

OFFICIAL STATEMENT DATED FEBRUARY 21, 2023

IN THE OPINION OF BOND COUNSEL TO THE DISTRICT, THE BONDS ARE VALID OBLIGATIONS OF THE DISTRICT AND UNDER THE STATUTES, REGULATIONS, PUBLISHED RULINGS, AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAXATION SUBJECT TO THE MATTERS DESCRIBED UNDER "TAX MATTERS" HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS.

The Bonds have NOT been designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS - Not Qualified Tax-Exempt Obligations for Financial Institutions."

NEW ISSUE - Book Entry Only

**RATINGS: S&P Global Ratings (BAM Insured)..... "AA"
Moody's Investors Service, Inc. (Underlying) "Baa1"
See "MUNICIPAL BOND INSURANCE" and "MUNICIPAL BOND RATINGS" herein.**

\$4,175,000

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B

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

UNLIMITED TAX UTILITY BONDS, SERIES 2023

Dated Date: March 1, 2023

Interest Accrues From: Date of Delivery

Due: September 1, as shown on inside cover

The \$4,175,000 Denton County Fresh Water Supply District No. 11-B Unlimited Tax Utility Bonds, Series 2023 (the "Bonds") are obligations of Denton County Fresh Water Supply District No. 11-B (the "District") and are not obligations of the State of Texas; Denton County, Texas; the Town of Little Elm, Texas; or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas; Denton County, Texas; the Town of Little Elm, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

The Bonds will be initially registered and delivered only to Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by Zions Bancorporation, National Association, Houston, Texas, or any successor paying agent/registrar (the "Paying Agent/Registrar") directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System." Principal of the Bonds is payable to the Registered Owner(s) of the Bonds (the "Bondholder(s)") at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. Interest on the Bonds accrues from the initial date of delivery (expected on or about March 22, 2023) (the "Date of Delivery"), and is payable on September 1, 2023, and each March 1 and September 1 thereafter until maturity or prior redemption to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each interest payment date (the "Record Date"). The Bonds are issuable in denominations of \$5,000 or any integral multiple thereof in fully registered form only.

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



The Bonds constitute the fourth series of unlimited tax bonds issued by the District for the purpose of financing water, wastewater and drainage facilities (the "Utility System") to serve the District. The District previously has issued six series of unlimited tax bonds for financing the road system (the "Road System"), one series of unlimited tax bonds for refunding bonds previously issued for the Road System, and three series of unlimited tax bonds for financing the Utility System. Voters of the District have authorized \$29,500,000 principal amount of unlimited tax bonds for financing the Road System; \$25,600,000 principal amount of unlimited tax bonds for financing the Utility System; and \$55,100,000 principal amount of unlimited tax bonds for refunding purposes at an election held on May 12, 2007. Following the issuance of the Bonds, \$11,725,000 principal amount of unlimited tax bonds for financing the Utility System, \$9,765,000 principal amount of unlimited tax bonds for financing the Road System and \$55,040,000 principal amount of unlimited tax bonds for refunding purposes will remain authorized but unissued. See "THE BONDS - Authority for Issuance" and "- Issuance of Additional Debt."

The Bonds, when issued, will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See "THE BONDS - Source of Payment."

The Bonds are offered when, as, and if issued by the District and are also offered subject, among other things, to the approval of the Attorney General of Texas and of the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the District. Delivery of the Bonds through the facilities of DTC is expected on or about March 22, 2023. See "LEGAL MATTERS."

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

\$1,735,000 Serial Bonds

<u>Due (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (a)</u>	<u>CUSIP Nos. 24880D (b)</u>
2024	\$135,000	5.000%	3.450%	KR6
2025	140,000	5.500%	3.400%	KS4
2026	140,000	5.500%	3.400%	KT2
2027	130,000	5.500%	3.400%	KU9
2028	140,000	5.500%	3.400%	KV7
2029 (c)	145,000	5.000%	3.400%	KW5
2030 (c)	145,000	3.250%	3.550%	KX3
2031 (c)	145,000	3.250%	3.650%	KY1
2032 (c)	145,000	3.500%	3.750%	KZ8
2033 (c)	145,000	4.000%	3.750%	LA2
***	***	***	***	***
2038 (c)	130,000	4.000%	4.200%	LF1
2039 (c)	195,000	4.000%	4.250%	LG9

\$2,440,000 Term Bonds

\$280,000 Term Bonds Due September 1, 2035 (c)(d), Interest Rate: 4.000% (Price: \$100.000) (a), CUSIP No. 24880D LC8 (b)

\$290,000 Term Bonds Due September 1, 2037 (c)(d), Interest Rate: 4.000% (Price: \$98.380) (a), CUSIP No. 24880D LE4 (b)

\$630,000 Term Bonds Due September 1, 2042 (c)(d), Interest Rate: 4.250% (Price: \$98.694) (a), CUSIP No. 24880D LK0 (b)

\$465,000 Term Bonds Due September 1, 2044 (c)(d), Interest Rate: 4.250% (Price: \$97.929) (a), CUSIP No. 24880D LM6 (b)

\$775,000 Term Bonds Due September 1, 2047 (c)(d), Interest Rate: 4.250% (Price: \$97.036) (a), CUSIP No. 24880D LQ7 (b)

- (a) The initial reoffering yield has been provided by the Underwriter (defined herein) and represents the initial offering price to the public of a substantial amount of the Bonds for each maturity. Such initial reoffering yield may subsequently be changed. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds. None of the District, Financial Advisor (herein defined), or Underwriter shall be responsible for the selection or the correctness of the CUSIP numbers.
- (c) The Bonds maturing on September 1, 2029 and thereafter, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on March 1, 2029, or any date thereafter at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds – *Optional Redemption*."
- (d) Subject to mandatory sinking fund redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth herein under "THE BONDS – Redemption of the Bonds – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of the costs for duplication thereof.

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 to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this "Official Statement" nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this "Official Statement" current by amendment or sticker to reflect material changes in the affairs of the District, and to the extent that information actually comes to its attention, other matters described in the "Official Statement" until delivery of the Bonds to the Underwriter, and thereafter only as specified in "OFFICIAL STATEMENT – Updating the Official Statement."

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

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.

TABLE OF CONTENTS

<u>Page</u>	<u>Page</u>
USE OF INFORMATION IN OFFICIAL STATEMENT.....1	Mutilated, Lost, Stolen or Destroyed Bonds 15
SALE AND DISTRIBUTION OF THE BONDS.....3	Authority for Issuance..... 15
Award of the Bonds.....3	Source of Payment..... 15
Prices and Marketability.....3	Funds..... 15
Securities Laws.....3	Redemption of the Bonds..... 16
MUNICIPAL BOND INSURANCE.....3	Outstanding Bonds..... 17
Bond Insurance Policy.....3	Annexation..... 17
Build America Mutual Assurance Company3	Consolidation..... 17
MUNICIPAL BOND RATINGS.....5	Issuance of Additional Debt..... 17
OFFICIAL STATEMENT SUMMARY.....6	Registered Owners' Remedies..... 18
SELECTED FINANCIAL INFORMATION.....10	Legal Investment and Eligibility to Secure
INTRODUCTION.....12	Public Funds in Texas..... 19
THE BONDS.....12	Defeasance..... 19
General.....12	Use and Distribution of Bond Proceeds..... 20
Book-Entry-Only System..... 13	DISTRICT FINANCIAL DATA.....21
Use of Certain Terms in Other Sections of this	General..... 21
Official Statement..... 14	Estimated Overlapping Debt Statement..... 23
Registration and Transfer..... 14	Debt Ratios..... 23
Replacement of Paying Agent/Registrar..... 14	Debt Service Requirements..... 24

TAXING PROCEDURES.....	25
Property Tax Code and County-Wide	
Appraisal District	25
Property Subject to Taxation by the District	
.....	25
Valuation of Property for Taxation.....	27
Disaster Exemption	27
District and Taxpayer Remedies.....	27
Agricultural, Open Space, Timberland and	
Inventory Deferment	27
Notice and Hearing Procedures.....	28
Rollback of Operation and Maintenance Tax	
Rate	28
Levy and Collection of Taxes	29
Collection of Delinquent Taxes	29
TAX DATA	30
General.....	30
Tax Rate Limitation	30
Historical Tax Collections	30
Tax Rate Distribution	30
Analysis of Tax Base	30
Exemptions and Special Valuations.....	31
Principal Taxpayers.....	31
Tax Rate Calculations	31
Estimated Overlapping Taxes	32
THE DISTRICT	32
General.....	32
Location of the District.....	33
Management of the District.....	33
Status of Development.....	34
HOMEBUILDERS WITHIN THE DISTRICT	34
PALOMA CREEK	34
LOCATION MAP.....	35
THE DEVELOPERS	36
The Role of a Developer	36
The Developers.....	36
THE ROAD SYSTEM.....	37
THE UTILITY SYSTEM.....	37
Regulation	37
Upper Trinity Regional Water District	
Contracts	37
Description of the System.....	38
Historical Operations of the District.....	39
INVESTMENT CONSIDERATIONS.....	40
General.....	40
Infectious Disease Outbreak (COVID-19)	40
Economic Factors Affecting Taxable Values	
and Tax Payment.....	40
Tax Collections and Foreclosure Remedies .	41
Registered Owners' Remedies	41
Bankruptcy Limitation to Registered Owners'	
Rights.....	42
Future Debt	42
Marketability of the Bonds	43
Continuing Compliance with Certain	
Covenants.....	43
Approval of the Bonds	43
Future and Proposed Legislation.....	43
Environmental Regulations.....	43
Potential Impact of Natural Disaster	45

Bond Insurance Risk Factors	46
LEGAL MATTERS.....	46
Legal Opinions.....	46
Legal Review.....	47
TAX MATTERS.....	47
Opinion.....	47
Federal Income Tax Accounting Treatment of	
Original Issue Discount	48
Collateral Federal Income Tax Consequences	
.....	49
State, Local and Foreign Taxes	49
Information Reporting and Backup	
Withholding.....	49
Not Qualified Tax-Exempt Obligations for	
Financial Institutions	49
NO-LITIGATION CERTIFICATE	49
NO MATERIAL ADVERSE CHANGE.....	50
CONTINUING DISCLOSURE OF INFORMATION.....	50
Annual Reports.....	50
Event Notices.....	50
Availability of Information from MSRB	51
Limitations and Amendments	51
Compliance with Prior Undertakings	52
OFFICIAL STATEMENT	52
General	52
Experts	52
Certification as to Official Statement	52
Updating the Official Statement	53
CONCLUDING STATEMENT	53
APPENDIX A - Financial Statements of the	
District	
APPENDIX B - Specimen Municipal Bond	
Insurance Policy	

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost, which was tendered by SAMCO Capital Markets, Inc. (the "Underwriter") to purchase the Bonds at the interest rates shown on the inside cover page of this Official Statement at a price of 97.006102% of par, resulting in a net effective interest rate of 4.401548%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

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

Information concerning reoffering yields or prices is the responsibility of the Underwriter. The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial reoffering 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.

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

Build America Mutual Assurance Company

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

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2022 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$490.7million, \$207.3 million and \$283.4 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

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

The information above pertaining to BAM has been provided by BAM for use in this Official Statement. The District believes the information source of such information to be reliable but takes no responsibility for the accuracy or completeness of the information.

MUNICIPAL BOND RATINGS

Moody's has assigned an underlying rating of "Baa1" with stable outlook to the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. A security rating is not a recommendation to buy, sell, or hold securities. There is no assurance that the rating will continue for any given time or that it will not be revised downward or withdrawn entirely by Moody's, if, in its judgment, circumstances so warrant. Any such revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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

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

[Remainder of this page intentionally left blank.]

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

- The Issuer Denton County Fresh Water Supply District No. 11-B (the “District”), a political subdivision of the State of Texas, is located in Denton County, Texas. See “THE DISTRICT.”

- The Issue \$4,175,000 Unlimited Tax Utility Bonds, Series 2023 (the “Bonds”), are dated March 1, 2023. Interest accrues from the initial date of delivery (expected on or about March 22, 2023) (the “Date of Delivery”), and the Bonds mature on September 1 of each of the years and in the amounts shown on the inside cover hereof. Interest is payable on September 1, 2023, and on each March 1 and September 1 thereafter until maturity or prior redemption. See “THE BONDS – General.”

- Redemption Provisions *Optional Redemption:* The Bonds maturing on September 1, 2029, and thereafter, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on March 1, 2029, or any date thereafter at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption. See “THE BONDS—Redemption of the Bonds—*Optional Redemption.*”
Mandatory Redemption: The Bonds maturing on September 1 in the years 2035, 2037, 2042, 2044, and 2047 are term bonds (the “Term Bonds”) and are subject to certain mandatory redemption provisions as set forth herein under “THE BONDS—Redemption of the Bonds—*Mandatory Redemption.*”

- Authority The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, including Chapters 49, 51, and for certain purposes, 53, Texas Water Code, as amended; an order of the Texas Commission on Environmental Quality (the “TCEQ”) dated January 2, 2023; and an order authorizing issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”); and an election held on May 12, 2007. See “THE BONDS - Authority for Issuance” and “- Issuance of Additional Debt.”

- 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 located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Denton County, the Town of Little Elm, Texas or any entity other than the District. See “THE BONDS – Source of Payment.”

- Use of Proceeds Proceeds of the Bonds will be used to pay for water, sewer, and drainage system improvements as set forth herein under “THE BONDS – Use and Distribution of Bond Proceeds.” Additionally, proceeds from the Bonds will be used to pay for engineering costs related to the financed facilities, developer interest, operating costs, and certain costs of issuance of the Bonds.

- Not Qualified Tax-Exempt Obligations The Bonds have not been designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Not Qualified Tax-Exempt Obligations for Financial Institutions.”

Outstanding Bonds	The Bonds are the District’s fourth series of bonds issued for the purpose of financing water, wastewater and drainage facilities (the “Utility System”) to serve the District. The following bonds have previously been issued for the purpose of financing the Utility System: \$2,020,000 Unlimited Tax Bonds, Series 2014; \$3,370,000 Unlimited Tax Bonds, Series 2016; and \$4,310,000 Unlimited Tax Bonds, Series 2019, of which \$8,475,000 in aggregate principal are outstanding as of February 1, 2023 (the “Outstanding Utility Bonds”). The District has also issued six series of bonds for the purpose of financing a road system (the “Road System”) to serve the District: \$2,675,000 Unlimited Tax Bonds, Series 2011; \$2,200,000 Unlimited Tax Road Bonds, Series 2014; \$3,375,000 Unlimited Tax Road Bonds, Series 2015; \$3,235,000 Unlimited Tax Road Bonds, Series 2018; \$2,215,000 Unlimited Tax Road Refunding Bonds, Series 2019; \$2,470,000 Unlimited Tax Road Bonds, Series 2021; and \$5,780,000 Unlimited Tax Road Bonds, Series 2022, of which \$17,795,000 in aggregate principal are outstanding as of February 1, 2023 (the “Outstanding Road Bonds”). The Outstanding Road Bonds and Outstanding Utility Bonds are collectively referred to herein as the “Outstanding Bonds.”
Payment Record.....	The District has never defaulted on the timely payment of principal and interest on the Outstanding Bonds. See “THE BONDS – Source of Payment.”
Municipal Bond Insurance	Build America Mutual Assurance Company (“BAM”). See “MUNICIPAL BOND INSURANCE.”
Ratings.....	S&P Global Ratings (BAM Insured): “AA” (stable outlook). Moody’s Investors Service, Inc. (Underlying): “Baa1” (stable outlook). See “MUNICIPAL BOND INSURANCE” and “MUNICIPAL BOND RATINGS.”
Bond Counsel	McCall, Parkhurst & Horton L.L.P., Dallas, Texas. See “THE DISTRICT - Management of the District - Bond Counsel”, “LEGAL MATTERS – Legal Opinions”, and “TAX MATTERS.”
General Counsel	Allen Boone Humphries Robinson LLP, Houston, Texas. See “THE DISTRICT - Management of the District – General Counsel.”
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Financial Advisor.....	Robert W. Baird & Co. Incorporated, Houston, Texas.
Paying Agent/Registrar.....	Zions Bancorporation, National Association, Houston, Texas.

THE DISTRICT

Description.....	Denton County Fresh Water Supply District No. 11 (“District 11”) was created by the Denton County Commissioner’s Court on December 12, 2000, as a fresh water supply district pursuant to Chapter 53, Texas Water Code, as amended. On January 20, 2001, pursuant to an election within such district, District 11 was authorized to assume sanitary sewer and road district powers. On February 20, 2001, District 11 converted to a water control and improvement district. At an election held on May 3, 2003, voters approved the division of District 11 into Denton County Fresh Water Supply District No. 11-A (“District 11-A”) and the initial Denton County Fresh Water Supply District No. 11-B (“Original District 11-B”). At an election held on November 8, 2005, voters approved the division of Original District 11-B into the current Denton County Fresh Water Supply District No. 11-B (the “District”) and Denton
------------------	--

County Fresh Water Supply District No. 11-C (“District 11-C”). Pursuant to such voter-approved divisions, the District succeeded to the rights and powers of its predecessor districts, including sanitary sewer powers and road district powers under Chapter 257, Texas Transportation Code. The District is a conservation and reclamation district and political subdivision of the State of Texas and operates pursuant to Article XVI, Section 59 and Article III, Section 52 of the Constitution of the State of Texas, and Chapters 49, 51 and, for certain purposes, 53, of the Texas Water Code, as amended. The District currently encompasses approximately 373 acres of land. See “THE DISTRICT.”

