homestead exemption to persons who are 65 years of age or older and to disabled homestead owners.

Residential Homestead Exemptions: The Board also may exempt up to 20% of the market value of residential homesteads from ad valorem taxation. Such exemption would be in addition to any other applicable exemptions provided by law. However, if ad valorem taxes have previously been pledged for the payment of debt and the granting of the homestead exemption would impair the obligation or the contract by which the debt was created, then the Board may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged. The Board currently grants a 20% homestead exemption.

Freeport Goods Exemption: Freeport goods are goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas and other petroleum products, which have been acquired or brought into the state for assembling, storing, manufacturing, repair, maintenance, processing or fabricating or used to repair or maintain aircraft of a certified air carrier and will be shipped out of the state within 175 days. As the result of a state constitutional amendment passed by Texas voters on November 7, 1989, good in transit ("freeport goods") are exempted from taxation by the District effective January 1, 1990.

Goods-In-Transit Exemption: Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of “goods-in-transit.” “Goods-in-transit” is defined by a provision of the Property Tax Code, which is effective for tax year 2011 and prior applicable years, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. For tax year 2012 and subsequent years, such Goods-In-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The Property Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the Freeport exemptions or the goods-in-transit exemptions for items of personal property. The District has taken official action to not provide such exemptions.

Reinvestment Zone: Denton or Dallas Counties may designate all or part of the area within the District as a reinvestment zone, and the District, Denton or Dallas Counties, Lewisville or Coppell Independent School District, and the Cities of Lewisville or Coppell may thereafter enter into tax abatement agreements with owners of real property within the zone. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction, for a period of up to 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 a comprehensive plan. None of the area within the District has been designated as a reinvestment zone to date.

Valuation of Property for Taxation

The Texas Property Tax Code (the "Property Tax Code") establishes an appraisal district and an appraisal review board in each county of the State of Texas. The appraisal district is governed by a board of directors which is elected by the governing bodies of cities, towns, the county, school districts and, if entitled to vote, the conservation and reclamation districts that participate in the appraisal district, and of the county. The board of directors selects a chief appraiser to manage the appraisal office of the appraisal district. All taxing units within Denton County, Texas (including that portion of the District located in Denton County) are included in the Denton Central Appraisal District and all taxing units within Dallas County, Texas (including that portion of the District located in Dallas County) are included in the Dallas Central Appraisal District. The Denton Central Appraisal District and the Dallas Central Appraisal District are collectively referred to herein as the “Appraisal Districts.” The Appraisal Districts are responsible for appraising property within the District, subject to review by the Denton County Appraisal Review Board and the Appraisal Review Board of Dallas County (collectively herein, the "Appraisal Review Boards"). The appraisal roll approved by the Appraisal Review Board must be used by the District in establishing its tax rolls and tax rate. The valuation and assessment of taxable property within the District is governed by the Property Tax Code.

District and Taxpayer Remedies

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

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

Assessment and Levy

Generally, all taxable property in the District (other than any qualifying agricultural or timber land) must be appraised at 100% of market value as of January 1 of each tax year, subject to review and approval by the Appraisal Review Board. However, houses held for sale by a developer or builder which remain unoccupied, are not leased or rented, and produce no income are required to be assessed at the price for which they would sell as a unit to a purchaser who would continue the owner's business. Valuation of houses at inventory level in future years could reduce the assessed value of developer and builder house inventory within the District. Certain land may be appraised at less than market value under the Property Tax Code. Upon application of a landowner, land which qualifies as "open-space land" is appraised based on the category of land, agriculture and hunting or recreational leases. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate.

The Property Tax Code requires the Appraisal Districts to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property in the Appraisal Districts at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal Districts or whether reappraisals will be conducted on a zone or county-wide basis. The District at its expense has the right to obtain from the Appraisal Districts 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 Districts choose formally to include such values on its appraisal roll.

The chief appraiser must give written notice to each owner if the appraised value of his property is greater than it was in the preceding year, if the appraised value of the property is greater than the value rendered by the property owner, or if the property was not on the appraisal roll in the preceding year. In addition, the chief appraiser must give written notice to each property owner whose property was reappraised in the current year or if ownership of the property changed during the preceding year. The Appraisal Review Board has the ultimate responsibility for determining the value of all taxable property within the District; however, any owner who has timely filed notice with the Appraisal Review Board may appeal the final determination by the Appraisal Review Board by filing suit in Texas district court. Prior to such appeal and prior to the delinquency date, however, the owner must pay the tax due on the amount of value of the property involved that is not in dispute or the amount of tax paid in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. In the event of such suit, the value of the property is determined by the court, or a jury if requested by any party. Additionally, the District is entitled to challenge certain matters before the Appraisal Review Board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records, or the grant in whole or in part of a partial exemption. The District may not, however, protest a valuation of individual property.

The rate of taxation is set by the Board of the District based upon the valuation of property within the District as of the preceding January 1 and based upon the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations.

The District is responsible for the levy and collection of its taxes and will continue to do so unless the Board or the qualified voters of the District at an election held for such purpose determines to transfer such functions to one of the Appraisal Districts or another taxing unit.

Collection

Taxes are due on receipt of the tax bill and become delinquent after January 31 of the following year. However, a person over 65 years of age is entitled by law to pay current taxes on his residence homestead in installments or to defer taxes without penalty during the time he owns and occupies the property as his residence homestead. The date of the delinquency of a tax bill may be postponed if the tax bill is mailed after January 10. Delinquent taxes are subject to a 6% penalty for the first month of delinquency, 1% for each month thereafter to June 30 and 12% total if any taxes are unpaid on July 1. Delinquent taxes also accrue interest at the rate of 1% per month during the period they remain

outstanding. In addition, if the District engages an attorney for collection of delinquent taxes, the Board may impose a further penalty not to exceed 20% on all taxes, penalty and interest unpaid on July 1.

Taxes levied by the District are a personal obligation of the person who owns or acquires the property on January 1 of the year for which the tax is imposed. The District has a statutory lien for unpaid taxes on real property against which the taxes are assessed. In the event a taxpayer fails to make timely payment of taxes due the District, the District may file suit to foreclose its lien securing payment of the tax, to enforce personal liability for the tax, or both. The District's tax lien is on a parity with the tax liens of the other state and local jurisdictions levying taxes on property within the District. Whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. In the absence of such federal law, the District's tax lien takes priority over a lien of the United States. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other federal, state and local taxing jurisdictions, by effects of the foreclosure sale price attributable to market conditions, by taxpayer redemption rights, or by bankruptcy proceedings which restrain the collection of a taxpayer's debts.

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 in writing 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 equal 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 continues to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

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

Debt service tax rates cannot be reduced by a rollback election held within any of the districts described below.

Special Taxing Units

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

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election,

the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. 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. For the 2020 tax year, the Board of Directors of the District determined the District's status to be that of a Developing District. 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.

Reappraisal of Property

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or

improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

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

Tax Payment Installments after Disaster

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

TAX DATA

General

All 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 Outstanding Bonds, the Bonds, and any future tax-supported bonds which may be issued from time to time as may be 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 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 and interest on the Bonds when due. 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.

Tax Collection History

The following table indicates the collection history for taxes assessed by the District:

<i><u>Tax Year</u></i>	<i><u>Taxable Valuation</u></i>	<i><u>D/S Tax</u></i>	<i><u>M&O Tax</u></i>	<i><u>Total Tax Rate</u></i>	<i><u>Tax Levy</u></i>	<i><u>Percent Current</u></i>	<i><u>Percent Total</u></i>	<i><u>Yr End Sep 30</u></i>
2009	\$625,697,860	\$0.1000	\$0.0650	\$0.1650	\$1,059,532	96.08%	96.56%	2010
2010	592,392,895	0.0937	0.0698	0.1635	968,822	99.52%	100.14%	2011
2011	602,502,882	0.0955	0.0680	0.1635	985,377	99.71%	101.10%	2012
2012	637,483,463	0.1390	0.0680	0.2070	1,331,393	99.56%	99.64%	2013
2013	666,124,634	0.1131	0.0719	0.1850	1,238,077	99.88%	100.51%	2014
2014	733,671,788	0.0930	0.0920	0.1850	1,358,301	99.85%	99.91%	2015
2015	779,479,420	0.0870	0.0980	0.1850	1,445,754	99.45%	99.55%	2016
2016	821,603,494	0.0820	0.1020	0.1840	1,512,401	99.81%	100.35%	2017
2017	837,355,249	0.0780	0.1050	0.1830	1,538,619	99.73%	99.89%	2018
2018	874,333,198	0.0730	0.1090	0.1820	1,605,289	99.25%	99.32%	2019
2019	929,081,408	0.0690	0.1130	0.1820	1,721,542	98.64%	99.17%	2020
2020	990,691,744	0.0690	0.1130	0.1820	1,803,059	95.14%	96.21%	2021 (a)

(a) Collections through June 23, 2021 only

Note: Percent Current represents collections of current years' taxes for the period and Percent Total represents both current and prior years' taxes collected during the same period