- Location The District is located approximately 32 miles northwest of the central downtown business district of the City of Dallas and lies wholly within the extraterritorial jurisdiction of the Town of Little Elm. The District is located within Denton Independent School District (“DISD”) and Little Elm Independent School District (“LEISD”) and is bordered on the north by Braswell High School and District 11-A, by developing acreage and District 11-C on the east, by Lake Lewisville on the south, and by District 11-A and Denton County Fresh Water Supply District No. 8-A on the west. Access to the District is provided by the Dallas North Tollway to U.S. Highway 380 and west to Navo Road/Villa Paloma Boulevard. See “THE DISTRICT” and “LOCATION MAP.”
- Status of Development Development within the District currently consists of Paloma Creek South, Phases 5B, 7A, 7B, 7C, 8A, 8B, 8C, 8D, 8E, 9A, and 12 (710 lots on approximately 150 acres) and Northlake Estates Phases 1, 2, and 3 (750 lots on approximately 191 developable acres). As of February 1, 2023, there were approximately 1,121 completed single-family homes within the District, 16 homes under construction and 323 vacant developed lots available for home construction. Recreational amenities for residents within the District include an approximate 2-acre park with a playground. The District contains approximately 29 acres of land that are not developable. There are also hiking and biking trails throughout Paloma Creek. See “THE DISTRICT – Status of Development.”
- Paloma Creek The District is part of the 1,400 acre master-planned community of Paloma Creek, consisting of the District and four other utility districts (Denton County Fresh Water Supply District Nos. 8-A, 8-B, 11-A and 11-C). Approximately 5,538 single-family residential lots have been constructed in Paloma Creek, including 1,460 lots in the District. The District is part of the neighborhoods of Paloma Creek South and Northlake Estates.
- The Developers Denton 380 Associates, L.P., a Texas limited partnership (“Denton 380”) was formed for the purpose of acquiring and holding for investment and sale tracts of land, including 178 acres of the land in the District. Denton 380 has determined the overall development plan for such 178 acres of land in the District and arranged for the construction of utility trunk lines and the acquisition of water supply and sewage treatment capacity from Upper Trinity Regional Water District to serve all land within the District. PRA 380 Investors, L.P. (“PRA 380”), a Texas limited partnership, is the general partner of Denton 380, and IHP Investment Fund III, L.P. (“IHP”), a California limited partnership, is the limited partner of Denton 380. The general partner of PRA 380 is PRA 380, Inc., a Texas corporation. Leon J. Backes is the President of PRA 380, Inc. Denton 380 has sold tracts of land in the District to certain entities that have developed

the land for single-family residential use. Denton 380 no longer owns any land in the District but has the right to receive reimbursement from the District for operating advances and certain costs of utilities and roads.

Affiliates of Centurion American Development Group (together "CADG") are the developers of approximately 191 acres of land in the District. CADG has developed such land (750 lots) as Northlake Estates, Phases 1, 2, and 3.

Denton 380 and CADG are collectively referred to herein as the "Developers." See "THE DEVELOPERS – The Developers."

Homebuilders Builders currently building homes within the District include Lennar Homes, Megatel Homes, Oakdale Homes and Taylor Morrison Homes. The homes being marketed in the District range in size from approximately 1,800 square feet to 4,375 square feet and range in price from approximately \$250,000 to over \$775,000.

Infectious Disease Outbreak (COVID-19)... The purchase and ownership of the Bonds is subject to certain risk factors, including certain factors related to the current COVID-19 pandemic. See "INVESTMENT CONSIDERATIONS – Infectious Disease Outbreak (COVID-19)."

INVESTMENT CONSIDERATIONS

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

[Remainder of this page intentionally left blank.]

**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2022 Taxable Assessed Valuation.....	\$ 327,915,979 (a)
(100% of taxable value as of January 1, 2022)	
See "TAX DATA" and "TAXING PROCEDURES."	
Estimate of Value as of September 1, 2022	\$ 401,900,000 (b)
Direct Debt:	
The Outstanding Bonds (as of delivery of the Bonds)	\$ 26,270,000
The Bonds	<u>4,175,000</u>
Total	\$ 30,445,000
Estimated Overlapping Debt.....	<u>\$ 18,610,548 (c)</u>
Total Direct and Estimated Overlapping Debt	<u>\$ 49,055,548</u>
Direct Debt Ratio:	
As a percentage of 2022 Taxable Assessed Valuation	9.28 %
As a percentage of Estimate of Value as of September 1, 2022	7.58 %
Direct and Estimated Overlapping Debt Ratio:	
As a percentage of 2022 Taxable Assessed Valuation	14.96 %
As a percentage of Estimate of Value as of September 1, 2022	12.21 %
Utility System Debt Service Fund Balance (as of January 17, 2023).....	\$ 959,252 (d)
Road Debt Service Fund Balance (as of January 17, 2023).....	\$ 984,547 (d)
General Operating Fund Balance (as of January 17, 2023).....	\$ 2,727,070
Utility System Capital Projects Fund Balance (as of January 17, 2023).....	\$ 268,930 (e)
Road Capital Projects Fund Balance (as of January 17, 2023).....	\$ 3,487,862
2022 Tax Rate	
Utility System Debt Service.....	\$0.235
Road Debt Service.....	0.355
Maintenance & Operations	<u>0.340</u>
Total.....	<u>\$0.930 (f)</u>
Average Annual Debt Service Requirements	
on the Bonds and Outstanding Bonds (2023-2040, high years).....	\$ 2,078,619 (g)
Maximum Annual Debt Service Requirements	
On the Bonds and Outstanding Bonds (2024).....	\$ 2,145,535 (g)
Combined Tax Rate per \$100 of Assessed Valuation Required to Pay	
Average Annual Debt Service Requirements on the Bonds and Outstanding Bonds	
(2023-2040, high years) at 95% Tax Collections:	
Based Upon 2022 Assessed Valuation (\$327,915,979)	\$0.67
Based Upon Estimate of Value as of September 1, 2022 (\$401,900,000)	\$0.55
Combined Tax Rate per \$100 of Assessed Valuation Required to Pay	
Maximum Annual Debt Service Requirements on the Bonds and Outstanding Bonds	
(2024) at 95% Tax Collections:	
Based Upon 2022 Assessed Valuation (\$327,915,979)	\$0.69
Based Upon Estimate of Value as of September 1, 2022 (\$401,900,000)	\$0.57
Number of Single-Family Homes (including 16 homes under construction)	1,137

-
- (a) As certified by the Denton Central Appraisal District (the "Appraisal District" or "DCAD"). See "TAXING PROCEDURES."
 - (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of September 1, 2022, and includes an estimate of additional taxable value resulting from additional taxable improvements constructed in the District from January 1, 2022, through September 1, 2022. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
 - (c) See "DISTRICT FINANCIAL DATA – Estimated Overlapping Debt Statement."
 - (d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund. The Debt Service Fund has two components: the Utility System Debt Service Fund and the Road Debt Service Fund. Any funds in the Road System Debt Service Fund are pledged only to pay the debt service on the Outstanding Road Bonds and are not pledged to the Bonds or the Outstanding Utility Bonds.
 - (e) It is expected that \$214,925 of this balance will be used to reimburse the Developers for projects included in this bond issue. See "THE BONDS – Use and Distribution of Bond Proceeds".
 - (f) See "TAX DATA – Tax Rate Distribution."
 - (g) Requirements of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT FINANCIAL DATA –Debt Service Requirements."

[Remainder of Page Intentionally Left Blank]

OFFICIAL STATEMENT
relating to
\$4,175,000

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
(A Political Subdivision of the State of Texas Located in Denton County, Texas)

UNLIMITED TAX UTILITY BONDS, SERIES 2023

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Denton County Fresh Water Supply District No. 11-B (the "District"), of its \$4,175,000 Unlimited Tax Utility Bonds, Series 2023 (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, including Chapters 49, 51, and for certain purposes, 53, Texas Water Code, as amended; an order of the Texas Commission on Environmental Quality (the "TCEQ") dated January 2, 2023; an order authorizing issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"); and an election held by the District on May 12, 2007.

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

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

THE BONDS

General

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

The Bonds are dated as of March 1, 2023 and will mature on September 1 of the years and in principal amounts, and bear interest from the initial date of delivery (expected on or about March 22, 2023) (the "Date of Delivery"), at the rates per annum set forth on the inside cover of this Official Statement. Interest on the Bonds will be payable on September 1, 2023, and semiannually thereafter on each March 1 and September 1 until maturity or redemption. Interest calculations are based upon a thirty (30) day month and a three hundred sixty (360) day year.

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

In the event the Book-Entry-Only System is discontinued and physical bond certificates issued, interest on the Bonds shall be payable by check mailed by the Paying Agent/Registrar on or before each interest payment date, to the registered owners ("Registered Owners") as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owner at the risk and expense of such Registered Owner.

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

Book-Entry-Only System

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

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

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

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such

other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Registration and Transfer

The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully registered bond will be issued for each maturity of the Bonds and will be deposited with DTC. See "THE BONDS – Book-Entry-Only System." So long as any Bonds remain outstanding, the District will maintain at least one Paying Agent/Registrar in the State of Texas for the purpose of maintaining the bond register (the "Register") on behalf of the District.

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 be required to accept the

previous Paying Agent/Registrar’s records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a bank, including a commercial bank, or trust company organized under a law of the State of Texas duly qualified to act as a paying agent/registrar for the Bonds.

Mutilated, Lost, Stolen or Destroyed Bonds

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

Authority for Issuance

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

<u>Election Date</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Amount Issued</u>	<u>Remaining Authorized But Unissued</u>
May 12, 2007	Water, Sewer, & Drainage	\$25,600,000	\$13,875,000 (a)	\$11,725,000
May 12, 2007	Road	\$29,500,000	\$19,735,000	\$9,765,000
May 12, 2007	Refunding	\$55,100,000	\$ 60,000	\$55,040,000

(a) Includes the Bonds.

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, including Chapters 49, 51, and for certain purposes, 53, Texas Water Code, as amended; an order of the TCEQ dated January 2, 2023; the Bond Order adopted by the Board; and an election held by the District on May 12, 2007.

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

Source of Payment

The Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Order, the District covenants to levy a sufficient tax to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection. See “TAXING PROCEDURES.” The Bonds involve certain elements of risk, and all prospective purchasers are urged to examine carefully this OFFICIAL STATEMENT with respect to the investment security of the Bonds. See “INVESTMENT CONSIDERATIONS.” The Bonds are obligations solely of the District and are not obligations of Denton County, the State of Texas, the Town of Little Elm or any other political subdivision or entity other than the District.

Funds

The Bond Order creates a Series 2023 Capital Projects Fund to be held as part of the Capital Projects Fund for prior bonds issued for the Utility System (the “Utility System Capital Projects Fund”) and a Series 2023 Debt Service Fund (the “Utility System Debt Service Fund”). Proceeds of the Bonds will be deposited in the Utility System Capital Projects Fund. The Utility System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds and the Outstanding Utility Bonds. Amounts on deposit in the Utility System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds.

Redemption of the Bonds

Optional Redemption

Bonds maturing on September 1, 2029, and thereafter are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on March 1, 2029, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If fewer than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If fewer than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such method of random selection as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mandatory Redemption

The Bonds maturing on September 1 in the years 2035, 2037, 2042, 2044, and 2047 are term bonds (the "Term Bonds") and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), and in the principal amount set forth in the following schedule:

\$280,000 Term Bonds Maturing on September 1, 2035

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2034	\$ 140,000
September 1, 2035 (Maturity)	\$ 140,000

\$290,000 Term Bonds Maturing on September 1, 2037

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2036	\$ 145,000
September 1, 2037 (Maturity)	\$ 145,000

\$630,000 Term Bonds Maturing on September 1, 2042

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2040	\$ 200,000
September 1, 2041	\$ 210,000
September 1, 2042 (Maturity)	\$ 220,000

\$465,000 Term Bonds Maturing on September 1, 2044

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2043	\$ 230,000
September 1, 2044 (Maturity)	\$ 235,000

\$775,000 Term Bonds Maturing on September 1, 2047

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2045	\$ 245,000
September 1, 2046	\$ 260,000
September 1, 2047 (Maturity)	\$ 270,000

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

Outstanding Bonds

The Bonds are the District's fourth series of bonds issued for the purpose of financing water, wastewater and drainage facilities (the "Utility System") to serve the District. The following bonds have previously been issued for the purpose of financing the Utility System: \$2,020,000 Unlimited Tax Bonds, Series 2014; \$3,370,000 Unlimited Tax Bonds, Series 2016; and \$4,310,000 Unlimited Tax Bonds, Series 2019, of which \$8,475,000 in aggregate principal are outstanding as of February 1, 2023 (the "Outstanding Utility Bonds"). The District has also issued six series of bonds for the purpose of financing a road system (the "Road System") to serve the District: \$2,675,000 Unlimited Tax Bonds, Series 2011; \$2,200,000 Unlimited Tax Road Bonds, Series 2014; \$3,375,000 Unlimited Tax Road Bonds, Series 2015; \$3,235,000 Unlimited Tax Road Bonds, Series 2018; \$2,215,000 Unlimited Tax Road Refunding Bonds, Series 2019; \$2,470,000 Unlimited Tax Road Bonds, Series 2021; and \$5,780,000 Unlimited Tax Road Bonds, Series 2022, of which \$17,795,000 in aggregate principal are outstanding as of February 1, 2023 (the "Outstanding Road Bonds"). The Outstanding Road Bonds and Outstanding Utility Bonds are collectively referred to herein as the "Outstanding Bonds."

Annexation

Under existing Texas law, because the District lies wholly within the extraterritorial jurisdiction of the Town of Little Elm (the "Town"), the District may be annexed for full purposes by the Town without the District's consent, subject to compliance by the Town with various requirements of Chapter 43 of the Texas Local Government Code, as amended. The District may be annexed and dissolved by the Town only if (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the land owners, consenting to annexation. If the District is annexed, the Town must assume the District's assets and obligations (including the Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the Town is a policy-making matter within the discretion of the Mayor and Town Council of the Town, subject to the requirements of Chapter 43 of the Texas Local Government Code, as amended, and therefore, the District makes no representation that the Town will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the Town to make debt service payments should the annexation occur.

Consolidation

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

Issuance of Additional Debt

The District intends to issue additional bonds. Any bonds issued by the District must be approved by the Attorney General of Texas, and the bonds issued to finance the acquisition and construction of water, wastewater and/or drainage facilities must be approved by the TCEQ. The District's voters have authorized the issuance of \$29,500,000 principal amount of unlimited tax bonds for the purpose of constructing the Road System, \$25,600,000 principal amount of unlimited tax bonds for the purpose of constructing the Utility System and \$55,100,000 principal amount of unlimited tax bonds for refunding purposes, and could authorize additional amounts.

Following the issuance of the Bonds, the District will have \$11,725,000 in principal amount of authorized but

unissued unlimited tax bonds for financing the Utility System; \$9,765,000 in principal amount of authorized but unissued unlimited tax bonds for financing the Road System; and \$55,040,000 in principal amount of authorized but unissued unlimited tax refunding bonds for purposes of refunding outstanding bonds of the District. The District reserves in the Bond Order the right to issue the remaining authorized but unissued bonds plus such additional bonds as may hereafter be authorized by voters in the District. In addition, the District has the right to issue obligations, other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow money for any valid public purpose.

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount of bonds ultimately issued by the District. Except with respect to the issuance of bonds for road purposes, the District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. The total amount of bonds and other obligations of the District issued for road purposes may not exceed one-fourth of the certified assessed valuation of the real property in the District. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for and the investment quality and value of the Bonds.

Based on present engineering cost estimates and on development plans, in the opinion of the District's Engineer (defined herein), the remaining \$9,765,000 principal amount of authorized but unissued unlimited tax bonds for financing the Road System will be sufficient to fully finance roads to serve the remaining undeveloped but developable land within the District.

Based on present engineering cost estimates and on development plans, in the opinion of the District's Engineer, the remaining \$11,725,000 principal amount of authorized but unissued unlimited tax bonds for financing the Utility System will be sufficient to fully finance such facilities to serve the remaining undeveloped but developable land within the District.

Following the issuance of the Bonds, the District will still owe the Developers approximately \$5,100,000 for the reimbursable expenditures advanced to develop land, including roads within the District and capacity payments to Upper Trinity on behalf of the District. The District expects to submit a bond application to the TCEQ in the second quarter of 2023 for approval of the issuance of unlimited tax bonds for the purpose of financing the Utility System in the amount of approximately \$5,900,000. Such bonds are expected to be issued in the second half of 2023. See "THE UTILITY SYSTEM," "THE ROAD SYSTEM" and "THE DISTRICT - Status of Development."

Registered Owners' Remedies

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

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

The Bond Order provides for the defeasance of the Bonds when the payment of the principal of the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment or (2) Defeasance Securities (hereinafter defined), maturing as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the Paying Agent/Registrar for the Bonds. The Bond Order provides that "Defeasance Securities" means (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 of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provides for funding of an escrow to defease the 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 Board adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provides for funding of an escrow to defease the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the defeasance securities. Provided, however, the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to redeem, at an earlier date, those Bonds which have been defeased to their maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following

the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Use and Distribution of Bond Proceeds

A portion of the proceeds from the sale of the Bonds will be used to pay the Utility System construction costs shown below, including related engineering and testing costs. Additionally, proceeds from the Bonds will be used to pay developer interest, operating costs, and certain costs of issuance of the Bonds.