Principal Taxpayers

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>2020 Assd Value</u>	<u>% Total 2020A/V</u>	<u>2019 Assd Value</u>	<u>% Total 2019A/V</u>
OME Lake Vista III & IV	Office Building	\$45,587,650	4.60%	\$40,260,000	4.33%
LV Office 1 & 2 LLC	Office Building	44,081,782	4.45%	35,434,955	3.81%
Vista 121 Business Center	Office Building	43,064,083	4.35%	32,282,099	3.47%
Star III Vista Ridge LLC	Land & Improv	40,340,578	4.07%	39,457,826	4.25%
351 Sam Rayburn Tollway LLP	Commercial	32,925,780	3.32%	31,000,000	3.34%
CIO Lake Vista, LP	Land & Improv	29,500,000	2.98%	28,000,000	3.01%
Lewisville-Peak LP	Office Building	28,000,000	2.83%	27,626,348	2.97%
Western A South Tx LLC	Land & Improv	26,400,000	2.67%	24,954,138	2.69%
Costco Wholesale Corp	Retail Store	24,391,108	2.46%	23,557,724	2.54%
CAF - CityMark Villas Own	Land & Improv	<u>19,900,000</u>	<u>2.01%</u>	<u>19,080,000</u>	<u>2.05%</u>
Total-Top Ten Taxpayers		<u>\$334,190,981</u>	<u>33.74%</u>	<u>\$301,653,090</u>	<u>32.47%</u>

Analysis of Tax Base

Based on information provided to the District by its Tax Assessor/Collector, the following represents the composition of property comprising the tax roll valuations for each of the years indicated:

	<u>2020 Amount</u>	<u>2020 %</u>	<u>2019 Amount</u>	<u>2019 %</u>
Land	\$246,284,770	22.29%	\$235,023,445	22.54%
Improvements	796,353,969	72.09%	741,379,448	71.10%
Personal Property	<u>62,037,052</u>	5.62%	<u>66,278,041</u>	6.36%
Subtotal	\$1,104,675,791		\$1,042,680,93	
Less: Exemptions	<u>(114,228,765)</u>		<u>(113,599,526)</u>	
Totals	<u>\$990,691,744</u>		<u>\$929,081,408</u>	

	<u>2018 Amount</u>	<u>2018 %</u>	<u>2017 Amount</u>	<u>2017 %</u>
Land	\$231,757,662	23.54%	\$222,400,092	23.75%
Improvements	691,620,829	70.26%	650,523,956	69.47%
Personal Property	<u>60,988,187</u>	6.20%	<u>63,519,811</u>	6.78%
Subtotal	\$984,366,678		\$936,443,859	
Less: Exemptions	<u>(110,033,480)</u>		<u>(99,088,110)</u>	
Totals	<u>\$874,333,198</u>		<u>\$837,355,749</u>	

Note: Values shown above may reflect original certified amounts and may differ from those shown elsewhere herein.

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, a tax lien attaches to property to secure the payment of all taxes, penalty, and interest for the year, on January 1 of that year. The 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, 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.

<u>Taxing Entities</u>	<u>2020 Tax Rates (a)</u>	
	<u>Denton County</u>	<u>Dallas County</u>
Denton County	\$0.224985	
Lewisville, City of	0.443301	
Lewisville Independent School District	1.347300	
Coppell, City of		\$0.358000
Coppell Independent School District		1.310000
Dallas County		0.239740
Dallas County Community College		0.124000
Dallas County Hospital District		0.266100
Dallas County School Equalization		<u>0.010000</u>
Overlapping Taxes	\$2.015586	\$2.529840
The District	<u>0.182000</u>	<u>0.182000</u>
Total Direct & Overlapping Taxes	<u>\$2.197586</u>	<u>\$2.711840</u>

(a) Combined Maintenance and Operations and Debt Service tax rates. Approximately 72% of the District is located within Denton County, with the remainder within Dallas County. See "DISTRICT DEBT--Estimated Overlapping Debt."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed valuation which would be required to meet certain debt service requirements if no growth in the District's tax base occurs beyond the 2020 Taxable Value (\$990,691,744). The calculations assume collection of 98% of taxes levied and the sale of no additional bonds (other than the Bonds) by the District.

Average Annual Debt Service Requirements (2021/2032)	\$679,037
Tax Rate of \$0.070 on the 2020 Taxable Value produces	\$679,615
Maximum Annual Debt Service Requirements (2032)	\$710,800
Tax Rate of \$0.074 on the 2020 Taxable Value produces	\$718,450

LEVEE SYSTEM

In 1986, the District constructed a flood control project along Denton Creek, which allowed reclamation of approximately 650 acres of floodplain. The project included construction of a levee, flood control channel, interior drainage lake and canal, stormwater pump station, and placement of compacted fill. Of the 650 acres reclaimed, 523 acres were protected from the 500-year flood on Denton Creek by the levee while the remaining 127 acres were reclaimed by placement of earth fill to an elevation above the 100-year flood level.

Since 1986, significant volumes of silt have been deposited in the flood control channel which parallels and in some places is coincident with the natural Denton Creek. These deposits have reduced the hydraulic capacity of the channel resulting in increased flood elevations along Denton Creek. As a result of the increased flood elevations, the degree of flood protection provided to some homes and businesses along Denton Creek had been reduced to less than acceptable levels. To increase the flood protection to acceptable levels, the District sold bonds in 2000 to remove a large quantity of silt from the flood control channel, disposing of the silt at a nearby site. Subsequently, additional dredging in the natural Denton Creek was financed with proceeds of bonds sold in 2006, as well as certain repairs to the retention walls surrounding a number of the detention lakes within the District. It is anticipated that additional silt removal projects will be undertaken in the future to maintain flood protection.

RISK FACTORS

General

The Bonds, which are obligations of the District and are not obligations of the State of Texas; Denton or Dallas Counties, Texas; the Cities of Coppell or Lewisville, Texas; or any other political subdivision or agency, will be secured by a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. At this point in the development of the District, the potential increase in taxable values of property is directly related to the demand for commercial and residential development, not only because of general economic conditions, but also due to particular factors discussed below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The growth of taxable values in the District is directly related to the vitality of the commercial development and housing and building industry in the Dallas-Fort Worth metropolitan area. The housing and building industry has historically been a cyclical industry, affected by both short and long-term interest rates, availability of mortgage and development funds, labor conditions and general economic conditions. During the late 1980's, an oversupply of single-family residential housing in the Dallas-Fort Worth metropolitan market and the general downturn in the Dallas-Fort Worth economy adversely affected the local residential development and construction industries. In addition to a decline in housing demand, mortgage foreclosure by private banks and government and financial institutions depressed housing prices and the value of residential real estate in the Dallas-Fort Worth metropolitan area. The Dallas-Fort Worth economy is still dependent on energy prices and a precipitous decline in such prices could result in additional adverse effects on the economy.

Maximum Impact on District Rates: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2020 Taxable Valuation is \$990,691,744. See "TAX DATA." After issuance of the Bonds, the maximum annual debt service requirement (2032) is \$710,800 and the average annual debt service requirements (2021/2032) is \$679,037. Assuming no increase or decrease from the 2020 Taxable Valuation and no use of funds other than tax collections, tax rates of \$0.074 and \$0.070 per \$100 assessed valuation at a 98% collection rate against the 2020 Assessed Valuation, respectively, would be necessary to pay such debt service requirements. The Board levied a tax rate

of \$0.069 for debt service purposes and a tax rate of \$0.113 for maintenance and operation purposes for tax year 2020. See "DISTRICT DEBT–Pro Forma Debt Service Schedule" and "TAX DATA--Tax Rate Calculations."

Infectious Disease Outbreak–COVID-19

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the “Pandemic”), which is currently affecting many parts of the world, including the United States and the State. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States (the “President”) declared the Pandemic a national emergency and the State Governor (the “Governor”) declared COVID-19 an imminent threat of disaster for all counties in the State (collectively, the “disaster declarations”). On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting State business or any order or rule of a State agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation and reopening of the State. These include, for example, the issuance on March 2, 2021 of Executive Order GA-34, which, among other things, removed any COVID-19-related operating limits for any business or other establishment and ended the State-wide mask mandate, effective March 10, 2021. The Governor’s order also maintains, in providing or obtaining services every person (including individuals, businesses, and other legal entities) should use good-faith efforts and available resources to follow the minimum standard health protocols. Executive Order GA-34 remains in place until amended, rescinded, or superseded by the Governor. On May 18, 2021, Governor Abbott issued Executive Order GA-36, which supersedes Executive Order GA-34 in part. Executive GA-36 prohibits governmental entities in the State, including counties, cities, school districts, public health authorities, and government officials from requiring or mandating any person to wear a face covering and subjects a governmental entity or official to a fine up to \$1,000 for noncompliance, subject to certain exceptions. Executive orders remain in place until they are amended, rescinded, or superseded by the Governor. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and caused volatility in financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within the State. Stock values and crude oil prices, in the U.S. and globally, have seen significant volatility attributed to COVID-19 concerns. The State may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries.

Such adverse economic conditions and volatility, if continued, could result in declines in the demand for residential and commercial property in the Denton area and could reduce or negatively affect property values or homebuilding activity within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District’s share of operations and maintenance expenses payable from ad valorem taxes.

The District continues to monitor the spread of COVID-19 and the potential impact of COVID-19 on the District. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition. The financial and operating data contained herein are the latest available but may not reflect the full economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the full economic impact of the Pandemic on the District’s financial condition.

Overlapping Tax Rates

Consideration should be given to the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The combination of the District's tax rate and the overlapping taxing entities' tax rates is higher than the combined tax rates levied upon certain other comparable developments in the market area. Consequently, an increase in the District's tax rate above those anticipated above may have an adverse impact on future development or the construction of taxable improvements in the District. See "DISTRICT DEBT--Estimated Overlapping Debt" and "TAX DATA--Estimated Overlapping Taxes."

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Because ownership of the land within the District may become highly fragmented among a number of taxpayers, attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer.

Registered Owners' Remedies

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

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

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. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may

voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of registered owner's remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivisions.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a registered owner 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 owner's claim against a district.

Environmental Regulation

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; and
- Requiring remedial action to prevent or mitigate pollution.

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

Air Quality Issues: Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (the “TCEQ”) may impact new industrial, commercial, and residential development in the Dallas-Fort Worth area. Under the Clean Air Act (“CAA”) Amendments of 1990, a nine-county Dallas-Fort Worth area (“1997 DFW Area”)—Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Rockwall, and Tarrant Counties—has been designated an attainment area under the one-hour (124 parts per billion (“ppb”)) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”).

However, a ten-county Dallas-Fort Worth area (“2008 DFW Area”) – Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Rockwall, Tarrant, and Wise Counties – has been designated a “moderate” nonattainment area under the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), with an attainment deadline of July 20, 2018. If the EPA ultimately determines that the 2008 DFW Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

Further, a nine-county Dallas-Fort Worth area (“2015 DFW Area”) – Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Tarrant, and Wise Counties has been designated a “marginal” nonattainment are under the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2015 (the “2015 Ozone Standard”), with an attainment deadline of August 3, 2021.

In order to demonstrate progress toward attainment of the EPA's ozone standards, the TCEQ has established a state implementation plan ("SIP") for the 2008 and 2015 DFW Areas setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the 2008 and 2015 DFW Areas to reach attainment with the ozone standards by the EPA's attainment deadlines. These additional controls could have a negative impact on the area's economic growth and development.

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

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

Pursuant to the federal Safe Drinking Water Act ("SDWA") and the EPA's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

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.

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

In 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 officially became final on December 23, 2019, but the repeal has itself become the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule (“NWPR”), which contains a new definition of “waters of the United States.” The stated purpose of the NWPR is to restore and maintain the integrity of the nation’s waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states’ primary authority over land and water resources. The new definition outlines four categories of waters that are considered “waters of the United States,” and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not “waters of the United States,” and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR became effective June 22, 2020 and is currently the subject of ongoing litigation.

Due to existing and possible future litigation, 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.

Future Debt

After issuance of the Bonds, the District will have \$4,115,000 in authorized but unissued unlimited tax bonds. The District has the right to issue such bonds and such additional bonds as may hereafter be approved by both the Board and voters of the District. The remaining authorized but unissued bonds may be issued by the District from time to time as needed.

The District has no plans to issue additional bonds within the next twelve months.

Proposed Tax Legislation

Tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to state income taxation, or otherwise prevent the beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Bonds. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

The 2021 Legislative Session

The 8th Texas Legislature convened on January 12, 2021 and adjourned on May 31, 2021. The Governor may call one or more additional special sessions, which may last no more than 30 days, and for which the Governor sets the agenda. If the Governor were to call a special session, the Texas Legislature may enact laws that materially change current law as it relates to the District and its finances. The District makes no representation regarding any actions the Texas Legislature may take.

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.

Continuing Compliance with Certain Covenants

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

Marketability

The District has no understanding (other than the initial reoffering yields) with the initial purchaser of the Bonds (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 difference between the bid and asked price of other bonds which are more generally bought, sold or traded in the secondary market. See “SALE AND DISTRIBUTION OF THE BONDS – Prices and Marketability.”

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General, however, does not pass upon or guarantee the security of the Bonds as an investment, nor has the Attorney General passed upon the adequacy or accuracy of the information contained in this Official Statement.

LEGAL MATTERS

Legal Opinion

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of Texas payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District and based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds; the approving legal opinion of Bond Counsel, to a like effect, and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and interest on the Bonds is not subject to the federal alternative minimum tax.

Legal Review

Bond Counsel has reviewed the information appearing in this Official Statement under the sections captioned: “THE BONDS” (except the subsection “--Book-Entry-Only System”), “THE DISTRICT--Authority,” “TAX PROCEDURES,” “LEGAL MATTERS - Legal Opinions,” “LEGAL MATTERS--Legal Review,” and “CONTINUING DISCLOSURE OF INFORMATION” (except the subsection “--Compliance with Prior Undertakings”) solely to determine whether such information fairly summarizes matters of law with respect to the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement, nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. Special Tax Counsel has reviewed the information in this Official Statement under the section captioned “TAX EXEMPTION” solely to determine whether such information fairly summarizes matters of law referred to therein. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained herein, other than the matters discussed immediately above.

The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of the 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 an executed certificate, dated of the date of delivery of the Bonds, that to its actual knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

The obligations of the 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 EXEMPTION

Opinion of Special Tax Counsel

In the opinion of Special Tax Counsel, under current law, interest on the Bonds (a) is not included in gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal alternative minimum income tax. Except as described in the Section herein “Designation for Purchase by Financial Institutions,” no other opinion is expressed by Special Tax Counsel regarding the tax consequences of the ownership of or the receipt or accrual of interest on the Bonds.

Special Tax Counsel’s opinion is given in reliance upon certifications by representatives of the District as to certain facts relevant to both the opinion and requirements of the Internal Revenue Code of 1986, as amended (the “Code”), and is subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Code that must be satisfied in order for interest thereon to remain excludable from gross income for federal income tax purposes. The District has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds. Failure by the District to comply with such covenants, among other things, could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue.

For purposes of its opinion, Special Tax Counsel has (1) relied upon the opinion of Bond Counsel, and (2) to the extent not stated in the opinion of Bond Counsel, assumed the organization and existence of all parties, the due authorization, execution and delivery by such parties of all documents in connection with the issuance of the Bonds and the enforceability of such documents against such parties.

Customary practice in the giving of legal opinions includes not detailing in the opinion all the assumptions, limitations and exclusions that are a part of the conclusions therein. See “*Statement on the Role of Customary Practice in the Preparation and Understanding of Third-Party Legal Opinions*”, 63 Bus. Law. 1277 (2008) and “*Legal Opinion Principles*”, 53 Bus. Law. 831 (May 1998). Purchasers of the Bonds should seek advice or counsel concerning such matters as they deem prudent in connection with their purchase of Bonds.

Special Tax Counsel’s opinion represents its legal judgment based in part upon the representations and covenants referenced therein and its review of current law, but is not a guarantee of result or binding on the Internal Revenue

Service (the “Service”) or the courts. Special Tax Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may come to Special Tax Counsel’s attention after the date of its opinion or to reflect any changes in law or the interpretation thereof that may occur or become effective after such date.

Other Tax Matters

In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation financial institutions, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Prospective purchasers of the Bonds should consult their own tax advisors as to the status of interest on the Bonds under the tax laws of any state, local, or foreign jurisdiction.

The Service has a program to audit state and local government obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the Service does audit the Bonds, under current Service procedures, the Service will treat the District as the taxpayer and the owners of the Bonds will have only limited rights, if any, to participate.

There are many events that could affect the value and liquidity or marketability of the Bonds after their issuance, including but not limited to public knowledge of an audit of the Bonds by the Service, a general change in interest rates for comparable securities, a change in federal or state income tax rates, federal or state legislative or regulatory proposals affecting state and local government securities and changes in judicial interpretation of existing law. In addition, certain tax considerations relevant to owners of Bonds who purchase Bonds after their issuance may be different from those relevant to purchasers upon issuance. Neither the opinion of Special Tax Counsel nor this Official Statement purports to address the likelihood or effect of any such potential events or such other tax considerations and purchasers of the Bonds should seek advice concerning such matters as they deem prudent in connection with their purchase of Bonds.

Bond Premium

Bonds purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for federal income tax purposes as having amortizable bond premium. A holder’s basis in such a Bond must be reduced by the amount of premium which accrues while such Bond is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Bonds while so held. Purchasers of such Bonds should consult their own tax advisors as to the calculation, accrual and treatment of amortizable bond premium and the state and local tax consequences of holding such Bonds.