	Amount
<u>CONSTRUCTION COSTS</u>	
1. Northlake Estates Phase 2 – Water, Wastewater, and Drainage	\$ 2,390,234
2. Northlake Estates Phase 2 – Lift Station	388,000
3. Northlake Estates Phase 2 – Lift Station Pavement	5,000
4. Engineering	453,132
5. Land Costs – Northlake Estates Phase 2 Lift Station Site	16,534
6. Less: Surplus Funds	<u>(214,925)</u>
TOTAL CONSTRUCTION COSTS	\$ 3,037,975
<u>NON-CONSTRUCTION COSTS</u>	
1. Legal Fees	\$ 104,375
2. Fiscal Agent Fees	83,500
3. Interest	
a. Developer Interest	552,680
4. Bond Discount	124,995
5. Bond Issuance Expenses	57,500
6. Operating Expenses	157,108
7. Bond Application Reporting Costs	42,000
8. Attorney General Fee	4,175
9. TCEQ Bond Issuance Fee	10,438
10. Contingency (a)	<u>255</u>
TOTAL NON CONSTRUCTION COSTS	\$ 1,137,025
TOTAL BOND ISSUE REQUIREMENT	\$ 4,175,000

(a) The difference between the estimated and actual amount of discount on the Bonds.

In the instance that estimated amounts exceed the actual costs, the difference comprises a surplus which may be used in accordance with the rules of the TCEQ. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District’s auditor.

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

[Remainder of this page intentionally left blank.]

**DISTRICT FINANCIAL DATA
(UNAUDITED)**

General

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

2022 Taxable Assessed Valuation.....	\$ 327,915,979 (a)
(100% of taxable value as of January 1, 2022)	
See "TAX DATA" and "TAXING PROCEDURES."	
Estimate of Value as of September 1, 2022.....	\$ 401,900,000 (b)
Direct Debt:	
The Outstanding Bonds (as of delivery of the Bonds)	\$ 26,270,000
The Bonds	<u>4,175,000</u>
Total	\$ 30,445,000
Estimated Overlapping Debt.....	<u>\$ 18,610,548 (c)</u>
Total Direct and Estimated Overlapping Debt	<u>\$ 49,055,548</u>
Direct Debt Ratio:	
As a percentage of 2022 Taxable Assessed Valuation	9.28 %
As a percentage of Estimate of Value as of September 1, 2022	7.58 %
Direct and Estimated Overlapping Debt Ratio:	
As a percentage of 2022 Taxable Assessed Valuation	14.96 %
As a percentage of Estimate of Value as of September 1, 2022	12.21 %
Utility System Debt Service Fund Balance (as of January 17, 2023).....	\$ 959,252 (d)
Road Debt Service Fund Balance (as of January 17, 2023).....	\$ 984,547 (d)
General Operating Fund Balance (as of January 17, 2023).....	\$ 2,727,070
Utility System Capital Projects Fund Balance (as of January 17, 2023).....	\$ 268,930 (e)
Road Capital Projects Fund Balance (as of January 17, 2023).....	\$ 3,487,862
2022 Tax Rate	
Utility System Debt Service.....	\$0.235
Road Debt Service.....	0.355
Maintenance & Operations	<u>0.340</u>
Total.....	<u>\$0.930 (f)</u>
Average Annual Debt Service Requirements	
on the Bonds and Outstanding Bonds (2023-2040, high years).....	\$ 2,078,619 (g)
Maximum Annual Debt Service Requirements	
On the Bonds and Outstanding Bonds (2024).....	\$ 2,145,535 (g)
Combined Tax Rate per \$100 of Assessed Valuation Required to Pay	
Average Annual Debt Service Requirements on the Bonds and Outstanding Bonds	
(2023-2040, high years) at 95% Tax Collections:	
Based Upon 2022 Assessed Valuation (\$327,915,979)	\$0.67
Based Upon Estimate of Value as of September 1, 2022 (\$401,900,000)	\$0.55
Combined Tax Rate per \$100 of Assessed Valuation Required to Pay	
Maximum Annual Debt Service Requirements on the Bonds and Outstanding Bonds	
(2024) at 95% Tax Collections:	
Based Upon 2022 Assessed Valuation (\$327,915,979)	\$0.69
Based Upon Estimate of Value as of September 1, 2022 (\$401,900,000)	\$0.57
Number of Single-Family Homes (including 16 homes under construction)	1,137

-
- (a) As certified by the Denton Central Appraisal District (the "Appraisal District" or "DCAD"). See "TAXING PROCEDURES."
 - (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of September 1, 2022, and includes an estimate of additional taxable value resulting from additional taxable improvements constructed in the District from January 1, 2022, through September 1, 2022. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
 - (c) See "DISTRICT FINANCIAL DATA – Estimated Overlapping Debt Statement."
 - (d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund. The Debt Service Fund has two components: the Utility System Debt Service Fund and the Road Debt Service Fund. Any funds in the Road System Debt Service Fund are pledged only to pay the debt service on the Outstanding Road Bonds and are not pledged to the Bonds or the Outstanding Utility Bonds.
 - (e) It is expected that \$214,925 of this balance will be used to reimburse the Developers for projects included in this bond issue. See "THE BONDS – Use and Distribution of Bond Proceeds".
 - (f) See "TAX DATA – Tax Rate Distribution."
 - (g) Requirements of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT FINANCIAL DATA –Debt Service Requirements."

[Remainder of Page Intentionally Left Blank]

Estimated Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt as of December 31, 2022	Percent	Overlapping Amount
Denton County	\$ 559,930,000	0.25%	\$ 1,391,196
Denton ISD	1,268,695,283	0.95%	12,064,905
Little Elm ISD	323,195,141	1.59%	<u>5,154,446</u>
TOTAL ESTIMATED OVERLAPPING DEBT			\$ 18,610,548
Direct Debt			<u>30,445,000</u> (a)
TOTAL DIRECT & ESTIMATED OVERLAPPING DEBT			<u>\$ 49,055,548</u>

(a) Includes the Bonds.

Debt Ratios

	2022 Taxable Assessed Valuation	Estimate of Value as of September 1, 2022
Direct Debt (a)	9.28%	7.58%
Total Direct and Estimated Overlapping Debt (a)	14.96%	12.21%

(a) Includes the Bonds.

[Remainder of Page Intentionally Left Blank]

Debt Service Requirements

The following schedule sets forth the debt service requirements on the Outstanding Bonds, plus the principal and interest requirements for the Bonds. Totals may not sum due to rounding.

Year	Outstanding Debt Service	Plus: The Bonds		Total New Debt Service	Total Debt Service
		Principal	Interest		
2023	\$ 1,630,946	\$ -	\$ 79,423	\$ 79,423	\$ 1,710,369
2024	1,830,710	135,000	179,825	314,825	2,145,535
2025	1,829,685	140,000	173,075	313,075	2,142,760
2026	1,835,315	140,000	165,375	305,375	2,140,690
2027	1,853,960	130,000	157,675	287,675	2,141,635
2028	1,848,603	140,000	150,525	290,525	2,139,128
2029	1,850,609	145,000	142,825	287,825	2,138,434
2030	1,853,646	145,000	135,575	280,575	2,134,221
2031	1,863,998	145,000	130,863	275,863	2,139,860
2032	1,866,923	145,000	126,150	271,150	2,138,073
2033	1,872,888	145,000	121,075	266,075	2,138,963
2034	1,883,173	140,000	115,275	255,275	2,138,448
2035	1,890,610	140,000	109,675	249,675	2,140,285
2036	1,890,729	145,000	104,075	249,075	2,139,804
2037	1,898,279	145,000	98,275	243,275	2,141,554
2038	1,918,381	130,000	92,475	222,475	2,140,856
2039	1,600,613	195,000	87,275	282,275	1,882,888
2040	1,442,175	200,000	79,475	279,475	1,721,650
2041	1,023,194	210,000	70,975	280,975	1,304,169
2042	1,031,919	220,000	62,050	282,050	1,313,969
2043	1,034,119	230,000	52,700	282,700	1,316,819
2044	844,600	235,000	42,925	277,925	1,122,525
2045	546,588	245,000	32,938	277,938	824,525
2046	552,575	260,000	22,525	282,525	835,100
2047	407,550	270,000	11,475	281,475	689,025
Totals	\$ 38,101,784	\$ 4,175,000	\$ 2,544,498	\$6,719,498	\$ 44,821,282

Average Annual Requirements – (2023-2040, high years).....	\$2,078,619
Maximum Annual Requirement – (2024)	\$2,145,535

[Remainder of Page Intentionally Left Blank]

TAXING PROCEDURES

Property Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real and tangible personal property and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District; however, no effort is expected to be made by the Appraisal District to include on the tax roll tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; certain property owned by charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind powered energy devices; inventory and warehouse goods in transit; and most individually-owned automobiles and travel trailers. In addition, the District, either by action of its Board or through a process of petition and referendum initiated by its residents, may grant exemptions for residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board. For the 2023 tax year, the District granted a \$25,000 exemption to persons 65 years of age or older and to certain other disabled persons.

Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent allowed by law. The disabled veteran exemption ranges between \$5,000 and \$12,000, depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption of the full value of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence

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

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

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

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

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

Valuation of Property for Taxation

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

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the appraisal district at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

Disaster Exemption

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.

District and Taxpayer Remedies

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

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

Agricultural, Open Space, Timberland and Inventory Deferment

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

selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land.

Notice and Hearing Procedures

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

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units

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

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor 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 on an annual basis. The District is designated as a Developing District for the 2022 tax year. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's

future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

Levy and Collection of Taxes

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

Taxes are due on receipt of the tax bill and become delinquent after January 31 of the following year or on the first day of the calendar month next following the expiration of twenty-one (21) days after mailing of the tax bills, whichever occurs later. A delinquent tax incurs an initial penalty of six percent (6%) of the amount to the tax and accrues an additional penalty of one percent (1%) per month up to July 1, at which time the total penalty becomes twelve percent (12%). In addition, delinquent taxes accrue interest at one percent (1%) per month. If the tax is not paid by July 1, an additional penalty of up to twenty percent (20%) of the total amount of taxes, penalties and interest then due may, under certain circumstances, be imposed by the District. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payments, partial payments of taxes and the postponement of the delinquency date of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for the purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act or (iii) qualifies as a disabled veteran under Texas law, is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in equal installments over a period of between 12 and 36 months as determined by the District) when such person has not entered into another installment agreement with respect to the delinquent taxes within the preceding twenty-four (24) months.

Collection of Delinquent Taxes

Taxes levied by the District are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of all other such taxing units. A tax lien on real property has priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. In the event a taxpayer fails to make timely payment of taxes due the District, the District may file suit to foreclose its lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to certain restrictions. Whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. In the absence of such federal law, the District's tax lien takes priority over a tax lien of the United States. The ability of the District to collect delinquent taxes by foreclosure may be adversely affected by the amount of taxes owed to other taxing units, the foreclosure sale price attributable to market conditions, the taxpayer's right to redeem the property within six (6) months of foreclosure (2 years in the case of residential or agricultural property), or by bankruptcy proceedings which restrain the collection of a taxpayer's debts or modify such debts. The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Outstanding Bonds, the Bonds and any future tax-supported bonds which may be issued from time to time as authorized. Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an unlimited amount, for operation and maintenance purposes. The Board has levied a 2022 tax rate for Road System debt service of \$0.355 per \$100 of assessed valuation, a Utility System debt service tax rate of \$0.235 per \$100 of assessed valuation and a tax rate for maintenance of \$0.34 per \$100 of assessed valuation, for a total 2022 tax rate of \$0.930 per \$100 of assessed valuation.

Tax Rate Limitation

Road System Debt Service:	Unlimited (no legal limit as to rate or amount).
Utility System Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	Unlimited (no legal limit as to rate or amount).

Historical Tax Collections

The following table illustrates the collection history of the District for the 2017 – 2022 tax years:

Tax Year	Certified Assessed Valuation	Tax Rate/ \$100 (a)	Adjusted Levy	% of Current Collections	Fiscal Year Ending 9/30	% of Total Collections as of 12/31/2022
2017	\$ 165,134,894	\$ 0.950	\$ 1,568,781	100.00%	2018	100.00%
2018	180,482,905	0.900	1,624,346	99.99	2019	99.99
2019	205,689,552	0.900	1,851,206	99.92	2020	99.99
2020	222,843,341	0.930	2,072,443	99.93	2021	99.98
2021	251,782,974	0.930	2,341,582	99.97	2022	100.00
2022	327,915,979	0.930	3,049,619	75.99 (b)	2023	75.99

(a) Includes a tax for maintenance and operation purposes. See "- Tax Rate Distribution" below.

(b) In process of collection as of December 31, 2022.

Tax Rate Distribution

	2022	2021	2020	2019	2018
Utility System Debt Service	\$0.235	\$0.230	\$0.250	\$0.285	\$0.180
Road Debt Service	0.355	0.345	0.335	0.365	0.310
Maintenance & Operations	<u>0.340</u>	<u>0.355</u>	<u>0.345</u>	<u>0.250</u>	<u>0.410</u>
	<u>\$0.930</u>	<u>\$0.930</u>	<u>\$0.930</u>	<u>\$0.900</u>	<u>\$0.900</u>

Analysis of Tax Base

The following table illustrates the District's total taxable assessed value for the 2018 – 2022 tax years by type of property.

Type of Property	2022 Assessed Valuation	2021 Assessed Valuation	2020 Assessed Valuation	2019 Assessed Valuation	2018 Assessed Valuation
Land	\$ 95,331,209	\$ 72,981,947	\$ 58,718,293	\$ 55,900,383	\$ 51,982,929
Improvements	258,751,898	183,730,607	167,709,659	152,293,685	130,637,858
Personal Property	1,442,367	942,773	1,253,356	1,242,815	1,332,590
Exemption	<u>(27,609,495)</u>	<u>(5,872,353)</u>	<u>(4,837,967)</u>	<u>(3,747,331)</u>	<u>(3,470,472)</u>
Total	\$ 327,915,979	\$ 251,782,974	\$ 222,843,341	\$ 205,689,552	\$ 180,482,905

Exemptions and Special Valuations

As discussed in the section titled “TAXING PROCEDURES” herein, certain property in the District may be exempt from taxation by the District. For the 2023 tax year, the District has granted an exemption of \$25,000 of the appraised value on residential homesteads of individuals who are 65 years of age or older or are under certain disabilities. According to the Appraisal District, as of January 1, 2022, (i) no land within the District was designated for agricultural use, open space or timberland, and (ii) 34 parcels, totaling \$3,162,327 in market value, have been designated as residential inventory.

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2022:

Taxpayer	Type of Property	Assessed Valuation 2022 Tax Roll
First Texas Homes Inc. (a)	Land & Improvements	\$ 4,668,312
Lennar Homes of Texas Land & Construction LTD (a)	Land & Improvements	3,521,556
CSH Property One LLC	Land & Improvements	3,495,293
MM VMF LLC	Land & Improvements	2,053,306
Taylor Morrison of Texas Inc (a)	Land & Improvements	1,932,897
SFR JV-2 Property LLC	Land & Improvements	1,609,238
Homeowner	Land & Improvements	1,200,000
Opendoor Property Trust I	Land & Improvements	1,089,816
Homeowner	Land & Improvements	1,078,557
Homeowner	Land & Improvements	<u>1,065,000</u>
Total		<u>\$ 21,713,975</u>
Percentage of 2022 Assessed Valuation		<u>6.62 %</u>

(a) See “HOMEBUILDERS WITHIN THE DISTRICT.”

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Taxable Assessed Valuation that would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2022 Taxable Assessed Valuation (\$327,915,979) or the Estimate of Value as of September 1, 2022 (\$401,900,000). The foregoing further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Combined Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2023-2040, high years).....	\$2,078,619
Tax Rate of \$0.67 on the 2022 Taxable Assessed Valuation at 95% collection produces	\$2,087,185
Tax Rate of \$0.55 on the Estimate of Value as of September 1, 2022 at 95% collection produces	\$2,099,928
Combined Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2024)	\$2,145,535
Tax Rate of \$0.69 on the 2022 Taxable Assessed Valuation at 95% collection produces	\$2,149,489
Tax Rate of \$0.57 on the Estimate of Value as of September 1, 2022 at 95% collection produces	\$2,176,289

Estimated Overlapping Taxes

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

Set forth below is a compilation of all 2022 taxes levied by such jurisdictions per \$100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

Taxing Jurisdiction	Denton ISD 2022 Tax Rate/ Per \$100 of A.V.	Little Elm ISD 2022 Tax Rate/ Per \$100 of A.V.
The District	\$0.930000	\$0.930000
Denton ISD	1.344600	-
Little Elm ISD	-	1.412900
Denton County	<u>0.217543</u>	<u>0.217543</u>
Estimated Total Tax Rate	<u>\$2.492143</u>	<u>\$2.560443</u>

THE DISTRICT

General

The District is a conservation and reclamation district and political subdivision of the State of Texas and operates pursuant to Article XVI, Section 59 and Article III, Section 52 of the Constitution of the State of Texas, and Chapters 49, 51 and, for certain purposes, 53, of the Texas Water Code, as amended.

Denton County Fresh Water Supply District No. 11 ("District 11") was created by the Denton County Commissioner's Court on December 12, 2000, as a fresh water supply district pursuant to Chapter 53, Texas Water Code, as amended. On January 20, 2001, pursuant to an election within such district, District 11 was authorized to assume sanitary sewer and road district powers. On February 20, 2001, District 11 converted to a water control and improvement district. At an election held on May 3, 2003, voters approved the division of District 11 into Denton County Fresh Water Supply District No. 11-A ("District 11-A") and the initial Denton County Fresh Water Supply District No. 11-B ("Original District 11-B"). At an election held on November 8, 2005, voters approved the division of Original District 11-B into the current Denton County Fresh Water Supply District No. 11-B (the "District") and Denton County Fresh Water Supply District No. 11-C ("District 11-C"). Pursuant to such voter approved divisions, the District succeeded to the rights and powers of its predecessor districts, including sanitary sewer powers and road district powers under Chapter 257, Texas Transportation Code.

The creation of District 11 and certain acts and proceedings of District 11 taken prior to June 17, 2001, were validated and confirmed in all respects by Senate Bill No. 1444, Acts of the 77th Legislature, Regular Session, 2001. Accordingly, the District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water; and the construction, operation and maintenance of macadamized, graveled or paved roads and turnpikes. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, subject to the approval of the TCEQ and the voters of the District. Additionally, the District may, subject to certain limitations, utilize non-tax revenues to develop and finance parks and recreational facilities.

The District has received approval from the TCEQ to implement a plan (the "Fire Plan") relating to fire-protection services within the District. The Fire Plan has been developed in coordination with several conservation and reclamation districts located near the District and includes a contract (the "Fire-Protection Contract") with the City of Aubrey to staff and operate a fire station located north of the District. The Fire Plan,

which was approved by District voters at an election held on November 6, 2007, is funded through a monthly surcharge added to each customer’s water bill and will not be funded with the proceeds of any bonds issued by the District.

Location of the District

The District is located approximately 32 miles northwest of the central downtown business district of the City of Dallas and lies wholly within the extraterritorial jurisdiction of the Town of Little Elm. The District is located within Denton Independent School District (“DISD”) and Little Elm Independent School District (“LEISD”) and is bordered on the north by Braswell High School and District 11-A, by developing acreage and District 11-C on the east, by Lake Lewisville on the south, and by District 11-A and Denton County Fresh Water Supply District No. 8-A on the west. Access to the District is provided by the Dallas North Tollway to U.S. Highway 380 and west to Navo Road/Villa Paloma Boulevard.

Management of the District

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

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
David McClellan	President	2026
Karen Brown	Vice President	2024
Tyrus Hill	Secretary	2024
Lester Finch	Assistant Secretary	2026
Kevin Youngblood	Assistant Secretary	2026

The District contracts with the following companies and individuals to provide certain necessary services as follows:

Tax Assessor/Collector – The District's Tax Assessor/Collector is Michelle French, the Denton County Tax Assessor/Collector.

Bookkeeper – The District contracts with Dye & Toverly, LLC, for bookkeeping services.

Utility System Operator – The District’s operator is Mustang Special Utility District (“MSUD”).

Auditor – The District’s financial statements for the fiscal year ended February 28, 2022, were audited by McCall Gibson Swedlund Barfoot PLLC, a copy of which is included as APPENDIX A.

Engineer – The consulting engineer retained by the District in connection with the design and construction of the District’s facilities is Pettitt-ECD LP. (the “Engineer”).

Bond Counsel – The District has engaged McCall, Parkhurst & Horton L.L.P., Dallas Texas as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

Disclosure Counsel – The District has engaged McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Disclosure Counsel in connection with the issuance of the Bonds. The legal fees to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds.

General Counsel – The District has engaged Allen Boone Humphries Robinson LLP, Houston, Texas, as General Counsel to the District. The fees to be paid to General Counsel for services rendered in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Financial Advisor – The District has engaged the firm of Robert W. Baird & Co. Incorporated as financial advisor to the District. Payment to the Financial Advisor by the District is contingent upon the issuance, sale and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an

independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

Status of Development

Development within the District currently consists of Paloma Creek South, Phases 5B, 7A, 7B, 7C, 8A, 8B, 8C, 8D, 8E, 9A, and 12 (710 lots on approximately 150 acres) and Northlake Estates, Phases 1, 2, and 3 (750 lots on approximately 191 developable acres). As of February 1, 2023, there were approximately 1,121 completed single-family homes within the District, 16 homes under construction and 323 vacant developed lots available for home construction. Recreational amenities for residents within the District include an approximate 2-acre park with a playground. The District contains approximately 29 acres of land that are not developable. There are also hiking and biking trails throughout Paloma Creek.

The table below summarizes the development within the District as of February 1, 2023, by section.

Developed Single-Family Residential	Approximate Acreage	Lots	Homes		Vacant Developed Lots
			Completed	Under Construction	
Paloma Creek South, Phase 5B	28.357	151	151	-	-
Paloma Creek South, Phase 7A	8.689	48	48	-	-
Paloma Creek South, Phase 7B	0.884	7	7	-	-
Paloma Creek South, Phase 7C	20.016	105	105	-	-
Paloma Creek South, Phase 8A	15.828	68	68	-	-
Paloma Creek South, Phase 8B	14.907	82	82	-	-
Paloma Creek South, Phase 8C	8.312	45	45	-	-
Paloma Creek South, Phase 8D	14.927	78	78	-	-
Paloma Creek South, Phase 8E	2.453	11	11	-	-
Paloma Creek South, Phase 9A	10.052	41	41	-	-
Paloma Creek South, Phase 12	25.724	74	74	-	-
Northlake Estates, Phase 1	43.992	176	176	-	-
Northlake Estates, Phase 2	65.892	251	235	16	-
Northlake Estates, Phase 3	81.521	323	-	-	323
Totals	341.554	1,460	1,121	16	323
Recreation	1.895				
Under Development	<u>0.00</u>				
Undevelopable Acreage	29.255				
Total	<u>372.704</u>				

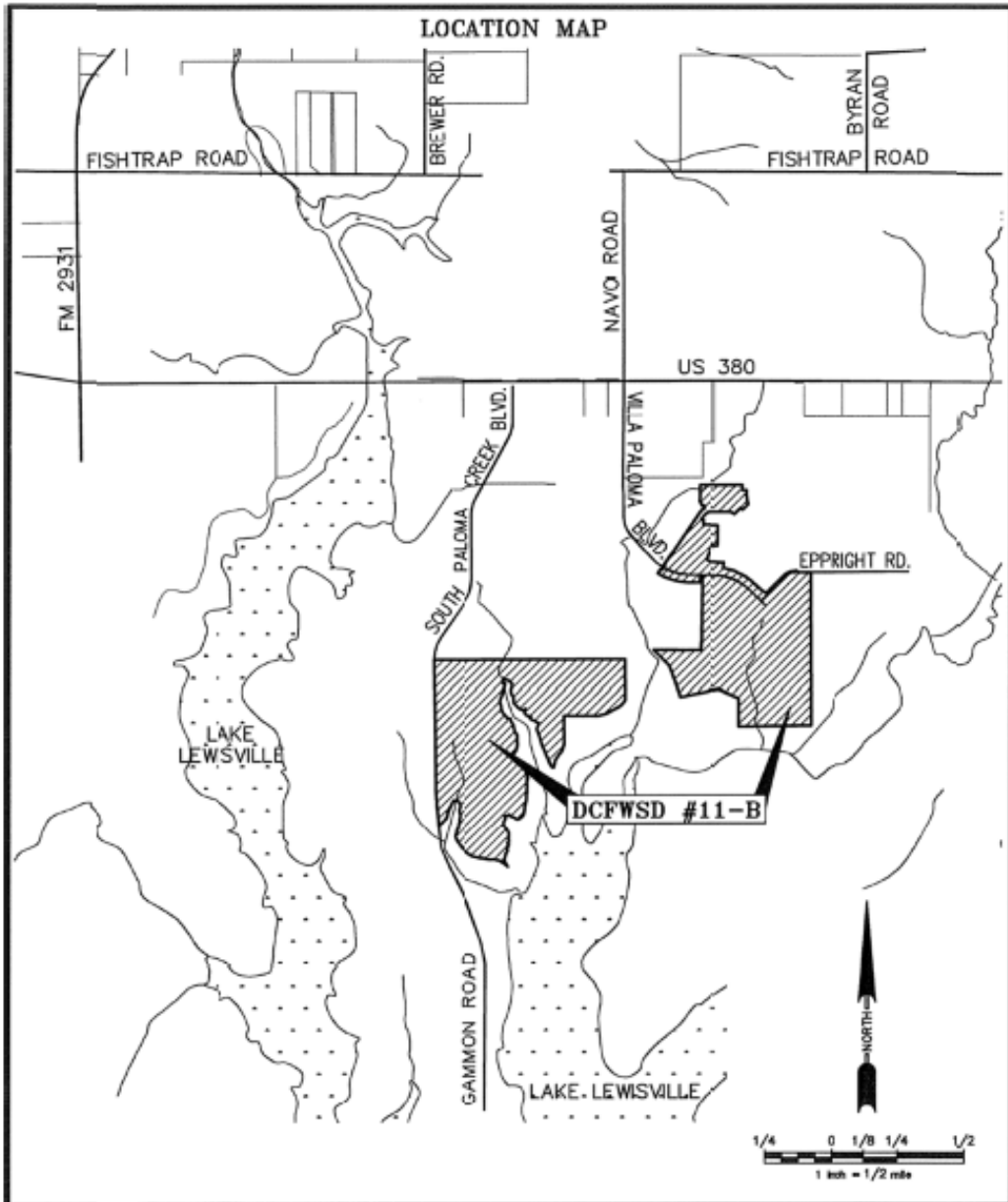
HOMEBUILDERS WITHIN THE DISTRICT

Builders currently building homes within the District include Lennar Homes, Megatel Homes, Oakdale Homes, Taylor Morrison Homes, and First Texas Homes Inc. The homes being marketed in the District range in size from approximately 1,800 square feet to 4,375 square feet and range in price from approximately \$250,000 to over \$775,000.

PALOMA CREEK

The District is part of the 1,400-acre master-planned community of Paloma Creek, consisting of the District and four other utility districts (Denton County Fresh Water Supply District Nos. 8-A, 8-B, 11-A and 11-C). Approximately 5,538 single-family residential lots have been constructed in Paloma Creek, including 1,460 lots in the District. The District contains the neighborhood area of Paloma Creek South and Northlake Estates.

LOCATION MAP



PETITT BARRAZA
ENGINEERING PLANNING SURVEYING

300 Municipal Drive
Richardson, Texas 75080

Tel. No. (214) 221-9955
Fax No. (214) 340-3550

JOB NO: 01008
SCALE: 1"=1/2 MILE
DATE: OCTOBER 20, 2011
DRAWN BY: BRW

THE DEVELOPERS

The Role of a Developer

In general, the activities of a landowner or developer in a district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of roads and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. A developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

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

None of the Developers (hereinafter defined), nor any affiliate of any such entity, if any, is obligated to pay principal of or interest on the Bonds. Furthermore, none of the Developers has a binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by such entities should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the District's boundaries.

The Developers

Denton 380 and CADG (as defined hereunder) are collectively referred to herein as the "Developers."

- Denton 380 -

Denton 380 Associates, L.P., a Texas limited partnership ("Denton 380") was formed for the purpose of acquiring and holding for investment and sale tracts of land, including 178 acres of the land in the District. Denton 380 has determined the overall development plan for such 178 acres of land in the District and arranged for the construction of utility trunk lines and the acquisition of water supply and sewage treatment capacity from Upper Trinity. PRA 380 Investors, L.P. ("PRA 380"), a Texas limited partnership, is the general partner and IHP Investment Fund III, L.P. ("IHP"), a California limited partnership, is the limited partner of Denton 380. The general partner of PRA 380 Investors, L.P. is PRA 380, Inc., a Texas corporation. Leon J. Backes is the President of PRA 380, Inc.

Denton 380 has sold all of the land it owned in the District to various entities for development. As part of the consideration for the sale of land by Denton 380, and further in consideration of Denton 380's agreement to advance funds to pay expenses under the Joint Utility Contract (as defined under "THE UTILITY SYSTEM – Upper Trinity Regional Water District Contracts") and District operating costs, as necessary, each of these other entities has assigned to Denton 380 all or a portion of moneys eligible to be reimbursed to it from the proceeds of District bonds issued to finance water, sewer, drainage and road facilities to serve the land owned by such entities. Denton 380 also has the right to be reimbursed from the proceeds of District bonds for advances made to pay expenses under the Joint Utility Contract and operating expenses, subject to legal and regulatory limitations (although no such reimbursement for these expenses under the Joint Utility Contract and operating advances will be paid from the proceeds of the Bonds). In addition, Denton 380 has retained the right to repurchase such acreage in accordance with the terms of the agreements between such entities and Denton 380. Denton 380 no longer owns any land in the District but has the right to receive reimbursement from the District for operating advances.

Affiliates of Centurion American Development Group (together “CADG”) are the developers of approximately 191 acres of land in the District. CADG has developed such land (750 lots) as Northlake Estates, Phases 1, 2, and 3. See “TAX DATA – Principal Taxpayers.”

Denton 380 has been assigned the right to a portion of reimbursement for road and utility facilities constructed with advances from CADG.

THE ROAD SYSTEM

Certain of the District’s roads and ancillary improvements (“Road System”) that lie within the District’s boundaries have been funded with the proceeds of the Outstanding Road Bonds. Construction of the District’s roads is subject to certain regulation by Denton County. The roads in the District are constructed with reinforced concrete pavement with curbs on cement or lime stabilized subgrade. Remaining streets provide local interior service within the District. The Road System also includes streetlights and franchise utilities (power, phone and cable). Public utilities such as water, wastewater and storm drainage are typically located within street right of ways. The Road System is maintained by the District.

THE UTILITY SYSTEM

Regulation

According to the Engineer, the water distribution and wastewater collection lines constructed by the District (the “Utility System”) have been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the Town, Mustang Special Utility District and Denton County. According to the District’s Engineer, the design of all such facilities has been approved by all required governmental agencies and inspected by the TCEQ.

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

Upper Trinity Regional Water District Contracts

Upper Trinity Regional Water District (“Upper Trinity”) was created by the State of Texas to create and operate regional water and wastewater systems in Denton County and surrounding areas. Denton County Fresh Water Supply District No. 11 (“District No. 11”) entered into two separate contracts (together, the “Contracts”) with Upper Trinity as follows: “Upper Trinity Regional Water District Regional Treated Water System Participating Customer Contract with Denton County Fresh Water Supply District No. 11” (the “Water Contract”), and “Upper Trinity Regional Water District Northeast Regional Water Reclamation System Participating Customer Contract with Denton County Fresh Water No. 11” (the “Wastewater Contract”), each dated August 29, 2001, and subsequently amended. Pursuant to an Order Declaring Results and Canvassing Election to Divide Denton County Fresh Water Supply District No. 11 into Two New Districts, dated May 6, 2003, the rights and obligations of District 11 under the Contracts were retained by District 11-A. Further pursuant to the Contracts, District 11-A has contracted for 3,300,000 gpd peak flow of treated water supply and 716,000 gpd of wastewater treatment capacity for the benefit of the District, District 11-A and District 11-C.

Pursuant to the Contracts, Upper Trinity pledges to deliver certain water supply and wastewater services as required to serve the needs of the property owners within the District, District 11-A and District 11-C. The Upper Trinity water and wastewater system is financed by Upper Trinity through the issuance of bonds payable from and secured by payments made under the Contracts and other similar contracts with other members and customers of Upper Trinity.

The District, District 11-A and District 11-C were created and organized to provide certain facilities and services, including water and sanitary sewer facilities and services to the areas within their respective boundaries. Pursuant to a Merged, Amended and Restated Joint Utility Contract, dated as of March 1, 2011 (as amended, the “Joint Utility Contract”), among District 11-A, District 11-C and the District, District 11-A has assumed responsibility of coordinating and securing provision of such services and facilities on behalf of the District, District 11-A and District 11-C. In this regard, District 11-A has entered into or otherwise assumed the Contracts securing water and wastewater service and capacities from Upper Trinity. The Riverbend Plant’s total treatment capacity is 4.0 MGD, of which District 11-A has subscribed to 716,000 gpd for the benefit of

District 11-A, the District and District 11-C. Under the Joint Utility Contract, the District is allocated a total of 273,000 gpd of wastewater treatment capacity.

Pursuant to the Joint Utility Contract, the District, District 11-A and District 11-C have established procedures for the acquisition and allocation among the districts of treated water supply and wastewater capacity provided by Upper Trinity under the Contracts and a procedure for the allocation of the costs and expenses arising under the Contracts.

To pay its share of such costs and expenses, each district has agreed to fix and collect water and sewer rates and to levy a contract tax, if necessary, to meet its obligations. Each of the District, District 11-A and District 11-C has the statutory authority to levy and collect an annual ad valorem tax to make payments under a contract, if the provisions of the contract have been approved by a majority of the qualified voters of such District, and such tax is approved by the TCEQ. On May 12, 2007, voters in the District approved the Joint Utility Contract and levy of a contract tax in support thereof without legal limitation as to rate or amount. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Outstanding Bonds and the Bonds, taxes for any additional tax bonds which may be issued in the future, and taxes for the maintenance of the District's improvements and operational expenses. The District has not made application to the TCEQ for approval of the levy of a tax pursuant to the Joint Utility Contract, and accordingly the District has not levied a contract tax at this time. None of the District, District 11-A or District 11-C has levied a contract tax. All of the Districts are current in their respective payments under the Joint Utility Contract, and the Joint Utility Contract is in full force and effect.