Designation for Purchase by Financial Institutions

The Code generally provides that financial institutions may not deduct any of the interest expense (the “cost of carry”) allocable to tax-exempt obligations acquired after August 7, 1986, other than qualified tax-exempt obligations. Financial institutions may not deduct 20% of the cost of carry allocable to qualified tax-exempt obligations. An obligation’s status as a qualified tax-exempt obligation is dependent upon an affirmative act of designation by the issuer and is subject to, among other things, the issuer and its “subordinate entities,” within the meaning of Section 265(b)(3) of the Code, complying with limitations on the amount of obligations that may be issued and designated in the same calendar year.

The District has designated the Bonds as qualified tax-exempt obligations and has covenanted to comply with the provisions of Section 265(b)(3). In the opinion of Special Tax Counsel, under current law, the Bonds are qualified tax-exempt obligations within the meaning of Section 265(b)(3). Such opinion is given in reliance upon certifications by representatives of the District as to certain facts material to both such opinion and the requirements of Section 265(b)(3).

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "SUMMARY–Financial Highlights;" "DISTRICT DEBT–Estimated Overlapping Debt," "–Historical Operations of the Debt Service Fund" and "–Historical Operations of the General Operating Fund;" "TAX DATA–Tax Collection History," "–Principal Taxpayers," "–Estimated Overlapping Taxes," "–Analysis of Tax Base," and "–Tax Rate Calculations" and "APPENDIX A–Financial Statements of the District." The District will update and provide this information within six (6) months after the end of each of its fiscal years ending in or after 2021. The District will provide the updated information to the MSRB.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order, or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Event Notices

The District will provide timely notices of certain specified 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; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders 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; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, or 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 trustee, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which bondholders, 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, any of which reflect financial difficulties.

The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which an official statement has been provided to the MSRB consistent with the Rule. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information From EMMA

Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org. The District has agreed in the Bond Order to provide the foregoing information only to the MSRB through EMMA. The information will be available to holders of Bonds only if the holders comply with the procedures of the MSRB or obtain the information through securities brokers who do so.

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 complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status or type of operations of the District, if but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with SEC Rule 15c2-12 (the “Rule”), taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as any changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any qualified professional unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described 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 so provided. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of the Rule or

a court of final jurisdiction enters judgement that such provisions of the Rule are invalid, and the District also may amend its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings

The District failed to timely file its audited financial statements and additional financial information for the fiscal year ended May 31, 2019. In addition, the District failed to file the event notice required in connection with its failure to timely file such audit and additional financial information. Such filings have subsequently been made. With the exception of the matters discussed above, the District has complied in all material respects with all continuing disclosure agreements made by it in the last five years in accordance with the Rule and the District has implemented procedures to ensure timely filing of all future submissions.

VERIFICATION OF ACCURACY OF MATHEMATICAL CALCULATIONS

The accuracy of the mathematical computations with respect to the adequacy of the funds available to provide for the payment of the Refunded Bonds will be verified by Ritz & Associates PA, a firm of independent certified public accountants. These computations will be based upon information and assumptions supplied by the Underwriter. Ritz & Associates PA has restricted its procedures to recalculating the computations provided by the Underwriter and has not evaluated or examined the assumptions or information used in the computations.

PREPARATION OF OFFICIAL STATEMENT

General

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

Consultants

The information contained in this Official Statement relating to the physical characteristics of the District and engineering matters and, in particular, that engineering information included in the sections captioned "THE DISTRICT" and "THE LEVEE SYSTEM" has been provided by the District's Engineer and has been included herein in reliance upon the authority of such firm as experts in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning historical breakdown of District valuations, principal taxpayers and collection rates contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" has been provided by the Appraisal District and the District's Tax Assessor/Collector and has been included herein in reliance upon their authority as experts in the field of tax assessing and collecting.

The financial statements contained in "APPENDIX A—Financial Statements of the District" have been included in reliance upon the accompanying report of the District's Auditor.

Updating the Official Statement

If, subsequent to the date of the Official Statement, the District learns, or is notified by the Underwriter, of any adverse event which causes the Official Statement to be materially misleading, 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 notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds to the Underwriter) until all of the Bonds have been sold to ultimate customers.

Certification of Official Statement

The District, acting through the Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements and descriptions pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, 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 are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the Board has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in light of the circumstances under which they are made, not misleading; however, the Board can give no assurance as to the accuracy or completeness of the information derived from sources other than the District. This Official Statement is duly certified and approved by the Board of Directors of Denton County Levee Improvement District No. 1 as of the date specified on the first page hereof.

/s/ Richard Ching
Chairman, Board of Directors
Denton County Levee Improvement District No. 1

ATTEST:

/s/ Ben Carruthers
Secretary and Treasurer, Board of Directors
Denton County Levee Improvement District No. 1

APPENDIX A—Financial Statements of the District

DENTON COUNTY
LEVEE IMPROVEMENT DISTRICT NO. 1
DENTON AND DALLAS COUNTIES, TEXAS
ANNUAL AUDIT REPORT
MAY 31, 2020

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Mark C. Eyring, CPA, PLLC

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October 1, 2020

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Denton County Levee
Improvement District No. 1
Denton and Dallas Counties, Texas

I have audited the accompanying financial statements of the governmental activities and each fund of Denton County Levee Improvement District No. 1, as of and for the year ended May 31, 2020, which collectively comprise the District's basic financial statements, as listed in the table of contents, and the related notes to the financial statements.

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 of material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risk of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of Denton County Levee Improvement District No. 1 as of May 31, 2020, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)**Other Matters**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 to 6 and Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 18 be presented to supplement the basic financial statements. Such information, although not 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on Pages 19 to 36 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

A handwritten signature in black ink, appearing to read "M. G. J.", is located at the bottom right of the page.

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Denton County Levee Improvement District No. 1 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended May 31, 2020.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is provision of drainage facilities. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets and liabilities owned by the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Although the statement of activities looks different from a commercial enterprise's income statement, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as *change in net position*, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures and change in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water and sewer systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

Financial Analysis of the District as a Whole

Financial Analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds, and expenditures from this fund are subject to the Rules of the Texas Commission on Environmental Quality. Resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes and are used to operate and maintain the system and to pay costs of administration of the District.

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the Texas Commission on Environmental Quality. The financial objective for the Debt Service Fund is to levy the taxes necessary to pay the fiscal year debt service requirements plus the cost of levying and collecting taxes, leaving the appropriate fund balance as recommended by the District's financial advisor. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities, and management does not believe that depreciation expense is relevant to the management of the District. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

The following required summaries of the District's overall financial position and operations for the past two years are based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

Summary of Net Position

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Current and other assets	\$ 5,749,795	\$ 5,162,849	\$ 586,946
Capital assets	<u>21,675,047</u>	<u>21,657,381</u>	<u>17,666</u>
Total assets	<u>27,424,842</u>	<u>26,820,230</u>	<u>604,612</u>
Long-term liabilities	7,069,726	7,496,695	(426,969)
Other liabilities	<u>546,464</u>	<u>546,420</u>	<u>44</u>
Total liabilities	<u>7,616,190</u>	<u>8,043,115</u>	<u>(426,925)</u>
Net position:			
Invested in capital assets, net of related debt	14,178,352	13,749,586	428,766
Restricted	1,276,290	1,337,978	(61,688)
Unrestricted	<u>4,354,010</u>	<u>3,689,551</u>	<u>664,459</u>
Total net position	<u>\$ 19,808,652</u>	<u>\$ 18,777,115</u>	<u>\$ 1,031,537</u>

Summary of Changes in Net Position

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 1,716,897	\$ 1,616,681	\$ 100,216
Other revenues	<u>63,825</u>	<u>68,797</u>	<u>(4,972)</u>
Total revenues	<u>1,780,722</u>	<u>1,685,478</u>	<u>95,244</u>
Expenses:			
Service operations	467,681	392,233	75,448
Debt service	<u>281,504</u>	<u>295,049</u>	<u>(13,545)</u>
Total expenses	<u>749,185</u>	<u>687,282</u>	<u>61,903</u>
Change in net position	1,031,537	998,196	33,341
Net position, beginning of year	<u>18,777,115</u>	<u>17,778,919</u>	<u>998,196</u>
Net position, end of year	<u>\$ 19,808,652</u>	<u>\$ 18,777,115</u>	<u>\$ 1,031,537</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended May 31, 2020, were \$5,672,261, an increase of \$590,691 from the prior year.

The General Fund balance increased by \$660,165, in accordance with the District's financial plan to increase the fund balance to pay for anticipated repairs and maintenance.

The Debt Service Fund balance decreased by \$70,526, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by \$1,052 due to interest earned on deposits and investments.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of budgeted to actual amounts is presented on Page 18 of this report. The budgetary fund balance as of May 31, 2020, was expected to be \$3,732,692 and the actual end of year fund balance was \$4,332,651.