Description of the System

- Water Supply -

As described above under "Upper Trinity Regional Water District Contracts," the District's water supply is obtained from Upper Trinity. Pursuant to the Joint Utility Contract, the District has the contractual right to 1,260,000 gpd of treated water, which is sufficient to serve at least 1,455 single-family residential homes. For treated water, the District is required to pay its pro-rata share of a current annual Demand Charge of \$465,055 per million gpd subscribed capacity and a current monthly Volume Charge (as defined in the Contracts) of \$1.34 per 1,000 gallons used. As of January 1, 2023, the District was serving approximately 1,139 active residential connections.

- Wastewater Treatment -

The District's wastewater is treated by the Riverbend Wastewater Treatment Plant (the "Riverbend Plant") owned and operated by Upper Trinity, which currently has 4,000,000 gallons per day ("gpd") of treatment capacity constructed and operational. See "Upper Trinity Regional Water District Contracts" above. Pursuant to the Joint Utility Contract, the District currently has the right to use 273,000 gpd of wastewater treatment capacity, which is sufficient to serve 1,475 single family connections based on the wastewater "flow factor" presented in the District's application to the TCEQ for approval of the Bonds, which application was approved. For wastewater treatment, the District is required to pay its pro-rata share of an annual Fixed Operations and Maintenance Charge of \$589,650 per million gpd subscribed capacity, an annual Joint Facilities Capital Charge of \$137,925, an annual Individual Facilities Capital Charge of \$266,585, and a current monthly Volume Charge of \$1.34 per 1,000 gallons treated. Collection of wastewater by Upper Trinity is accomplished by underground piping. As of January 1, 2023, the District was serving approximately 1,139 active residential connections.

- Drainage -

The District generally drains to the south to tributaries of Lewisville Lake located on the Elm Fork of the Trinity River. According to the District's engineer, none of the developable land within the District is within the 100-year flood plain.

Historical Operations of the District

The following is a summary of the District's Operating Fund activity for the last 5 years. The figures for the fiscal years ending February 28, 2018, through February 28, 2022, were obtained from the District's annual financial reports, reference to which is hereby made. The District is required by statute to have a certified public accountant prepare and file an annual audit of its financial records with the TCEQ.

The Bonds are payable from the levy of an annual ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, if any, derived from the District operations are not pledged to the payment of the Bonds but are available for any lawful purposes, including payment of debt service of the Bonds, at the discretion of and upon action by the Board. It is not anticipated that any significant net revenues will be available for payment of debt on the Bonds.

	Fiscal Year Ended February 28				
	2022	2021	2020	2019	2018
REVENUES:					
Property Taxes	\$ 900,328	\$ 732,059	\$ 517,082	\$ 735,811	\$ 696,344
Water Service	705,221	619,766	533,033	452,607	448,462
Wastewater Service	616,880	540,706	461,845	404,416	384,918
Fire Protection Service	150,829	111,733	81,309	72,787	69,290
Franchise Fees	60,150	55,509	55,079	54,133	45,974
Penalty and Interest	27,843	12,400	22,493	18,640	15,188
Permit Fees	316,100	17,450	96,350	222,050	11,000
Miscellaneous Revenues	<u>41,591</u>	<u>61,480</u>	<u>124,702</u>	<u>59,873</u>	<u>28,452</u>
TOTAL REVENUES	\$ 2,818,942	\$ 2,151,103	\$ 1,891,893	\$ 2,020,317	\$ 1,699,628
EXPENDITURES:					
Professional Fees	\$ 159,622	\$ 133,540	\$ 124,338	\$ 154,158	\$ 102,024
Contracted Services	1,168,096	1,126,495	744,728	487,360	407,129
Purchased Water Service	699,735	685,854	654,411	532,842	532,466
Purchased Wastewater Service	412,964	402,985	320,698	196,289	172,691
Repairs and Maintenance	73,107	51,274	46,018	32,940	11,285
Other	<u>62,165</u>	<u>46,372</u>	<u>59,778</u>	<u>51,625</u>	<u>27,726</u>
TOTAL EXPENDITURES	\$ 2,575,689	\$ 2,446,520	\$ 1,949,971	\$ 1,455,214	\$ 1,253,321
Excess (Deficiency) of Revenues Over Expenditures	\$ 243,253	\$ (295,417)	\$ (58,078)	\$ 565,103	\$ 446,307
Other Financing Sources (Uses)	\$ -0-	\$ -0-	\$ 39,078-	\$ 374,512	\$ -0-
BEGINNING FUND BALANCE (DEFICIT)	<u>\$ 1,924,572</u>	<u>\$ 2,219,989</u>	<u>\$ 2,238,989</u>	<u>\$ 1,299,374</u>	<u>\$ 853,067</u>
ENDING FUND BALANCE (DEFICIT)	<u>\$ 2,167,825</u>	<u>\$ 1,924,572</u>	<u>\$ 2,219,989</u>	<u>\$ 2,238,989</u>	<u>\$ 1,299,374</u>

[Remainder of Page Intentionally Left Blank]

INVESTMENT CONSIDERATIONS

General

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

Infectious Disease Outbreak (COVID-19)

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus (“COVID-19”) to be a public health emergency. On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in the State of Texas because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State of Texas and pursuant to Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

There are currently no COVID-19 related operating limits imposed by executive order of the Governor for any business or other establishment in the State of Texas. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

Economic Factors Affecting Taxable Values and Tax Payment

The rate of development within the District is directly related to the vitality of the single-family housing market in the Dallas and Denton metropolitan areas. New single-family residential construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of single-family residential construction would restrict the growth of property values in the District. Although the construction of 16 single-family homes is under way as of February 1, 2023, the District cannot predict the pace or magnitude of any future development in the District. See “THE DISTRICT – Status of Development.”

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

Competition: The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition for new single-family home sales from other developments, there are numerous previously-owned single-family homes in more established commercial centers and neighborhoods closer to Dallas that are for sale. Such existing developments could represent additional competition for new development proposed to be constructed within the District. The competitive position of the Developers or the principal landowners in the sale of land, and the

sale or leasing of residences is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developers will be implemented or, if implemented, will be successful.

Maximum Impact on District Tax Rate: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2022 Taxable Assessed Valuation of property within the District (see "TAX DATA") is \$327,915,979 and the Estimate of Value as of September 1, 2022 of property within the District is \$401,900,000. After issuance of the Bonds, the maximum annual debt service requirement for the Outstanding Bonds and the Bonds is \$2,145,535 (2024) and the average annual debt service requirement for the Outstanding Bonds and the Bonds is \$2,078,619 (2023 through 2040, inclusive, the high years). See "DISTRICT FINANCIAL DATA – Pro-Forma Debt Service Requirements." Assuming no increase to nor decrease from the 2022 Taxable Assessed Valuation, tax rates of \$0.69 and \$0.67 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively, on the Outstanding Bonds and the Bonds. Assuming no increase to nor decrease from the Estimate of Value as of September 1, 2022, tax rates of \$0.57 and \$0.55 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively, on the Outstanding Bonds and the Bonds.

The District levied a tax rate in 2022 of \$0.355 per \$100 of assessed valuation for Road System debt service, \$0.235 per \$100 of assessed valuation for Utility System debt service and \$0.340 per \$100 of assessed valuation for maintenance and operations.

As of February 1, 2023, approximately 323 developed lots within the District remained available for construction. Failure of the Developers and/or builders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of the District issued in the future. Future increases in value will result primarily from the construction of homes by builders. The District makes no representation that the lot sales and building program will be successful.

Tax Collections and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by difficulties in collecting ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure.

The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures; (b) a bankruptcy court's stay of tax collection proceedings against a taxpayer; or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. See "TAXING PROCEDURES – District and Taxpayer Remedies."

Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "TAX DATA--Estimated Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property after foreclosure). Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against the collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or

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

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

Bankruptcy Limitation to Registered Owners' Rights

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

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

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

The District may not be placed into bankruptcy involuntary.

Future Debt

Following the issuance of the Bonds, the District will have \$9,765,000 in principal amount of authorized but unissued unlimited tax bonds for the purpose of financing the Road System; \$11,725,000 in principal amount of authorized but unissued unlimited tax bonds for the purpose of financing the Utility System; and \$55,040,000 in principal amount of authorized but unissued unlimited tax refunding bonds for purposes of refunding the outstanding bonds of the District. The District reserves in the Bond Order the right to issue the remaining authorized but unissued bonds plus such additional bonds as may hereafter be authorized by voters in the District. In addition, the District has the right to issue obligations, other than bonds, including tax anticipation notes and bond anticipation notes, and to borrow money for any valid public purpose. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for and the investment quality and value of the Bonds.

Based on present engineering cost estimates and on development plans, in the opinion of the District's Engineer, following the issuance of the Bonds, the remaining \$9,765,000 principal amount of authorized but unissued unlimited tax bonds for financing the Road System will be sufficient to fully finance the Road System to serve the remaining undeveloped but developable land within the District.

Based on present engineering cost estimates and on development plans, in the opinion of the District's Engineer, the remaining \$15,900,000 principal amount of authorized but unissued unlimited tax bonds for financing the Utility System will be sufficient to fully finance the Utility System to serve the remaining undeveloped but developable land within the District.

Following the issuance of the Bonds, the District will owe the Developers approximately \$5,100,000 for the reimbursable expenditures advanced to operate the District and capacity payments to Upper Trinity on behalf of the District (but not including funds advanced toward construction and expansion of the Riverbend Plant). The District expects to submit a bond application to the TCEQ in the second quarter of 2023 for approval of the issuance of unlimited tax bonds for the purpose of financing the Utility System in the amount of approximately \$5,900,000. Such bonds are expected to be issued in the second half of 2023. See "THE ROAD SYSTEM," "THE UTILITY SYSTEM" and "THE DISTRICT – Status of Development."

Marketability of the Bonds

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

Continuing Compliance with Certain Covenants

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

Approval of the Bonds

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

Future and Proposed Legislation

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Environmental Regulations

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

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
- Restricting the manner in which wastes are treated and released into the air, water, and soils;

- Restricting or regulating the use of wetlands or other properties; and
- Requiring remedial action to prevent or mitigate pollution.

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

Air Quality Issues: Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the TCEQ may impact new industrial, commercial, and residential development in the Dallas-Fort Worth (“DFW”) area. Under the Clean Air Act (“CAA”) Amendments of 1990, a nine (9)-county DFW 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 (8)-hour (84 ppb) standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”).

However, a ten (10)-county DFW 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 (8)-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 (9)-county DFW 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 (8)-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 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 non-stormwater 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. 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 itself became the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule (“NWPR”), which contained a new definition of “waters of the United States.” The NWPR became effective June 22, 2020, and is the subject of ongoing litigation.

On June 9, 2021, the EPA and USACE announced plans to further revise the definition of “waters of the United States.” On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE made plans to replace it. On November 18, 2021, the EPA and USACE issued a Notice of Proposed Rulemaking to put back into place the pre-2015 definition of “waters of the United States,” and on December 7, 2021, the proposed rule was published in the Federal Register, with the public comment period closing on February 7, 2022. On December 30, 2022, the EPA and USACE finalized the proposed rule, effective as of March 20, 2023, which vacates and remands the NWPR released in 2020 and interprets “waters of the United States” consistent with the pre-2015 regulatory regime. The adoption of the new rule is the subject of litigation, including a suit filed in the United States District Court for the Southern District of Texas. Due to this existing and possible future litigation and regulatory action, there remains uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

Potential Impact of Natural Disaster

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

Subject to certain conditions, owners of qualified property in a Governor-declared disaster area are entitled to a temporary property tax exemption, if such qualified property is at least 15 percent damaged, and the owner of such property applies for the exemption within a specified time frame. See “TAXING PROCEDURES – Disaster Exemption.”

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation

to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from such natural disasters.

Bond Insurance Risk Factors

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

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

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

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

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

Neither the District or Underwriter have made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" and "MUNICIPAL BOND RATINGS" herein for further information provided by the bond insurer and the Policy, which includes further instructions for obtaining current financial information concerning the bond insurer.

LEGAL MATTERS

Legal Opinions

The District will furnish to the Underwriter a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, levied without legal limitation as to rate or amount, upon all taxable property within the District. The District will also furnish the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the

Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to sovereign immunity and to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, Disclosure Counsel.

The District will also furnish the legal opinion of Bond Counsel to the District to the effect that interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under existing law, subject to the matters discussed below under "TAX MATTERS."

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

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

Legal Review

In its capacity as Bond Counsel, McCall, Parkhurst & Horton L.L.P., has reviewed the information appearing in this OFFICIAL STATEMENT under the captioned sections "THE BONDS (except for information with respect to the amount of Outstanding Bonds and information under the subheadings "Annexation," "Issuance of Additional Debt," and "Use and Distribution of Bond Proceeds")," "THE DISTRICT — Management of the District," "TAXING PROCEDURES," "LEGAL MATTERS," and "TAX MATTERS" solely to determine whether such information fairly summarizes the documents, laws and procedures referred to therein. Such firm has not independently verified factual information contained in this OFFICIAL STATEMENT, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

TAX MATTERS

Opinion

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

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

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The

opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

Interest on the Bonds may be includable in certain corporations "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

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

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Not Qualified Tax-Exempt Obligations for Financial Institutions

The District has not designated the Bonds as "qualified tax-exempt obligations" for financial institutions.

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President and Secretary of the Board will, on behalf of the District, execute and deliver to the Underwriter a certificate dated as of the date of delivery, to the effect that no litigation of any nature is pending against or, to the knowledge of the District's certifying officers, threatened against the

District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

NO MATERIAL ADVERSE CHANGE

The obligations of the Underwriter to take and pay for the Bonds, and the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the financial condition of the District 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 the sale.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District shall file annually with the MSRB, (1) within six months after the end of each fiscal year ending in or after 2023, financial information and operating data of the general type included in this Official Statement under the headings, "DISTRICT FINANCIAL DATA" (except for "Estimated Overlapping Debt Statement"), "TAX DATA," and financial statements of the District including supplemental schedules and (2) if not provided as part of such financial information and operating data, audited financial statements when and if available. Any financial statements provided by the District shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within twelve months after any such fiscal year end, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such twelve month period, and audited financial statements when the audit report becomes available.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR §240.15c2-12 (the "Rule" or "SEC Rule 15c2-12"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if

material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. Neither the Bonds or the Bond Order make any provision for debt service reserve or a trustee.

For the purposes of event (12) in the immediately preceding paragraph, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. For the purposes of events (15) and (16), the term “Financial Obligation” means 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) guarantee of a debt obligation or any such derivative instrument; provided that “Financial Obligation” shall not include municipal securities as to which a final official statement (as defined the Rule) has been provided to the MSRB consistent with the Rule.

The District shall notify the MSRB in an electronic format prescribed by the MSRB, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with the Rule. All documents provided to the MSRB pursuant to this section shall be accompanied by identifying information as prescribed by the MSRB.

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The information will be available to holders of Bonds at www.emma.msrb.org.

Limitations and Amendments

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

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

the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings

On December 1, 2017, S&P Global Ratings published a report withdrawing its rating for National Public Finance Guarantee Corporation (“NPPG”). On December 5, 2017, Kroll Bond Rating Agency published a report withdrawing its rating for NPPG. An event notice for the District’s bonds affected by the ratings withdrawals for NPPG was filed by the District on April 15, 2019. Such information was not made within ten business days of the event. However, information regarding the rating withdrawals was widely publicized and available to the public in the immediate aftermath of such withdrawals.

Except as may be affected by the above-referenced filing, during the last five years, the District has complied in all material respects with its previous continuing disclosure agreements made in accordance with SEC Rule 15c2-12.

OFFICIAL STATEMENT

General

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

The District’s audited financial statements for the year ended February 28, 2022, were prepared by McCall Gibson Swedlund Barfoot PLLC, and have been included herein as “APPENDIX A.” McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountant, has consented to the publication of such financial statements in this Official Statement.

Experts

The information contained in this Official Statement relating to development and the status of development within the District generally and, in particular, the information in the section captioned “THE DEVELOPERS – The Developers” has been provided by each of the Developers and has been included herein in reliance upon the authority and knowledge of each such party concerning the matters described therein.

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

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

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

Certification as to Official Statement

At the time of payment for and delivery of the Bonds, the District will furnish the Underwriter a certificate, executed by the President and Secretary of the Board of Directors of the District, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in this Official Statement, on the date thereof and on the date of delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, this Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements

herein, in the light of the circumstances under which they were made, not misleading; and (c) insofar as the descriptions and statements, including financial data, contained in this Official Statement, of or pertaining to entities other than the District, such statements and data have been obtained from sources which the District believes to be reliable, and the District has no reason to believe that they are untrue in any material respect.

Updating the Official Statement

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

CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of Denton County Fresh Water Supply District No. 11-B as of the date specified on the first page hereof.