Capital Asset and Debt Administration

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized as follows:

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2020</u>	<u>2019</u>	<u>Change</u>
Land	\$ 10,431,585	\$ 10,431,585	\$ 0
Levees and flood control	10,496,742	10,496,742	0
Drainage facilities	<u>746,720</u>	<u>729,054</u>	<u>17,666</u>
Totals	<u>\$ 21,675,047</u>	<u>\$ 21,657,381</u>	<u>\$ 17,666</u>

Changes to capital assets during the fiscal year ended May 31, 2020, are summarized as follows:

Additions:	
Pump rebuild	\$ 90,274
Decreases:	
Depreciation	<u>(72,608)</u>
Net change to capital assets	<u>\$ 17,666</u>

Debt

Changes in the bonded debt position of the District during the fiscal year ended May 31, 2020, are summarized as follows:

Bonded debt payable, beginning of year	\$ 7,560,000
Bonds paid	<u>(435,000)</u>
Bonded debt payable, end of year	<u>\$ 7,125,000</u>

At May 31, 2020, the District had \$4,115,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the drainage system within the District.

The District's bonds have an underlying rating of AA by Standard & Poor's. There was no change in the bond ratings during the fiscal year ended May 31, 2020.

OTHER RELEVANT FACTORS

Property Tax Base

The District's tax base increased approximately \$69,750,000 for the 2019 tax year (approximately 8%).

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

MAY 31, 2020

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
ASSETS						
Cash, including interest-bearing accounts, Note 7	\$4,193,963	\$1,200,135	\$ 6,378	\$ 5,400,476	\$	\$ 5,400,476
Temporary investments, at cost, Note 7	163,445	76,034	66,059	305,538		305,538
Receivables:						
Property taxes	21,359	13,775		35,134		35,134
Accrued penalty and interest on property taxes				0	7,222	7,222
Due from other fund		7,629		7,629	(7,629)	0
Prepaid expenditures	500			500		500
Deposits	925			925		925
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	20,928,327	20,928,327
Depreciable capital assets				0	746,720	746,720
Total assets	<u>\$4,380,192</u>	<u>\$1,297,573</u>	<u>\$ 72,437</u>	<u>\$ 5,750,202</u>	21,674,640	<u>27,424,842</u>
LIABILITIES						
Accounts payable	\$ 18,553	\$ 16,625	\$	\$ 35,178		35,178
Accrued interest payable				0	84,317	84,317
Due to other fund	7,629			7,629	(7,629)	0
Long-term liabilities, Note 5:						
Due within one year				0	426,969	426,969
Due in more than one year				0	7,069,726	7,069,726
Total liabilities	<u>26,182</u>	<u>16,625</u>	<u>0</u>	<u>42,807</u>	7,573,383	<u>7,616,190</u>
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	<u>21,359</u>	<u>13,775</u>	<u>0</u>	<u>35,134</u>	<u>(35,134)</u>	<u>0</u>
FUND BALANCES / NET POSITION						
Fund balances:						
Nonspendable deposits	925			925	(925)	0
Assigned to:						
Debt service		1,267,173		1,267,173	(1,267,173)	0
Capital projects			72,437	72,437	(72,437)	0
Unassigned	<u>4,331,726</u>			<u>4,331,726</u>	<u>(4,331,726)</u>	<u>0</u>
Total fund balances	<u>4,332,651</u>	<u>1,267,173</u>	<u>72,437</u>	<u>5,672,261</u>	<u>(5,672,261)</u>	<u>0</u>
Total liabilities, deferred inflows, and fund balances	<u>\$4,380,192</u>	<u>\$1,297,573</u>	<u>\$ 72,437</u>	<u>\$ 5,750,202</u>		
Net position:						
Invested in capital assets, net of related debt					14,178,352	14,178,352
Restricted for debt service					1,203,853	1,203,853
Restricted for capital projects					72,437	72,437
Unrestricted					<u>4,354,010</u>	<u>4,354,010</u>
Total net position					<u>\$ 19,808,652</u>	<u>\$ 19,808,652</u>

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

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

FOR THE YEAR ENDED MAY 31, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
REVENUES						
Property taxes	\$ 1,052,769	\$ 642,886	\$	\$ 1,695,655	\$ 6,116	\$ 1,701,771
Penalty and interest		13,466		13,466	1,660	15,126
Interest on deposits and investments	<u>59,511</u>	<u>3,262</u>	<u>1,052</u>	<u>63,825</u>		<u>63,825</u>
Total revenues	<u>1,112,280</u>	<u>659,614</u>	<u>1,052</u>	<u>1,772,946</u>	<u>7,776</u>	<u>1,780,722</u>
EXPENDITURES / EXPENSES						
Service operations:						
Professional fees	86,334	2,349		88,683		88,683
Contracted services	47,300	25,148		72,448		72,448
Utilities	20,899			20,899		20,899
Repairs and maintenance	181,486			181,486		181,486
Administrative expenditures	25,822	5,735		31,557		31,557
Depreciation				0	72,608	72,608
Capital outlay / non-capital outlay	90,274			90,274	(90,274)	0
Debt service:						
Principal retirement		435,000		435,000	(435,000)	0
Interest and fees		261,908		261,908	19,596	281,504
Total expenditures / expenses	<u>452,115</u>	<u>730,140</u>	<u>0</u>	<u>1,182,255</u>	<u>(433,070)</u>	<u>749,185</u>
Excess (deficiency) of revenues over expenditures	<u>660,165</u>	<u>(70,526)</u>	<u>1,052</u>	<u>590,691</u>	<u>440,846</u>	<u>1,031,537</u>
Net change in fund balances / net position	660,165	(70,526)	1,052	590,691	440,846	1,031,537
Beginning of year	<u>3,672,486</u>	<u>1,337,699</u>	<u>71,385</u>	<u>5,081,570</u>	<u>13,695,545</u>	<u>18,777,115</u>
End of year	<u>\$ 4,332,651</u>	<u>\$ 1,267,173</u>	<u>\$ 72,437</u>	<u>\$ 5,672,261</u>	<u>\$ 14,136,391</u>	<u>\$ 19,808,652</u>

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

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1NOTES TO THE FINANCIAL STATEMENTSMAY 31, 2020

NOTE 1: REPORTING ENTITY

Denton County Levee Improvement District No. 1 (the "District") was created by an order of the Commissioners Court of Denton County on February 11, 1985. The District is a conservation and reclamation district created pursuant to the provisions of Chapter 57 of the Texas Water Code. The District operates in accordance with Texas Water Code Chapters 49 and 57. The District is a political subdivision of the State of Texas, governed by a three member Board of Directors which is appointed by the Commissioners Court of Denton County. The Board of Directors held its first meeting on April 16, 1985, and the first bonds were sold on May 21, 1987. The District is subject to the continuing supervision of the Commissioners Court of Denton County and the Texas Commission on Environmental Quality.

The principal functions of the District are to finance, purchase and construct the levee and retention system in order to reclaim land within the District from flood-prone areas.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no other entities which were included as a component unit in the District's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not in spendable form or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Receivables

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues..

Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$10,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Plant and equipment	10-45 years
Underground lines and drainage facilities	45 years

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

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

NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 5,672,261
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		21,675,047
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (7,125,000)	
Deferred charge on refunding (to be amortized as interest expense)	150,735	
Issuance premium, net of discount (to be amortized as interest expense)	<u>(522,430)</u>	(7,496,695)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	7,222	
Uncollected property taxes	<u>35,134</u>	42,356
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(84,317)</u>
Net position, end of year		<u>\$ 19,808,652</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reconciliation of net change in fund balances to change in net position:

Total net change in fund balances		\$ 590,691
<p>The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital outlay	\$ 90,274	
Depreciation	<u>(72,608)</u>	17,666
<p>The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:</p>		
Principal reduction		435,000
<p>The funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:</p>		
Refunding charges	(17,771)	
Issuance premium, net of amortization	<u>(6,129)</u>	(23,900)
<p>Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:</p>		
Accrued penalty and interest on property taxes receivable	1,660	
Uncollected property taxes	<u>6,116</u>	7,776
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:</p>		
Accrued interest		<u>4,304</u>
Change in net position		<u>\$ 1,031,537</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4: CAPITAL ASSETS

Capital asset activity for the fiscal year ended May 31, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 10,431,585	\$	\$	\$ 10,431,585
Levees and flood control	<u>10,496,742</u>	<u> </u>	<u> </u>	<u>10,496,742</u>
Total capital assets not being depreciated	<u>20,928,327</u>	<u>0</u>	<u>0</u>	<u>20,928,327</u>
Depreciable capital assets:				
Drainage system	<u>4,329,707</u>	<u>90,274</u>	<u>0</u>	<u>4,419,981</u>
Total depreciable capital assets	<u>4,329,707</u>	<u>90,274</u>	<u>0</u>	<u>4,419,981</u>
Less accumulated depreciation for:				
Drainage system	<u>(3,600,653)</u>	<u>(72,608)</u>	<u>0</u>	<u>(3,673,261)</u>
Total accumulated depreciation	<u>(3,600,653)</u>	<u>(72,608)</u>	<u>0</u>	<u>(3,673,261)</u>
Total depreciable capital assets, net	<u>729,054</u>	<u>17,666</u>	<u>0</u>	<u>746,720</u>
Total capital assets, net	<u>\$ 21,657,381</u>	<u>\$ 17,666</u>	<u>\$ 0</u>	<u>\$ 21,675,047</u>
Changes to capital assets:				
Capital outlay		\$ 90,274	\$	
Less depreciation expense for the fiscal year		<u>(72,608)</u>	<u> </u>	
Net increases / decreases to capital assets		<u>\$ 17,666</u>	<u>\$ 0</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended May 31, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 7,560,000	\$	\$ 435,000	\$ 7,125,000	\$ 450,000
Less deferred amounts:					
For issuance premiums (discounts)	516,301		(6,129)	522,430	(5,901)
For refunding	<u>(168,506)</u>	<u> </u>	<u>(17,771)</u>	<u>(150,735)</u>	<u>(17,130)</u>
Total bonds payable	<u>7,907,795</u>	<u>0</u>	<u>411,100</u>	<u>7,496,695</u>	<u>426,969</u>
Total long-term liabilities	<u>\$ 7,907,795</u>	<u>\$ 0</u>	<u>\$ 411,100</u>	<u>\$ 7,496,695</u>	<u>\$ 426,969</u>

Bonds voted	\$ 20,100,000
Bonds approved for sale and sold	15,985,000
Bonds voted and not issued	4,115,000

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of May 31, 2020, the debt service requirements on the bonds payable were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 450,000	\$ 246,179	\$ 696,179
2022	460,000	233,434	693,434
2023	460,000	220,062	680,062
2024	475,000	204,987	679,987
2025	490,000	189,262	679,262
2026 - 2030	2,780,000	662,280	3,442,280
2031 - 2033	<u>2,010,000</u>	<u>120,150</u>	<u>2,130,150</u>
	<u>\$ 7,125,000</u>	<u>\$ 1,876,354</u>	<u>\$ 9,001,354</u>

The bond issues payable at May 31, 2020, were as follows:

	<u>Series 2010</u>	<u>Refunding Series 2010</u>	
Amounts outstanding, May 31, 2020	\$320,000	\$145,000	
Interest rates	3.25% to 3.375%	3.80%	
Maturity dates, serially beginning/ending	August 1, 2020/2021	August 1, 2020	
Interest payment dates	August1/February 1	August1/February 1	
Callable dates	August 1, 2018*	August 1, 2018*	
	<u>Series 2012</u>	<u>Refunding Series 2013</u>	<u>Refunding Series 2017</u>
Amounts outstanding, May 31, 2020	\$1,325,000	\$2,525,000	\$2,810,000
Interest rates	2.00% to 3.25%	2.00% to 4.00%	4.00%
Maturity dates, serially beginning/ending	August 1, 2020/2032	August 1, 2020/2031	August 1, 2022/2032
Interest payment dates	August1/February 1	August1/February 1	August1/February 1
Callable dates	February 1, 2020*	August 1, 2021*	August 1, 2027*

*Or any date thereafter, callable at par plus unpaid accrued interest in whole or in part at the option of the District.

Developer Construction Commitments and Liabilities

At May 31, 2020, there were no developer construction commitments and liabilities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 6: PROPERTY TAXES

The Denton and Dallas Central Appraisal Districts have the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax roll and tax rate. The District's taxes are usually levied in the fall, are due when billed and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

The Bond Orders require that the District 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.

At an election held April 5, 1986, the voters within the District authorized a maintenance tax not to exceed \$0.25 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On October 22, 2019, the District levied the following ad valorem taxes for the 2019 tax year on the adjusted taxable valuation of \$945,902,343:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.0690	\$ 652,673
Maintenance	<u>0.1130</u>	<u>1,068,870</u>
	<u>\$ 0.1820</u>	<u>\$ 1,721,543</u>

A reconciliation of the tax levy to property tax revenues on the Statement of Activities is as follows:

2019 tax year total property tax levy	\$ 1,721,543
Appraisal district adjustments to prior year taxes	<u>(19,772)</u>
Statement of Activities property tax revenues	<u>\$ 1,701,771</u>

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

The District complied with the requirements of the Public Funds Investment Act during the current fiscal year including the preparation of quarterly investment reports required by the Act.

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions and in TexPool, a local government investment pool sponsored by the State Comptroller. TexPool is rated AAAM by Standard & Poor's.

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was \$5,400,476 and the bank balance was \$5,410,277. Of the bank balance, \$299,116 was covered by federal insurance and \$5,111,161 was covered by a letter of credit in favor of the District issued by the Federal Home Loan Bank of Atlanta.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

At the balance sheet date the carrying value and market value of the investments in TexPool was \$305,538.

Deposits and temporary investments restricted by state statutes and the Bond Orders:

Debt Service Fund

For payment of debt principal and interest,
paying agent fees and costs of assessing and
collecting taxes:

Cash	\$ 1,200,135
Temporary investments	<u>76,034</u>
	<u>\$ 1,276,169</u>

Capital Projects Fund

For construction of capital assets:

Cash	\$ 6,378
Temporary investments	<u>66,059</u>
	<u>\$ 72,437</u>

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At May 31, 2020, the District had physical damage and boiler and machinery coverage of \$10,200,000, comprehensive general liability and pollution coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general aggregate, pollution and environmental damage liability coverage (tank policy) of \$1,000,000 and \$1,000,000 general aggregate, consultant's crime coverage of \$10,000 and a tax assessor-collector bond of \$10,000.

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 886,478	\$ 886,478	\$ 1,052,769	\$ 166,291
Interest on deposits and investments	18,000	18,000	59,511	41,511
TOTAL REVENUES	<u>904,478</u>	<u>904,478</u>	<u>1,112,280</u>	<u>207,802</u>
EXPENDITURES				
Service operations:				
Professional fees	221,000	221,000	86,334	(134,666)
Contracted services	47,600	47,600	47,300	(300)
Utilities	20,000	20,000	20,899	899
Repairs and maintenance	150,600	150,600	181,486	30,886
Administrative expenditures	30,072	30,072	25,822	(4,250)
Capital outlay	375,000	375,000	90,274	(284,726)
TOTAL EXPENDITURES	<u>844,272</u>	<u>844,272</u>	<u>452,115</u>	<u>(392,157)</u>
EXCESS REVENUES (EXPENDITURES)	60,206	60,206	660,165	599,959
FUND BALANCE, BEGINNING OF YEAR	<u>3,672,486</u>	<u>3,672,486</u>	<u>3,672,486</u>	<u>0</u>
FUND BALANCE, END OF YEAR	<u>\$ 3,732,692</u>	<u>\$ 3,732,692</u>	<u>\$ 4,332,651</u>	<u>\$ 599,959</u>

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

See accompanying independent auditor's report.

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
MAY 31, 2020

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

- [X] TSI-1. Services and Rates
- [X] TSI-2. General Fund Expenditures
- [X] TSI-3. Temporary Investments
- [X] TSI-4. Taxes Levied and Receivable
- [X] TSI-5. Long-Term Debt Service Requirements by Years
- [X] TSI-6. Changes in Long-Term Bonded Debt
- [X] TSI-7. Comparative Schedule of Revenues and Expenditures -
General Fund and Debt Service Fund - Five Year
- [X] TSI-8. Board Members, Key Personnel and Consultants

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1

SCHEDULE OF SERVICES AND RATES

MAY 31, 2020

1. Services Provided by the District during the Fiscal Year:

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

2. Retail Service Providers

- a. Retail Rates for a 5/8" meter (or equivalent): Not Applicable
- b. Water and Wastewater Retail Connections: Not Applicable

3. Total Water Consumption during the Fiscal Year (rounded to thousands): Not Applicable

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

If yes, date of the most recent Commission Order: _____

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

If yes, date of the most recent Commission Order: _____

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1

EXPENDITURES

FOR THE YEAR ENDED MAY 31, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Professional fees:				
Auditing	\$ 5,225	\$	\$	\$ 5,225
Legal	49,150	2,349		51,499
Engineering	31,959			31,959
	<u>86,334</u>	<u>2,349</u>	<u>0</u>	<u>88,683</u>
Contracted services:				
Bookkeeping	7,700			7,700
Operation and billing	39,600			39,600
Tax assessor-collector		15,967		15,967
Central appraisal district		9,181		9,181
	<u>47,300</u>	<u>25,148</u>	<u>0</u>	<u>72,448</u>
Utilities	<u>20,899</u>	<u>0</u>	<u>0</u>	<u>20,899</u>
Repairs and maintenance	<u>181,486</u>	<u>0</u>	<u>0</u>	<u>181,486</u>
Administrative expenditures:				
Director's fees	1,650			1,650
Office supplies and postage	2,123			2,123
Insurance	21,898	200		22,098
Other	151	5,535		5,686
	<u>25,822</u>	<u>5,735</u>	<u>0</u>	<u>31,557</u>
CAPITAL OUTLAY				
Authorized expenditures	<u>90,274</u>	<u>0</u>	<u>0</u>	<u>90,274</u>
DEBT SERVICE				
Principal retirement	<u>0</u>	<u>435,000</u>	<u>0</u>	<u>435,000</u>
Interest and fees:				
Interest		259,408		259,408
Paying agent fees		2,500		2,500
	<u>0</u>	<u>261,908</u>	<u>0</u>	<u>261,908</u>
TOTAL EXPENDITURES	<u>\$ 452,115</u>	<u>\$ 730,140</u>	<u>\$ 0</u>	<u>\$ 1,182,255</u>

See accompanying independent auditor's report.