/s/ David McClellan
President, Board of Directors
Denton County Fresh Water Supply District No. 11-B

ATTEST:

/s/ Tyrus Hill
Secretary, Board of Directors
Denton County Fresh Water Supply District No. 11-B

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
DENTON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FEBRUARY 28, 2022

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B

DENTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FEBRUARY 28, 2022

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	9-12
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	13
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	14-15
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	16
NOTES TO THE FINANCIAL STATEMENTS	17-36
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND	38
SUPPLEMENTARY INFORMATION REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	40-42
GENERAL FUND EXPENDITURES	43
INVESTMENTS	44
TAXES LEVIED AND RECEIVABLE	45-46
LONG-TERM DEBT SERVICE REQUIREMENTS	47-55
CHANGES IN LONG-TERM BOND DEBT	56-57
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	58-61
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	62-63

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708

PO Box 29584
Austin, TX 78755-5126
(512) 610-2209
www.mgsbpllc.com
E-Mail: mgsb@mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Denton County Fresh Water Supply District No. 11-B
Denton County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Denton County Fresh Water Supply District No. 11-B (the "District") as of and for the year ended February 28, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of February 28, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Board of Directors
Denton County Fresh Water Supply District No. 11-B

Supplementary Information

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

June 21, 2022

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2022**

Management’s discussion and analysis of the financial performance of Denton County Fresh Water Supply District No. 11-B (the “District”) provides an overview of the District’s financial activities for the year ended February 28, 2022. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2022**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$2,386,272 as of February 28, 2022. The following is a comparative analysis of government-wide changes in the Statement of Net Position as of February 28, 2022, and February 28, 2021:

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2022	2021	Change Positive (Negative)
Current and Other Assets	\$ 5,452,033	\$ 4,924,289	\$ 527,744
Capital Assets (Net of Accumulated Depreciation)	<u>20,300,065</u>	<u>15,416,387</u>	<u>4,883,678</u>
Total Assets	<u>\$ 25,752,098</u>	<u>\$ 20,340,676</u>	<u>\$ 5,411,422</u>
Deferred Outflows of Resources	<u>\$ 72,769</u>	<u>\$ 77,227</u>	<u>\$ (4,458)</u>
Due to Developers	\$ 4,941,040	\$ 1,487,766	\$ (3,453,274)
Bonds Payable	20,994,904	19,147,055	(1,847,849)
Other Liabilities	<u>827,518</u>	<u>647,296</u>	<u>(180,222)</u>
Total Liabilities	<u>\$ 26,763,462</u>	<u>\$ 21,282,117</u>	<u>\$ (5,481,345)</u>
Deferred Inflows of Resources	<u>\$ 1,447,677</u>	<u>\$ 1,260,783</u>	<u>\$ (186,894)</u>
Net Position:			
Net Investment in Capital Assets	\$ (5,138,490)	\$ (3,148,328)	\$ (1,990,162)
Restricted	555,173	575,659	(20,486)
Unrestricted	<u>2,197,045</u>	<u>447,672</u>	<u>1,749,373</u>
Total Net Position	<u>\$ (2,386,272)</u>	<u>\$ (2,124,997)</u>	<u>\$ (261,275)</u>

The following table provides a summary of the District's operations for the years ending February 28, 2022, and February 28, 2021.

	Summary of Changes in the Statement of Activities		
	2022	2021	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,221,858	\$ 2,082,957	\$ 138,901
Charges for Services	1,877,023	1,357,564	519,459
Other Revenues	<u>43,034</u>	<u>79,644</u>	<u>(36,610)</u>
Total Revenues	<u>\$ 4,141,915</u>	<u>\$ 3,520,165</u>	<u>\$ 621,750</u>
Expenses for Services	<u>4,403,190</u>	<u>3,492,289</u>	<u>(910,901)</u>
Change in Net Position	\$ (261,275)	\$ 27,876	\$ (289,151)
Net Position, Beginning of Year	<u>(2,124,997)</u>	<u>(2,152,873)</u>	<u>27,876</u>
Net Position, End of Year	<u>\$ (2,386,272)</u>	<u>\$ (2,124,997)</u>	<u>\$ (261,275)</u>

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of February 28, 2022, were \$3,499,368, an increase of \$169,417 from the prior year.

The General Fund fund balance increased by \$243,253, primarily due to property tax revenues and service revenues exceeding current year operating expenditures.

The Debt Service Fund fund balance increased by \$6,657, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance decreased by \$80,493. The District issued its Series 2021 Road Bonds to reimburse developers for construction costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were more than budgeted revenues by \$199,985 and actual expenditures were more than budgeted expenditures by \$43,284 which resulted in a positive variance of \$156,701. See the budget to actual comparison for more detail.

CAPITAL ASSETS

Capital assets as of February 28, 2022, total \$20,300,065 (net of accumulated depreciation) and include roads as well as the water, wastewater and drainage systems. Current year additions included the lift station and utilities serving Northlake Estates, Phase 2.

Capital Assets At Year-End			
	2022	2021	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 911,356	\$ 911,356	\$
Capital Assets Subject to Depreciation:			
Water System	3,412,707	2,360,893	1,051,814
Wastewater System	7,143,319	5,000,164	2,143,155
Drainage System	1,945,575	1,639,143	306,432
Roads	10,069,754	8,177,893	1,891,861
Less Accumulated Depreciation	(3,182,646)	(2,673,062)	(509,584)
Total Net Capital Assets	\$ 20,300,065	\$ 15,416,387	\$ 4,883,678

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2022**

LONG-TERM DEBT

As of February 28, 2022, the District had total bond debt payable of \$21,140,000. The changes in the debt position of the District during the year ended February 28, 2022, are summarized as follows:

Bond Debt Payable, March 1, 2021	\$ 19,300,000
Add: Bond Sale	2,470,000
Less: Bond Principal Paid	<u>630,000</u>
Bond Debt Payable, February 28, 2022	<u>\$ 21,140,000</u>

The District’s Series 2014, Series 2014 Road bonds and Series 2015 Road bonds were not rated for the current nor prior fiscal years. The Series 2016, Series 2018 Road, Series 2019, Series 2019 Road Refunding, and Series 2021 Road bonds carry underlying ratings of “Baa2”. The insured rating was withdrawn for the Series 2016 bonds while the Series 2018 Road, Series 2019, and Series 2021 Road bonds carry insured ratings of “AA/A1” by virtue of bond insurance issued by Assured Guaranty Municipal Corporation. The Series 2019 Road Refunding bonds carry an insured rating of “AA” by virtue of bond insurance issued by Build America Mutual Assurance Company. Such ratings are as of February 28, 2022, and are subject to change.

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Denton County Fresh Water Supply District No. 11-B, c/o Crawford & Jordan LLP, 19 Briar Hollow Lane, Suite 245, Houston, TX 77027.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
FEBRUARY 28, 2022

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 768,879	\$ 664,611
Investments	1,786,252	1,290,887
Cash with Fiscal Agent		354,420
Receivables:		
Property Taxes	29,220	47,352
Service Accounts	55,624	
Prepaid Costs	30,168	
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 2,670,143	\$ 2,357,270
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,670,143	\$ 2,357,270

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 6,967	\$ 1,440,457	\$	\$ 1,440,457
417,653	3,494,792		3,494,792
	354,420		354,420
	76,572		76,572
	55,624		55,624
	30,168		30,168
		911,356	911,356
		19,388,709	19,388,709
\$ 424,620	\$ 5,452,033	\$ 20,300,065	\$ 25,752,098
\$ -0-	\$ -0-	\$ 72,769	\$ 72,769
\$ 424,620	\$ 5,452,033	\$ 20,372,834	\$ 25,824,867

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

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
FEBRUARY 28, 2022

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 340,946	\$
Accrued Interest Payable		
Due to Developers		
Security Deposits	132,152	
Accrued Interest at Time of Sale		2,151
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 473,098	\$ 2,151
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 29,220	\$ 1,448,196
FUND BALANCES		
Nonspendable: Prepaid Costs	\$ 30,168	\$
Restricted for Authorized Construction		
Restricted for Debt Service		906,923
Assigned to 2023 Budget Deficit	38,683	
Unassigned	2,098,974	
TOTAL FUND BALANCES	\$ 2,167,825	\$ 906,923
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,670,143	\$ 2,357,270
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$	\$ 340,946	\$	\$ 340,946
		354,420	354,420
		4,941,040	4,941,040
	132,152		132,152
	2,151	(2,151)	
		650,000	650,000
		20,344,904	20,344,904
<u>\$ -0-</u>	<u>\$ 475,249</u>	<u>\$ 26,288,213</u>	<u>\$ 26,763,462</u>
<u>\$ -0-</u>	<u>\$ 1,477,416</u>	<u>\$ (29,739)</u>	<u>\$ 1,447,677</u>
\$	\$ 30,168	\$ (30,168)	\$
424,620	424,620	(424,620)	
	906,923	(906,923)	
	38,683	(38,683)	
	2,098,974	(2,098,974)	
<u>\$ 424,620</u>	<u>\$ 3,499,368</u>	<u>\$ (3,499,368)</u>	<u>\$ -0-</u>
<u>\$ 424,620</u>	<u>\$ 5,452,033</u>		
		\$ (5,138,490)	\$ (5,138,490)
		555,173	555,173
		2,197,045	2,197,045
		<u>\$ (2,386,272)</u>	<u>\$ (2,386,272)</u>

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

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FEBRUARY 28, 2022**

Total Fund Balances - Governmental Funds		\$ 3,499,368
--	--	--------------

Amounts reported for governmental activities in the Statement of Net Position are different because:

Interest paid in advance as part of a refunding bond sale is recorded as deferred outflows of resources in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter.		72,769
--	--	--------

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		20,300,065
--	--	------------

Deferred inflows of resources related to property tax revenues for the 2021 and prior maintenance tax levies and the 2020 and prior debt service tax levies are recorded as revenue in governmental activities.		29,739
---	--	--------

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developers	\$ (4,941,040)	
Accrued Interest Payable	(352,269)	
Bonds Payable	<u>(20,994,904)</u>	<u>(26,288,213)</u>
Total Net Position - Governmental Activities		<u>\$ (2,386,272)</u>

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

THIS PAGE INTENTIONALLY LEFT BLANK

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED FEBRUARY 28, 2022

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 900,328	\$ 1,303,690
Water Service	705,221	
Wastewater Service	616,880	
Fire Protection Service	150,829	
Franchise Fees	60,150	
Penalty and Interest	27,843	
Permit Fees	316,100	
Investment and Miscellaneous Revenues	41,591	701
TOTAL REVENUES	\$ 2,818,942	\$ 1,304,391
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 159,622	\$
Contracted Services	1,168,096	16,454
Purchased Water Service	699,735	
Purchased Wastewater Service	412,964	
Repairs and Maintenance	73,107	
Depreciation		
Other	62,165	
Developer Interest		
Capital Outlay		
Debt Service:		
Bond Issuance Costs		
Bond Principal		630,000
Bond Interest		651,280
TOTAL EXPENDITURES/EXPENSES	\$ 2,575,689	\$ 1,297,734
EXCESS (DEFICIENCY) OF REVENUES OVER		
EXPENDITURES/EXPENSES	\$ 243,253	\$ 6,657
OTHER FINANCING SOURCES (USES)		
Proceeds from Issuance of Long-Term Debt	\$ -0-	\$ -0-
NET CHANGE IN FUND BALANCES	\$ 243,253	\$ 6,657
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - MARCH 1, 2021	1,924,572	900,266
FUND BALANCES/NET POSITION - FEBRUARY 28, 2022	\$ 2,167,825	\$ 906,923

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$	\$ 2,204,018	\$ 17,840	\$ 2,221,858
	705,221		705,221
	616,880		616,880
	150,829		150,829
	60,150		60,150
	27,843		27,843
	316,100		316,100
742	43,034		43,034
<u>\$ 742</u>	<u>\$ 4,124,075</u>	<u>\$ 17,840</u>	<u>\$ 4,141,915</u>
\$	\$ 159,622	\$	\$ 159,622
	1,184,550		1,184,550
	699,735		699,735
	412,964		412,964
81,235	154,342		154,342
		509,584	509,584
	62,165		62,165
42,576	42,576		42,576
2,198,293	2,198,293	(1,939,988)	258,305
229,131	229,131		229,131
	630,000	(630,000)	
	651,280	38,936	690,216
<u>\$ 2,551,235</u>	<u>\$ 6,424,658</u>	<u>\$ (2,021,468)</u>	<u>\$ 4,403,190</u>
<u>\$ (2,550,493)</u>	<u>\$ (2,300,583)</u>	<u>\$ 2,039,308</u>	<u>\$ (261,275)</u>
<u>\$ 2,470,000</u>	<u>\$ 2,470,000</u>	<u>\$ (2,470,000)</u>	<u>\$ -0-</u>
\$ (80,493)	\$ 169,417	\$ (169,417)	\$
		(261,275)	(261,275)
505,113	3,329,951	(5,454,948)	(2,124,997)
<u>\$ 424,620</u>	<u>\$ 3,499,368</u>	<u>\$ (5,885,640)</u>	<u>\$ (2,386,272)</u>

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

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2022**

Net Change in Fund Balances - Governmental Funds	\$	169,417
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.</p>		17,840
<p>Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.</p>		(509,584)
<p>Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.</p>		1,939,988
<p>Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.</p>		630,000
<p>Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.</p>		(38,936)
<p>Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.</p>		<u>(2,470,000)</u>
Change in Net Position - Governmental Activities	\$	<u><u>(261,275)</u></u>

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

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2022

NOTE 1. CREATION OF DISTRICT

On December 12, 2000, the Denton County Commissioners Court approved the order creating Denton County Fresh Water Supply District No. 11 of Denton County, Texas (“District No. 11”). At an election held on January 20, 2001, voters confirmed the creation of District No. 11. On February 20, 2001, following a hearing, the governing board of District No. 11 approved the conversion of District No. 11 to a Water Control and Improvement District operating under Chapter 51 of the Texas Water Code and specifically reserved certain rights under Sections 53.029, 53.030 through 53.034, 53.040 through 53.041, 53.112, 53.121, and 53.125 of the Texas Water Code.

At an election held within the boundaries of District No. 11 on May 3, 2003, voters approved the division of District No. 11 into two new districts, of which Denton County Fresh Water Supply District No. 11-B (“Original District 11-B”) was one. At an election held within the boundaries of Original District 11-B on November 8, 2005, voters approved the division of Original District 11-B into two districts consisting of Denton County Fresh Water Supply District No. 11-B (the “District”) and Denton County Fresh Water Supply District No. 11-C (“District 11-C”). The District held its first meeting on November 17, 2005. Pursuant to the provisions of Chapters 49, 51 and 53 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, roads, solid waste collection and disposal and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

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

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

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

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

Government-Wide Financial Statements

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

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

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

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

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures.

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

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

Basis of Accounting

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

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

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Property taxes considered available by the District and included in revenue include collections of the 2021 and prior maintenance tax levies and the 2020 and prior debt service tax levies. Recognition of tax revenues from the 2021 debt service tax levy has been deferred to the upcoming fiscal year to more closely match the timing of the debt service payments.

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Water, Wastewater and Drainage Systems	10-45
Roads	45

Budgeting

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

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll purposes only.

Measurement Focus

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

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

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

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

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

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. As of year end, the District assigned \$38,683 of its General Fund fund balance for use in the fiscal year ending 2023.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

The following is a summary of transactions regarding bonds payable for the year ended February 28, 2022:

	<u>March 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>February 28, 2022</u>
Bonds Payable	\$ 19,300,000	\$ 2,470,000	\$ 630,000	\$ 21,140,000
Unamortized Discounts	(227,572)		(11,955)	(215,617)
Unamortized Premiums	74,627		4,106	70,521
Bonds Payable, Net	<u>\$ 19,147,055</u>	<u>\$ 2,470,000</u>	<u>\$ 622,151</u>	<u>\$ 20,994,904</u>
			Amount Due Within One Year	\$ 650,000
			Amount Due After One Year	<u>20,344,904</u>
			Bonds Payable, Net	<u>\$ 20,994,904</u>

As of February 28, 2022, the District had authorized but unissued bonds in the amount of \$15,900,000 for water, sewer and drainage facilities, \$15,545,000 for roads and \$55,040,000 for refunding purposes.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2022

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2014	Road Series 2014	Road Series 2015	Series 2016
Amount Outstanding – February 28, 2022	\$1,675,000	\$1,840,000	\$2,865,000	\$2,870,000
Interest Rates	3.20% - 4.50%	3.00% - 4.125%	2.50% - 3.875%	2.00% - 3.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2022/2038	September 1, 2022/2039	September 1, 2022/2040	September 1, 2022/2040
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2022*	September 1, 2022*	September 1, 2023*	September 1, 2024*
	Road Series 2018	Series 2019	Refunding Series 2019	Road Series 2021
Amount Outstanding – February 28, 2022	\$3,010,000	\$4,210,000	\$2,200,000	\$2,470,000
Interest Rates	3.00% - 5.50%	2.00% - 3.375%	2.00% - 4.00%	2.00% - 2.25%
Maturity Dates – Serially Beginning/Ending	September 1, 2022/2043	September 1, 2022/2044	September 1, 2022/2038	September 1, 2023/2046
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2023*	September 1, 2024*	September 1, 2028*	September 1, 2026*

* On any date thereafter, at a price of par plus unpaid accrued interest to the date fixed for redemption. The Series 2014 term bonds maturing on September 1, 2034, and 2038, are subject to mandatory redemption beginning September 1, 2033, and 2035, respectively. The Series 2014 Road term bonds maturing on September 1, 2037, and 2039, are subject to mandatory redemption beginning September 1, 2036, and 2038, respectively. The Series 2015 Road term bonds maturing on September 1, 2026, 2028, 2030, 2032, 2034, 2036, 2038, and 2040 are subject to mandatory redemption beginning September 1, 2025, 2027, 2029, 2031, 2033, 2035, 2037 and 2039, respectively. The Series 2016 term bonds maturing on September 1, 2026, 2028, 2030, 2033, and 2040, are subject to mandatory redemption beginning September 1, 2025, 2027, 2029, 2031, and 2039, respectively. The Series 2018 term bonds maturing on September 1, 2031, 2035, 2037, 2039, and 2043 are subject to mandatory redemption beginning September 1, 2030, 2034, 2036, 2038, and 2040, respectively. The Series 2019 term bonds maturing on September 1, 2034, 2036, and 2038, are subject to mandatory redemption beginning September 1, 2033, 2035, and 2037, respectively. The Series 2019 Road term bonds maturing on September 1, 2030, 2032, 2034, 2036, and 2038, are subject to mandatory redemption beginning September 1, 2029, 2031, 2033, 2035, and, 2037, respectively. The Series 2021 Road term bonds maturing on September 1, 2030, 2033, 2036, 2038, 2040, 2042, 2044, and 2046, are subject to mandatory redemption beginning September 1, 2027, 2031, 2034, 2037, 2039, 2041, 2043, and 2045, respectively.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2022

NOTE 3. LONG-TERM DEBT (Continued)

As of February 28, 2022, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 650,000	\$ 693,781	\$ 1,343,781
2024	750,000	663,295	1,413,295
2025	780,000	640,786	1,420,786
2026	805,000	618,536	1,423,536
2027	835,000	597,566	1,432,566
2028-2032	4,685,000	2,601,073	7,286,073
2033-2037	5,650,000	1,761,073	7,411,073
2038-2042	5,130,000	749,067	5,879,067
2043-2047	1,855,000	124,674	1,979,674
	<u>\$ 21,140,000</u>	<u>\$ 8,449,851</u>	<u>\$ 29,589,851</u>

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

The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. During the year ended February 28, 2022, the District levied a total ad valorem debt service tax rate of \$0.575 per \$100 of assessed valuation which resulted in a tax levy of \$1,447,677 on the adjusted taxable valuation of \$251,769,831 for the 2021 tax year. The entire 2021 debt service tax levy has been deferred to meet the debt service costs of the next fiscal year. See Note 7 for the maintenance tax levy.