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1
ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED MAY 31, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash receipts from revenues excluding maintenance taxes	\$ 59,511	\$ 659,614	\$ 1,052	\$ 720,177
Maintenance tax receipts		1,052,769		1,052,769
Maintenance tax transfers	1,060,398			1,060,398
Overpayments by taxpayers		<u>41,297</u>		<u>41,297</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED	<u>1,119,909</u>	<u>1,753,680</u>	<u>1,052</u>	<u>2,874,641</u>
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	382,922	33,949		416,871
Debt service		696,908		696,908
Capital outlay	90,274			90,274
Maintenance tax transfers		1,060,398		1,060,398
Refund of taxpayer overpayments		<u>31,520</u>		<u>31,520</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED	<u>473,196</u>	<u>1,822,775</u>	<u>0</u>	<u>2,295,971</u>
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	646,713	(69,095)	1,052	578,670
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	<u>3,710,695</u>	<u>1,345,264</u>	<u>71,385</u>	<u>5,127,344</u>
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	<u>\$ 4,357,408</u>	<u>\$ 1,276,169</u>	<u>\$ 72,437</u>	<u>\$ 5,706,014</u>

See accompanying independent auditor's report.

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1SCHEDULE OF TEMPORARY INVESTMENTSMAY 31, 2020

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
TexPool				
No. 2674300002	Market	On demand	\$ <u>163,445</u>	\$ <u>0</u>
DEBT SERVICE FUND				
TexPool				
No. 2674300003	Market	On demand	\$ <u>76,034</u>	\$ <u>0</u>
CAPITAL PROJECTS FUND				
TexPool				
No. 2674300001	Market	On demand	\$ <u>66,059</u>	\$ <u>0</u>
Total – All Funds			\$ <u>305,538</u>	\$ <u>0</u>

See accompanying independent auditor's report.

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1TAXES LEVIED AND RECEIVABLEFOR THE YEAR ENDED MAY 31, 2020

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 17,065	\$ 11,953
Additions and corrections to prior year taxes	<u>(11,807)</u>	<u>(7,965)</u>
Adjusted receivable, beginning of year	5,258	3,988
2019 ADJUSTED TAX ROLL	<u>1,068,870</u>	<u>652,673</u>
Total to be accounted for	1,074,128	656,661
Tax collections: Current tax year	(1,051,936)	(642,333)
Prior tax years	<u>(833)</u>	<u>(553)</u>
RECEIVABLE, END OF YEAR	<u>\$ 21,359</u>	<u>\$ 13,775</u>
RECEIVABLE, BY TAX YEAR		
2010	\$ 52	\$ 73
2011	57	80
2012	6	11
2013	86	135
2014	137	138
2015	256	227
2016	720	578
2017	1,499	1,113
2018	1,612	1,080
2019	<u>16,934</u>	<u>10,340</u>
RECEIVABLE, END OF YEAR	<u>\$ 21,359</u>	<u>\$ 13,775</u>

See accompanying independent auditor's report.

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1TAXES LEVIED AND RECEIVABLE (Continued)FOR THE YEAR ENDED MAY 31, 2020

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Land	\$ 235,023,745	\$ 231,757,662	\$ 222,400,092	\$ 206,102,281
Improvements	757,703,656	691,620,829	650,523,956	625,726,935
Personal property	66,368,531	62,617,587	63,520,311	82,752,363
Less exemptions	<u>(113,193,589)</u>	<u>(109,841,993)</u>	<u>(99,088,111)</u>	<u>(92,977,585)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 945,902,343</u>	<u>\$ 876,154,085</u>	<u>\$ 837,356,248</u>	<u>\$ 821,603,994</u>
TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.06900	\$ 0.07800	\$ 0.08200	\$ 0.08700
Maintenance tax rates*	<u>0.11300</u>	<u>0.10500</u>	<u>0.10200</u>	<u>0.09800</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.18200</u>	<u>\$ 0.18300</u>	<u>\$ 0.18400</u>	<u>\$ 0.18500</u>
TAX ROLLS	<u>\$ 1,721,543</u>	<u>\$ 1,594,600</u>	<u>\$ 1,532,365</u>	<u>\$ 1,511,751</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>98.4 %</u>	<u>99.8 %</u>	<u>99.8 %</u>	<u>99.9 %</u>

*Maximum tax rate approved by voters on April 5, 1986: \$0.25

See accompanying independent auditor's report.

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS

MAY 31, 2020

<u>Due During Fiscal Years Ending May 31</u>	Series 2010		
	Principal Due August 1	Interest Due August 1, February 1	Total
2021	\$ 155,000	\$ 8,087	\$ 163,087
2022	165,000	2,784	167,784
TOTALS	\$ 320,000	\$ 10,871	\$ 330,871

<u>Due During Fiscal Years Ending May 31</u>	Refunding Series 2010		
	Principal Due August 1	Interest Due August 1, February 1	Total
2021	\$ 145,000	\$ 2,755	\$ 147,755

See accompanying independent auditor's report.

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

MAY 31, 2020

Due During Fiscal Years Ending May 31	Series 2012		
	Principal Due August 1	Interest Due August 1, February 1	Total
2021	\$ 105,000	\$ 36,187	\$ 141,187
2022	95,000	33,950	128,950
2023	100,000	31,512	131,512
2024	100,000	29,012	129,012
2025	100,000	26,387	126,387
2026	100,000	23,637	123,637
2027	105,000	20,818	125,818
2028	100,000	17,875	117,875
2029	105,000	14,800	119,800
2030	105,000	11,650	116,650
2031	105,000	8,369	113,369
2032	105,000	4,956	109,956
2033	100,000	1,625	101,625
TOTALS	<u>\$ 1,325,000</u>	<u>\$ 260,778</u>	<u>\$ 1,585,778</u>

See accompanying independent auditor's report.

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

MAY 31, 2020

<u>Due During Fiscal Years Ending May 31</u>	<u>Refunding Series 2013</u>		
	<u>Principal Due August 1</u>	<u>Interest Due August 1, February 1</u>	<u>Total</u>
2021	\$ 45,000	\$ 86,750	\$ 131,750
2022	200,000	84,300	284,300
2023	210,000	79,150	289,150
2024	215,000	72,775	287,775
2025	225,000	66,175	291,175
2026	240,000	59,200	299,200
2027	245,000	50,700	295,700
2028	265,000	40,500	305,500
2029	280,000	29,600	309,600
2030	290,000	18,200	308,200
2031	<u>310,000</u>	<u>6,200</u>	<u>316,200</u>
TOTALS	<u>\$ 2,525,000</u>	<u>\$ 593,550</u>	<u>\$ 3,118,550</u>

See accompanying independent auditor's report.

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

MAY 31, 2020

Due During Fiscal Years Ending May 31	Series 2017		
	Principal Due August 1	Interest Due August 1, February 1	Total
2021	\$	\$ 112,400	\$ 112,400
2022		112,400	112,400
2023	150,000	109,400	259,400
2024	160,000	103,200	263,200
2025	165,000	96,700	261,700
2026	175,000	89,900	264,900
2027	185,000	82,700	267,700
2028	185,000	75,300	260,300
2029	195,000	67,700	262,700
2030	205,000	59,700	264,700
2031	215,000	51,300	266,300
2032	570,000	35,600	605,600
2033	605,000	12,100	617,100
TOTALS	<u>\$ 2,810,000</u>	<u>\$ 1,008,400</u>	<u>\$ 3,818,400</u>

See accompanying independent auditor's report.

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

MAY 31, 2020

<u>Due During Fiscal Years Ending May 31</u>	<u>Annual Requirements for All Series</u>		
	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total</u>
2021	\$ 450,000	\$ 246,179	\$ 696,179
2022	460,000	233,434	693,434
2023	460,000	220,062	680,062
2024	475,000	204,987	679,987
2025	490,000	189,262	679,262
2026	515,000	172,737	687,737
2027	535,000	154,218	689,218
2028	550,000	133,675	683,675
2029	580,000	112,100	692,100
2030	600,000	89,550	689,550
2031	630,000	65,869	695,869
2032	675,000	40,556	715,556
2033	705,000	13,725	718,725
 TOTALS	 <u>\$ 7,125,000</u>	 <u>\$ 1,876,354</u>	 <u>\$ 9,001,354</u>

See accompanying independent auditor's report.

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT
FOR THE YEAR ENDED MAY 31, 2020

	(1)	(2)
Bond Series:	2010	Refunding 2010
Interest Rate:	3.25% to 3.375%	3.80%
Dates Interest Payable:	August 1/ February 1	August 1/ February 1
Maturity Dates:	August 1, 2020/2021	August 1, 2020
Bonds Outstanding at Beginning of Current Year	\$ 470,000	\$ 285,000
Less Retirements	(150,000)	(140,000)
Bonds Outstanding at End of Current Year	\$ 320,000	\$ 145,000
Current Year Interest Paid	\$ 12,950	\$ 8,170

Bond Descriptions and Original Amount of Issue

- (1) Denton County Levee Improvement District No. 1 Unlimited Tax Bonds, Series 2010 (\$4,570,000)
- (2) Denton County Levee Improvement District No. 1 Unlimited Tax Refunding Bonds, Series 2010 (\$1,194,999)

Paying Agent/Registrar

- (1) (2) Wells Fargo Bank, N.A., Houston, Texas

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 20,100,000	\$ 0	\$ 0
Amount Issued:	15,985,000		
Remaining to be Issued:	4,115,000		

Net Debt Service Fund deposits and investments balances as of May 31, 2020:	\$1,267,173
Average annual debt service payment for remaining term of all debt:	692,412

See accompanying independent auditor's report.

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)
FOR THE YEAR ENDED MAY 31, 2020

	<u>(3)</u>	<u>(4)</u>	<u>(5)</u>	<u>Totals</u>
Bond Series:	2012	Refunding 2013	Refunding 2017	
Interest Rate:	2.00% to 3.25%	2.00% to 4.00%	4.00%	
Dates Interest Payable:	August 1/ February 1	August 1/ February 1	August 1/ February 1	
Maturity Dates:	August 1, 2020/2032	August 1, 2020/2031	August 1, 2022/2032	
Bonds Outstanding at Beginning of Current Year	\$ 1,435,000	\$ 2,560,000	\$ 2,810,000	\$ 7,560,000
Less Retirements	<u>(110,000)</u>	<u>(35,000)</u>	<u>0</u>	<u>(435,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 1,325,000</u>	<u>\$ 2,525,000</u>	<u>\$ 2,810,000</u>	<u>\$ 7,125,000</u>
Current Year Interest Paid	<u>\$ 38,338</u>	<u>\$ 87,550</u>	<u>\$ 112,400</u>	<u>\$ 259,408</u>

Bond Descriptions and Original Amount of Issue

- (3) Denton County Levee Improvement District No. 1 Unlimited Tax Bonds, Series 2012 (\$2,060,000)
- (4) Denton County Levee Improvement District No. 1 Unlimited Tax Refunding Bonds, Series 2013 (\$2,750,000)
- (5) Denton County Levee Improvement District No. 1 Unlimited Tax Refunding Bonds, Series 2017 (\$2,810,000)

Paying Agent/Registrar

- (3) Wells Fargo Bank, N.A., Houston, Texas
- (4) (5) BOKF, N.A., dba Bank of Texas, Austin, Texas

See accompanying independent auditor's report.

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND

FOR YEARS ENDED MAY 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
REVENUES										
Property taxes	\$ 1,052,769	\$ 952,563	\$ 882,966	\$ 836,917	\$ 752,872	94.6 %	93.9 %	97.3 %	99.5 %	99.6 %
Interest on deposits and investments and other	59,511	61,835	25,036	4,155	2,818	5.4	6.1	2.7	0.5	0.4
TOTAL REVENUES	<u>1,112,280</u>	<u>1,014,398</u>	<u>908,002</u>	<u>841,072</u>	<u>755,690</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Current:										
Professional fees	86,334	87,005	203,305	137,435	133,710	7.8	8.6	22.4	16.3	17.7
Contracted services	47,300	47,450	47,500	47,425	41,050	4.3	4.7	5.2	5.6	5.4
Utilities	20,899	12,042	17,316	16,162	17,598	1.9	1.2	1.9	1.9	2.3
Repairs and maintenance	181,486	123,274	78,133	125,259	144,918	16.2	12.1	8.6	14.9	19.2
Administrative expenditures	25,822	24,384	23,303	23,715	24,335	2.3	2.4	2.6	2.9	3.2
Capital outlay	90,274	31,753	64,000	0	280,833	8.1	3.1	7.0	0.0	37.2
TOTAL EXPENDITURES	<u>452,115</u>	<u>325,908</u>	<u>433,557</u>	<u>349,996</u>	<u>642,444</u>	<u>40.6</u>	<u>32.1</u>	<u>47.7</u>	<u>41.6</u>	<u>85.0</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ 660,165</u>	<u>\$ 688,490</u>	<u>\$ 474,445</u>	<u>\$ 491,076</u>	<u>\$ 113,246</u>	<u>59.4 %</u>	<u>67.9 %</u>	<u>52.3 %</u>	<u>58.4 %</u>	<u>15.0 %</u>

See accompanying independent auditor's report.

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND

FOR YEARS ENDED MAY 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
REVENUES										
Property taxes	\$ 642,886	\$ 638,136	\$ 656,409	\$ 673,371	\$ 662,602	97.5 %	98.3 %	96.6 %	98.2 %	99.0 %
Penalty and interest	13,466	6,793	11,985	10,059	4,647	2.0	1.0	1.8	1.5	0.7
Accrued interest on bonds received at date of sale	0	0	7,806	0	0	0.0	0.0	1.1	0.0	0.0
Interest on deposits and investments	3,262	4,248	3,555	2,249	1,866	0.5	0.7	0.5	0.3	0.3
TOTAL REVENUES	659,614	649,177	679,755	685,679	669,115	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Professional fees	2,349	1,026	2,138	2,316	475	0.4	0.2	0.3	0.3	0.1
Contracted services	25,148	24,034	22,894	22,079	21,480	3.8	3.7	3.4	3.2	3.2
Other expenditures	5,735	4,924	3,762	3,627	2,403	0.9	0.8	0.6	0.5	0.4
Debt service:										
Principal retirement	435,000	420,000	405,000	390,000	375,000	65.9	64.6	59.5	57.0	56.0
Refunding contribution	0	0	190,765	0	0	0.0	0.0	28.1	0.0	0.0
Interest and fees	261,908	274,299	237,922	306,039	314,555	39.7	42.3	35.0	44.6	47.0
TOTAL EXPENDITURES	730,140	724,283	862,481	724,061	713,913	110.7	111.6	126.9	105.6	106.7
EXCESS REVENUES	\$ (70,526)	\$ (75,106)	\$ (182,726)	\$ (38,382)	\$ (44,798)	(10.7) %	(11.6) %	(26.9) %	(5.6) %	(6.7) %

See accompanying independent auditor's report.

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

MAY 31, 2020

Complete District Mailing Address: Denton County Levee Improvement District No. 1
 c/o Sanford Kuhl Hagan Kugle Parker Kahn, LLP
 1980 Post Oak Blvd.
 Suite 1380
 Houston, Texas 77056

District Business Telephone No.: 713-850-9000

Submission date of the most recent District Registration Form: July 23, 2018

Limit on Fees of Office that a Director may receive during a fiscal year: \$6,000

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Richard Ching c/o Sanford Kuhl Hagan Kugle Parker Kahn, LLP 1980 Post Oak Blvd., Suite 1380 Houston, Texas 77056	Appointed 5/31/18- 5/31/20	\$ 450	\$ 0	Chairman
Ben Carruthers c/o Sanford Kuhl Hagan Kugle Parker Kahn, LLP 1980 Post Oak Blvd., Suite 1380 Houston, Texas 77056	Appointed 5/31/18- 5/31/20	600	48	Vice Chair./ Sec./Treas./ Inv. Officer
Jack E. Davis c/o Sanford Kuhl Hagan Kugle Parker Kahn, LLP 1980 Post Oak Blvd., Suite 1380 Houston, Texas 77056	Appointed 3/13/18- 5/31/20	600	0	Assistant Secretary

See accompanying independent auditor's report.

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)MAY 31, 2020CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Sanford Kuhl Hagan Kugle Parker Kahn, LLP 1980 Post Oak Blvd. Suite 1380 Houston, Texas 77056	1/21/10	\$ 49,150	Attorney
Linebarger, Heard, Goggan, Blair, Graham, Pena & Sampson, L.L.P. P.O. Box 3064 Houston, Texas 77002	7/16/96	2,349	Delinquent Tax Attorney
Myrtle Cruz, Inc. 3401 Louisiana, Suite 400 Houston, Texas 77002	6/11/86	9,020	Bookkeeper
Texas Stormwater Management 6809 Hardisty Street Richland Hills, Texas 76118	1/01/16	305,360	Operator
Half Associates, Inc. 1201 N. Bowser Road Richardson, Texas 75081	12/19/11	31,959	Engineer
Bob Leared 11111 Katy Freeway, Suite 725 Houston, Texas 77043	7/02/85	20,247	Tax Assessor- Collector
Denton Central Appraisal District P.O. Box 2816 Denton, Texas 76202	Legislative Action	7,356	Central Appraisal District
Dallas Central Appraisal District 2949 North Stemmons Freeway Dallas, Texas 75247	Legislative Action	1,825	Central Appraisal District
Blich Associates, Inc. 11111 Katy Freeway, Suite 820 Houston, Texas 77079-2118	9/16/97	0	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	Prior to 1992	5,225	Independent Auditor

See accompanying independent auditor's report.