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The District is required to provide to certain information repositories continuing disclosure of annual financial information and operating data with respect to the District. The information is of the general type included in the annual audit report and must be filed within six months after the end of each fiscal year of the District.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2022

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS
(Continued)

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the Bonds be rebated to the federal government, within the meaning of Section 148(f) of the Internal Revenue Code. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of each issue.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$1,689,457 and the bank balance was \$1,694,338. The District was not exposed to custodial credit risk at year end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at February 28, 2022, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 768,879	\$ 181,354	\$ 950,233
DEBT SERVICE FUND	664,611		664,611
CAPITAL PROJECTS FUND	6,967	67,646	74,613
TOTAL DEPOSITS	\$ 1,440,457	\$ 249,000	\$ 1,689,457

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2022

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

<u>Fund and Investment Type</u>	<u>Fair Value</u>	<u>Maturities of Less Than 1 Year</u>
<u>GENERAL FUND</u>		
LOGIC	\$ 908,939	\$ 908,939
TexSTAR	695,959	695,959
Certificate of Deposit	181,354	181,354
<u>DEBT SERVICE FUND</u>		
LOGIC	811,698	811,698
TexSTAR	479,189	479,189
<u>CAPITAL PROJECTS FUND</u>		
LOGIC	162,955	162,955
TexSTAR	187,052	187,052
Certificate of Deposit	<u>67,646</u>	<u>67,646</u>
TOTAL INVESTMENTS	<u>\$ 3,494,792</u>	<u>\$ 3,494,792</u>

The District invests in LOGIC (Local Government Investment Cooperative), an external public fund investment pool that is not SEC-registered. LOGIC is organized and existing as a business trust under the laws of the State of Texas with all participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the participants. Hilltop Securities, Inc. and J.P. Morgan Investment Management, Inc. serve as co-administrators of the

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2022

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

pool. LOGIC measures all of its portfolio assets at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from LOGIC. The District measures its investments in LOGIC at amortized cost and certificates of deposit at acquisition cost.

The District invests in the Texas Short Term Asset Reserve Program (“TexSTAR”), an external public funds investment pool that is not SEC-registered. J. P. Morgan Investment Management Inc. provides investment management and Hilltop Securities Inc. provides participant services and marketing under an agreement with the TexSTAR Board of Directors. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investors Services Co. Investments held by TexSTAR are marked to market daily. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District’s position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from TexSTAR.

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. As of February 28, 2022, the District’s investment in LOGIC and TexSTAR was rated AAAM by Standard and Poor’s. The District manages credit risk by typically investing in certificates of deposit with balances below FDIC coverage.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in LOGIC and TexSTAR to have maturities of less than one year due to the fact that the share positions can usually be redeemed each day at the discretion of the District unless there have been significant changes in values. The District manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

Restrictions

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

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2022

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended February 28, 2022, is as follows:

	March 1, 2021	Increases	Decreases	February 28, 2022
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 911,356	\$ -0-	\$ -0-	\$ 911,356
Capital Assets Subject to Depreciation				
Water System	\$ 2,360,893	\$ 1,051,814	\$	\$ 3,412,707
Wastewater System	5,000,164	2,143,155		7,143,319
Drainage System	1,639,143	306,432		1,945,575
Roads	8,177,893	1,891,861		10,069,754
Total Capital Assets Subject to Depreciation	<u>\$ 17,178,093</u>	<u>\$ 5,393,262</u>	<u>\$ -0-</u>	<u>\$ 22,571,355</u>
Less Accumulated Depreciation				
Water System	\$ 408,583	\$ 80,159	\$	\$ 488,742
Wastewater System	660,212	162,247		822,459
Drainage System	258,713	43,291		302,004
Roads	1,345,554	223,887		1,569,441
Total Accumulated Depreciation	<u>\$ 2,673,062</u>	<u>\$ 509,584</u>	<u>\$ -0-</u>	<u>\$ 3,182,646</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 14,505,031</u>	<u>\$ 4,883,678</u>	<u>\$ -0-</u>	<u>\$ 19,388,709</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 15,416,387</u>	<u>\$ 4,883,678</u>	<u>\$ -0-</u>	<u>\$ 20,300,065</u>

NOTE 7. MAINTENANCE TAX

On May 12, 2007, voters of the District approved the levy and collection of a maintenance tax of an unlimited rate on all taxable property within the District. The maintenance tax will be used for maintenance and other authorized purposes including, but not limited to, planning, constructing, acquiring, maintaining, repairing and operating all necessary land, works, improvements, facilities, plants, equipment and appliances, and for the payment of proper services, engineering fees, legal fees, and organization and administrative costs in accordance with Section 49.107 of the Texas Water Code.

During the year ended February 28, 2022, the District levied an ad valorem maintenance tax rate of \$0.355 per \$100 of assessed valuation, which resulted in a tax levy of \$893,783 on the adjusted taxable valuation of \$251,769,831 for the 2021 tax year.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2022

NOTE 8. CONTRACT TAX

On May 12, 2007, the voters of the District approved the levy and collection of an annual contract tax at an unlimited rate imposed on all taxable property within the boundaries of the District. Upon approval of the Texas Commission on Environmental Quality, the contract tax may be levied in a sufficient amount to make payments under the Joint Utility Contract (see Note 12) to the extent other funds are not available to make such payments. During the current fiscal year, the District did not levy a contract tax.

NOTE 9. WATER SUPPLY AGREEMENT

Upper Trinity Regional Water District Regional Treated Water System Participating Customer Contract

On August 29, 2001, Denton County Fresh Water Supply District No. 11-A (District 11-A) executed an agreement with the Upper Trinity Regional Water District (the “UTRWD”) to provide treated water to the District as a Participating Customer of the UTRWD. The First Amendment to Participating Customer Contract was executed on September 6, 2001. The Second Amendment to Participating Customer Contract was executed on February 24, 2004. The UTRWD has agreed to use its best efforts to build the facilities called for in this agreement and to issue debt to fund the cost of the facilities. The UTRWD is governed by a Board of directors that are appointed by the governing bodies of members and by the County. District 11-A, as a Participating Customer, is not entitled to appoint a representative to the Board; however, District 11-A will be represented by a Board member serving Denton County at-large.

Pursuant to the Second Amendment, the supply of water on a minimum demand increased from 1.00 to 1.50 million gallons of water per day (MGD) through an interim period. In accordance with the agreement, the interim period quantity applied until the Tom Harpool Regional Treated Water Plant and the associated pipelines and pumping facilities were constructed and operational, at which time District 11-A’s supply of water on a minimum demand increased to 3.00 MGD. On March 1, 2019, the agreement was amended to effectively transfer 0.30 MGD of capacity from District 8-A to District 11-A resulting in District 11-A’s current minimum demand amount totaling 3.30 MGD. District 11-A is required to take or pay for the minimum amount of water to assure adequate funds to the UTRWD to fulfill its obligations under the contract. District 11-A may adjust the regular service amount upon mutual agreement with the UTRWD. A determination of demand on an annual basis that takes into account actual usage for the most recent five water years and projected needs for the next water year will be made. The water supply capacity allocated to District 11-A by UTRWD and associated costs are further allocated pursuant to a Joint Utility Contract (See Note 12).

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2022

NOTE 9. WATER SUPPLY AGREEMENT (Continued)

Upper Trinity Regional Water District Regional Treated Water System Participating Customer Contract (Continued)

Payments to UTRWD are comprised of three components including an Operation and Maintenance Component, a Capital Component and a special reserve for operation and maintenance cost of the system. Annual budgets will be prepared for the system. District 11-A pays its part of the annual requirement in monthly installments. The agreement provides for water conservation and drought contingency issues. The term of the contract is 25 years or as long as the bonds issued remain outstanding. The Contract further has a 20-year extension provision.

NOTE 10. SEWAGE TREATMENT SERVICE AGREEMENT

Upper Trinity Regional Water District Northeast Regional Water Reclamation System Participating Customer Contract

On August 29, 2001, Denton County Fresh Water Supply District No. 11-A (District 11-A) executed an agreement (the "UTRWD Wastewater Agreement") with the UTRWD to provide wastewater treatment service to District 11-A as a Participating Customer of the UTRWD. The UTRWD has agreed to use its best efforts to build the facilities called for in this agreement and to issue debt, if necessary, to fund the cost of the facilities. During a prior fiscal year, the District and District 11-A's Developer advanced monies on behalf of the Districts to the UTRWD for the District's share of the construction cost of the Riverbend Wastewater Treatment Plant which amount has been reimbursed. The UTRWD is governed by a Board of directors that are appointed by the governing bodies of members and by the County. District 11-A, as a Participating Customer, is not entitled to appoint a representative to the Board; however, District 11-A will be represented by a Board member serving Denton County at-large.

Pursuant to an amendment to the UTRWD Wastewater Agreement, dated November 18, 2015, District 11-A has capacity of 0.716 MGD in the Riverbend plant. This capacity, which is an increase of 0.262 MGD over the previous allocation of 0.454 MGD, is based on the construction of an expansion to UTRWD's Riverbend wastewater treatment facility. District 11-A is required to pay based on 0.716 MGD minimum flow basis of wastewater, whether or not District 11-A actually delivers this amount of wastewater to the UTRWD, to assure adequate funds to the UTRWD to fulfill its obligations under the contract. District 11-A began payment based on 0.716 MGD minimum flow basis when the expansion was completed and the additional 0.262 MGD capacity was physically available.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2022

NOTE 10. SEWAGE TREATMENT SERVICE AGREEMENT (Continued)

Upper Trinity Regional Water District Northeast Regional Water Reclamation System Participating Customer Contract (Continued)

Payments are comprised of an operation and maintenance component, a capital component and a volume component. Annual budgets are prepared for the system. District 11-A pays its part of the annual requirement in monthly installments. The wastewater treatment capacity allocated to District 11-A by UTRWD under the UTRWD Wastewater Agreement and associated costs are further allocated pursuant to a Joint Utility Contract (See Note 12). The term of the contract is 25 years or as long as the bonds issued remain outstanding. The Contract further has a 20-year extension provision.

NOTE 11. WATER AND SEWER SERVICE AGREEMENT

On June 18, 2001, Denton County Fresh Water Supply District No. 11-A (District 11-A) approved a Water Service Agreement and a Sewer Service Agreement with Mustang Water Supply Corporation, now known as Mustang Special Utility District (“Mustang”). Mustang holds Certificates of Convenience and Necessity Nos. 11856 and 20930 (“CCN”) to provide retail water and wastewater services to certain areas within Denton County, Texas, in which area the District is located. In addition, Denton County Fresh Water Supply District No. 11-A holds CCN Nos. 13022 and 20924 to provide retail water and wastewater services to a portion of the areas within the District.

Effective September 1, 2008, the District entered into an Agreement Relating to Water and Sanitary Sewer Service with Mustang. The purpose of this agreement is to (1) facilitate the provisions of wholesale water supply and wastewater treatment services to the District by the UTRWD (through District 11-A), see Notes 9 and 10, (2) facilitate the provision of retail water supply and distribution service and wastewater collection and treatment service by the District within the District service area, and (3) establish the terms and provisions by which Mustang will operate and maintain the District’s water and sanitary sewer facilities located within the District’s service area, and provide for compensation for such services.

During the term of this agreement, Mustang agrees to perform the schedule of services as outlined in Exhibit “B” of the agreement. Mustang will be responsible for the monthly meter reading and billing of each customer of the District. Mustang will collect the amounts due the District for water and wastewater services and will remit the funds collected on behalf of the District at least once per month. In addition, Mustang will bill and collect for solid waste collection from each District customer.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2022

NOTE 11. WATER AND SEWER SERVICE AGREEMENT (Continued)

Compensation to Mustang for Exhibit “B” services will be based on an annual operations and maintenance budget beginning October 1 and ending September 30. The costs contained in the annual budget will be categorized as follows: 1.) Mustang-only costs; 2.) District-only costs; 3.) shared costs which are allocated based on the District’s pro rata share of connections; and 4.) indirect shared administration costs, of which 20% will be allocated to the districts Mustang is providing service to. The District will be invoiced for actual costs plus a 15% overhead charge. The summation of categories 2 through 4 above plus a 15% charge will be allocated to the District based upon the number of active equivalent single-family connections for the District. The number of District connections will be determined monthly and the District’s pro rata share of costs for the upcoming month will be adjusted accordingly. In addition, the District will pay Mustang 30% of any disconnection, re-connection and return check fees charged by the District.

For other services provided by Mustang for installations, maintenance or repair of the District’s system not listed on Exhibit “B”, the District will pay for such costs based upon Mustang’s actual and direct expenses. Mustang may add a 15% overhead charge to its actual and direct expenses for these services. The District will pay for such services within 30 days from the date of the invoice.

No sooner than ten years after the effective date of this agreement, and upon full payment of all the District’s bonded indebtedness and all outstanding reimbursements due to the Developer, Mustang shall have the option to purchase the District’s water and wastewater systems in its then present condition at Mustang’s sole option at a cost of \$500, provided that at that time of the exercise of the option, Mustang delivers an opinion of counsel satisfactory to UTRWD and the District that certifies that Mustang or its successor is a governmental unit within the meaning of Section 141 of the Internal Revenue Code. The term of this agreement is 25 years from the effective date, unless terminated by Mustang pursuant to the option to purchase the District’s water and wastewater systems.

NOTE 12. JOINT UTILITY CONTRACT

On February 24, 2004, the District and District 11-A entered into a Joint Utility Contract. District 11-A has entered into the UTRWD contracts, see Notes 9 and 10, on behalf of itself and the District and any additional contract service areas that may request utility services. In relation to the UTRWD contracts, the UTRWD will look solely to District 11-A to fulfill the obligations of the contracts. This agreement establishes the pro rata allocation of the water and wastewater service capacity and costs to be incurred under the UTRWD contracts. The share of the fixed costs shall be paid based upon the reserved capacity each District holds in comparison to the total capacity reserved for all Districts. The contract also addresses the payment allocation of variable costs. In relation to the Mustang contracts, District 11-A will be responsible for all costs as outlined in the agreements until such time as District 11-A commences construction of its internal water and wastewater systems. Upon such commencement, each district agrees to pay its pro rata share of the costs of the agreements based upon developer acreage with each district.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2022

NOTE 12. JOINT UTILITY CONTRACT (Continued)

On November 1, 2006, the District, District 8-A, District 11-A and District 11-C executed a Cost Sharing Agreement Related to Joint Utility Facilities (Agreement). In accordance with this Agreement, each district agrees to pay its pro rata share of the construction costs and operating and maintenance costs of the Joint Facilities in the amounts and percentages provided for in the Agreement. Upon payment of its pro rata share, each district will become the owner of an equitable and beneficial interest in the capacity of the Joint Facilities.

Effective March 1, 2011, the District, District 11-A and District 11-C entered into a Merged, Amended and Restated Joint Utility Contract that replaced and superseded the 2006 contract. Effective June 1, 2017, the District, District 11-A and District 11-C entered into a Fifth Amendment to Merged, Amended and Restated Joint Utility Contract.

Effective March 1, 2019, the District, District 11-A and District 11-C entered into a Sixth Amendment to Merged, Amended and Restated Joint Utility Contract. Under this Sixth Amendment, until UTRWD completed construction of the 2019 Riverbend Expansion, the District was allocated 0.076 MGD of wastewater treatment capacity, District 11-A was allocated 0.3188 MGD of wastewater treatment capacity and District 11-C was allocated 0.0592 MGD of wastewater treatment capacity. The 2019 Riverbend Expansion has been completed resulting in District 11-A being allocated 0.331 MGD of wastewater treatment capacity, the District being allocated 0.273 MGD of wastewater treatment capacity and District 11-C being allocated 0.112 MGD of wastewater treatment capacity. With respect to water supply capacity, District 11-A is allocated 1.529 MGD under this Sixth Amendment, the District is allocated 1.260 MGD and District 11-C is allocated 0.511 MGD.

Effective April 17, 2012, the District, District 11-A and District 11-C executed the First Amendment to Merged, Amended and Restated Joint Utility Contract. This amendment modifies the procedure for the allocation of the usage, operation and maintenance costs to be incurred under the UTRWD contracts. The share of the fixed costs, including Demand Charges and Joint Facilities Charges under the UTRWD contracts, will be paid based upon the reserved capacity each district holds in proportion to the total capacity reserved for all districts. Relative to charges under the UTRWD Water Contract, each district will pay variable costs, including Volume Charges, in proportion to its relative wholesale water usage on a monthly basis as approximated by the proportion of each district's retail customer water billings during any monthly period to the total retail customer water billings in all three districts. Relative to charges under the UTRWD Wastewater Contract, each district will pay variable costs, including Volume Charges, in proportion to its relative wholesale wastewater usage on a monthly basis as approximated by the proportion of equivalent single-family connections (ESFCs) in each district to the total number of ESFCs in all three districts.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2022

NOTE 12. JOINT UTILITY CONTRACT (Continued)

During the current fiscal year, the District recorded expenditures of \$699,735 and \$412,964, respectively, related to its share of purchased water and purchased wastewater costs billed by the UTRWD.

NOTE 13. UNREIMBURSED DEVELOPER COSTS

The District has entered into agreements with the Developer which calls for the Developer to fund costs associated with water, wastewater, drainage and road facilities and non-construction costs, as well as operating advances in order for the District to meet its ongoing financial obligations. Reimbursement is anticipated to be made from the proceeds of future bond sales or other lawfully authorized resources.

NOTE 14. RISK MANAGEMENT

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

NOTE 15. FIRE PROTECTION SERVICES AGREEMENT

The District, District 8-A, District 8-B, Denton County Fresh Water Supply District No. 9 (now known as Providence Village Water Control and Improvement District of Denton County), Denton County Fresh Water Supply District No. 10, District 11-A, and District 11-C have entered into a Fire Protection Services Agreement with the City of Aubrey, Texas (the "City"), dated December 19, 2007. This agreement was amended on April 27, 2011. The City agrees to provide fire protection services to persons, buildings and property located within the participating districts, including land added to the districts by annexation, in the same manner and to the same extent as it would within the City. The participating districts agree to make monthly payments to the City based on the number of full-time-equivalent employees determined necessary to staff the fire station. Under this agreement, each district's share of costs will be based on the number of connections within such district in proportion to the total number of connections within the districts. The number of connections is to be reassessed on at least a quarterly basis.

As of May 22, 2019, the Fire Protection Services Agreement was amended to extend the term of the Agreement to December 31, 2025, to provide Denton County Fresh Water Supply District No. 10 an option to exclude a defined portion of the area within its boundaries from service (and

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2022

NOTE 15. FIRE PROTECTION SERVICES AGREEMENT (Continued)

corresponding payment obligations) under the Agreement, to provide for the purchase of a new fire engine by the participating entities, and to confirm City staffing requirements. After the end of the fiscal year, District No. 10 exercised the option to exclude such portion of the area within its boundaries from service and payment obligations under the Agreement.

NOTE 16. PEACE OFFICER SERVICES AGREEMENT

Effective August 28, 2018, the District and District Nos. 8-A, 8-B, 11-A, and 11-C entered into a Joint Interlocal Agreement for School Resource Officer Services with Denton Independent School District (“DISD”) to assist the Town of Little Elm and DISD to provide school resource peace officers and patrol vehicles to enhance the safety and security of public schools. The term of the Agreement will cover three years and automatically renew on a year-to-year basis unless terminated by any party.

As of May 30, 2019, the District and District Nos. 8-A, 8-B, 11-A and 11-C entered into a Joint Interlocal Cooperation Agreement for Law Enforcement Services with the Town of Little Elm (“Little Elm”). Under the Little Elm Agreement, Little Elm has agreed to provide certain full-time law enforcement services to the Districts. Each District has agreed to pay its pro-rata share of law enforcement costs arising out of this Little Elm Agreement, including vehicles and equipment. Each District’s pro-rata share shall be determined by the District bookkeeper on a quarterly basis and be based on the number of equivalent single-family connections active in each District in proportion to the total number of connections active in all Districts. During the current fiscal year, the District recorded expenditures of \$344,482 related to its share of law enforcement services.

NOTE 17. AGREEMENT REGARDING ALLOCATION OF WHOLESALE WATER AND WASTEWATER VOLUME CHARGES

Effective May 1, 2016, District 11-A and District 8-A executed an Agreement Regarding Allocation of Wholesale Water and Wastewater Volume Charges. The agreement is intended to provide for a more effective and accurate allocation of UTRWD’s water and wastewater volume charges to the District and Districts 8-A, 8-B, 11-A and 11-C (Paloma Creek Districts). See also Notes 9, 10 and 12.

The water volume charges will be allocated monthly to each district based on the proportion of its monthly retail water usage to the total monthly retail water usage of all Paloma Creek Districts. A district’s monthly retail water usage is calculated as the total gallons of water billed to such district’s retail customers each month as reported by Mustang plus the total gallons of water used by such district itself each month as reported by Mustang.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2022

NOTE 17. AGREEMENT REGARDING ALLOCATION OF WHOLESALE WATER AND WASTEWATER VOLUME CHARGES (Continued)

The wastewater volume charges will be allocated monthly to each district based on the proportion of ESFCs served by such district to the total number of ESFCs in all of the Paloma Creek Districts. The number of ESFCs must be updated for such cost-allocation purposes at least quarterly.

NOTE 18. BOND SALE

On June 16, 2021, the District closed on the sale of its \$2,470,000 Unlimited Tax Road Bonds, Series 2021. Proceeds of the bonds were used to reimburse the developer for costs associated with the construction and engineering for road improvements serving Northlake Estates Phase 2, including paving, grading and related drainage. Proceeds were also used to pay developer interest and bond issuance costs.

NOTE 19. USE OF SURPLUS FUNDS

In accordance with Rule 30 T.A.C. 293.83(c)(3) of the Commission, the District approved the use of surplus Capital Projects Fund monies in the amount of \$74,947 to cover the costs of rehabilitating the drainage channel (Eppright Channel) along Eppright Road at Villa Paloma Boulevard and removal of vegetation and silt accumulation, soil excavation and erosion control.

On November 16, 2021, the District approved the use of surplus Capital Projects Fund monies to cover the costs of crack sealing on concrete streets within the District in the amount of \$6,288.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B

REQUIRED SUPPLEMENTARY INFORMATION

FEBRUARY 28, 2022

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED FEBRUARY 28, 2022

	Original and Final Budget	Actual	Variance Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property Taxes	\$ 841,869	\$ 900,328	\$ 58,459
Water Service	740,269	705,221	(35,048)
Wastewater Service	584,881	616,880	31,999
Fire Protection Service	153,348	150,829	(2,519)
Franchise Fees	60,164	60,150	(14)
Penalty and Interest	14,400	27,843	13,443
Permit Fees	174,000	316,100	142,100
Investment and Miscellaneous Revenues	50,026	41,591	(8,435)
TOTAL REVENUES	<u>\$ 2,618,957</u>	<u>\$ 2,818,942</u>	<u>\$ 199,985</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 152,350	\$ 159,622	\$ (7,272)
Contracted Services	1,100,138	1,168,096	(67,958)
Purchased Water Service	729,673	699,735	29,938
Purchased Wastewater Service	420,668	412,964	7,704
Repairs and Maintenance	27,000	73,107	(46,107)
Other	102,576	62,165	40,411
TOTAL EXPENDITURES	<u>\$ 2,532,405</u>	<u>\$ 2,575,689</u>	<u>\$ (43,284)</u>
NET CHANGE IN FUND BALANCE	\$ 86,552	\$ 243,253	\$ 156,701
FUND BALANCE - MARCH 1, 2021	<u>1,924,572</u>	<u>1,924,572</u>	<u> </u>
FUND BALANCE - FEBRUARY 28, 2022	<u>\$ 2,011,124</u>	<u>\$ 2,167,825</u>	<u>\$ 156,701</u>

See accompanying independent auditor's report.

THIS PAGE INTENTIONALLY LEFT BLANK

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

FEBRUARY 28, 2022

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
SERVICES AND RATES
FOR THE YEAR ENDED FEBRUARY 28, 2022**

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved and effective February 15, 2022

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$ 31.00	-0-	N	\$ 4.00 \$ 4.50 \$ 5.25 \$ 7.20 \$ 8.75	0,001 to 5,000 5,001 to 10,000 10,001 to 15,000 15,001 to 20,000 20,001 and up
WASTEWATER:	\$ 56.00	Up to and including 10,000	Y		
	\$ 59.00	Over 10,000	Y		
SURCHARGE:					
Fire Protection Services Fee	\$13.00 per residential connection				
Commission					
Regulatory Assessments	0.5% of actual water and sewer bill				

District employs winter averaging for wastewater usage?

<u> </u>	<u> X </u>
Yes	No

Total monthly charges per 10,000 gallons usage: Water: \$73.50 Wastewater: \$56.00 Surcharge: \$13.65

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
SERVICES AND RATES
FOR THE YEAR ENDED FEBRUARY 28, 2022**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ ³ / ₄ "	1,104	1,096	x 1.0	1,096
1"	2	2	x 2.5	5
1½"			x 5.0	
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>1,106</u>	<u>1,098</u>		<u>1,101</u>
Total Wastewater Connections	<u>1,106</u>	<u>1,098</u>	x 1.0	<u>1,098</u>

3. TOTAL WATER CONSUMPTION DURING THE CURRENT YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons billed to customers: 81,659,000 Water Accountability Ratio: (1)

Gallons purchased: (1)

(1) The District is part of an integrated water system with Denton County Fresh Water Supply District Nos. 8-A, 8-B, 11-A and 11-C. The districts purchase water from the Upper Trinity Regional Water District.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
SERVICES AND RATES
FOR THE YEAR ENDED FEBRUARY 28, 2022**

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Denton County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ in which District is located:

Town of Little Elm, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED FEBRUARY 28, 2022**

PROFESSIONAL FEES:	
Auditing and Bond Related Services	\$ 32,000
Engineering	39,877
Legal	<u>87,745</u>
TOTAL PROFESSIONAL FEES	<u>\$ 159,622</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 699,735
Purchased Wastewater Service	<u>412,964</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 1,112,699</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 38,531
Operations and Billing	446,028
Security	344,482
Solid Waste Disposal	195,130
Fire Fighting	<u>143,925</u>
TOTAL CONTRACTED SERVICES	<u>\$ 1,168,096</u>
UTILITIES	<u>\$ 3,467</u>
REPAIRS AND MAINTENANCE	<u>\$ 73,107</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 19,794
Communications and Website	15,585
Insurance	6,491
Regulatory Assessment	6,083
Other	<u>10,745</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 58,698</u>
TOTAL EXPENDITURES	<u><u>\$ 2,575,689</u></u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
INVESTMENTS
FEBRUARY 28, 2022

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
LOGIC	XXXX4001	Vaires	Daily	\$ 908,939	\$
TexSTAR	XXXX1110	Vaires	Daily	695,959	
Certificate of Deposit	XXXX2718	0.35%	12/03/22	<u>181,354</u>	
TOTAL GENERAL FUND				<u>\$ 1,786,252</u>	<u>\$ -0-</u>
<u>DEBT SERVICE FUND</u>					
LOGIC	XXXX4002	Vaires	Daily	\$ 811,698	\$
TexSTAR	XXXX0230	Vaires	Daily	<u>479,189</u>	
TOTAL DEBT SERVICE FUND				<u>\$ 1,290,887</u>	<u>\$ -0-</u>
<u>CAPITAL PROJECTS FUND</u>					
LOGIC	XXXX4003	Varies	Daily	\$ 162,955	\$
TexSTAR	XXXX0190	Varies	Daily	87,042	
TexSTAR	XXXX0150	Varies	Daily	100,010	
Certificate of Deposit	XXXX8319	0.35%	08/06/22	<u>67,646</u>	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 417,653</u>	<u>\$ -0-</u>
TOTAL - ALL FUNDS				<u><u>\$ 3,494,792</u></u>	<u><u>\$ -0-</u></u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED FEBRUARY 28, 2022

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
MARCH 1, 2021	\$	10,866	\$	18,766
Adjustments to Beginning				
Balance		<u>25,578</u>	\$	<u>43,371</u>
		\$	36,444	\$
				62,137
Original 2021 Tax Levy	\$	893,578	\$	1,447,346
Adjustment to 2021 Tax Levy		<u>205</u>	<u>893,783</u>	<u>331</u>
				<u>1,447,677</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	930,227	\$
				1,509,814
TAX COLLECTIONS:				
Prior Years	\$	36,138	\$	61,618
Current Year		<u>864,869</u>	<u>901,007</u>	<u>1,400,844</u>
				<u>1,462,462</u>
TAXES RECEIVABLE -				
FEBRUARY 28, 2022		<u>\$</u>	<u>29,220</u>	<u>\$</u>
				<u>47,352</u>
TAXES RECEIVABLE BY				
YEAR:				
2021	\$	28,914	\$	46,833
2020		273		462
2019		13		32
2018		<u>20</u>		<u>25</u>
TOTAL	\$	<u><u>29,220</u></u>	\$	<u><u>47,352</u></u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED FEBRUARY 28, 2022

	2021	2020	2019	2018
PROPERTY VALUATIONS:				
Land	\$ 72,921,425	\$ 53,797,218	\$ 55,900,383	\$ 51,951,611
Improvements	183,640,323	164,654,052	152,293,685	130,546,827
Personal Property	942,773	1,249,610	1,242,639	1,332,104
Exemptions	(5,734,690)	(4,182,359)	(3,720,144)	(3,319,926)
TOTAL PROPERTY VALUATIONS	\$ 251,769,831	\$ 215,518,521	\$ 205,716,563	\$ 180,510,616
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.575	\$ 0.585	\$ 0.65	\$ 0.49
Maintenance	0.355	0.345	0.25	0.41
TOTAL TAX RATES PER \$100 VALUATION	\$ 0.930	\$ 0.930	\$ 0.90	\$ 0.90
ADJUSTED TAX LEVY*	\$ 2,341,460	\$ 2,004,322	\$ 1,851,449	\$ 1,624,596
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	96.76 %	99.96 %	99.99 %	99.99 %

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

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

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2022

S E R I E S - 2 0 1 4

Due During Fiscal Years Ending February 28/29	Principal Due September 1	Interest Due March 1/ September 1	Total
2023	\$ 65,000	\$ 69,166	\$ 134,166
2024	70,000	67,086	137,086
2025	75,000	64,812	139,812
2026	75,000	62,262	137,262
2027	80,000	59,562	139,562
2028	85,000	56,562	141,562
2029	90,000	53,288	143,288
2030	90,000	49,688	139,688
2031	95,000	45,998	140,998
2032	100,000	42,008	142,008
2033	105,000	37,758	142,758
2034	110,000	33,244	143,244
2035	115,000	28,432	143,432
2036	120,000	23,400	143,400
2037	125,000	18,000	143,000
2038	135,000	12,375	147,375
2039	140,000	6,300	146,300
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
	<u>\$ 1,675,000</u>	<u>\$ 729,941</u>	<u>\$ 2,404,941</u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2022

SERIES - 2014 ROAD

Due During Fiscal Years Ending February 28/29	Principal Due September 1	Interest Due March 1/ September 1	Total
2023	\$ 70,000	\$ 70,327	\$ 140,327
2024	70,000	68,228	138,228
2025	75,000	65,954	140,954
2026	80,000	63,404	143,404
2027	80,000	60,604	140,604
2028	85,000	57,804	142,804
2029	90,000	54,744	144,744
2030	95,000	51,414	146,414
2031	100,000	47,850	147,850
2032	100,000	44,100	144,100
2033	105,000	40,202	145,202
2034	110,000	36,106	146,106
2035	115,000	31,816	146,816
2036	120,000	27,216	147,216
2037	125,000	22,416	147,416
2038	135,000	17,292	152,292
2039	140,000	11,756	151,756
2040	145,000	5,982	150,982
2041			
2042			
2043			
2044			
2045			
2046			
2047			
	<u>\$ 1,840,000</u>	<u>\$ 777,215</u>	<u>\$ 2,617,215</u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2022

SERIES - 2015 ROAD

Due During Fiscal Years Ending February 28/29	Principal Due September 1	Interest Due March 1/ September 1	Total
2023	\$ 100,000	\$ 103,151	\$ 203,151
2024	105,000	100,651	205,651
2025	110,000	97,764	207,764
2026	110,000	94,464	204,464
2027	115,000	90,944	205,944
2028	125,000	87,264	212,264
2029	130,000	83,014	213,014
2030	135,000	78,594	213,594
2031	140,000	73,734	213,734
2032	145,000	68,693	213,693
2033	155,000	63,256	218,256
2034	160,000	57,444	217,444
2035	165,000	51,244	216,244
2036	175,000	44,850	219,850
2037	180,000	38,068	218,068
2038	190,000	31,093	221,093
2039	200,000	23,969	223,969
2040	210,000	16,468	226,468
2041	215,000	8,331	223,331
2042			
2043			
2044			
2045			
2046			
2047			
	<u>\$ 2,865,000</u>	<u>\$ 1,212,996</u>	<u>\$ 4,077,996</u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2022

S E R I E S - 2 0 1 6

Due During Fiscal Years Ending February 28/29	Principal Due September 1	Interest Due March 1/ September 1	Total
2023	\$ 110,000	\$ 73,875	\$ 183,875
2024	110,000	71,675	181,675
2025	115,000	69,475	184,475
2026	120,000	67,175	187,175
2027	125,000	64,775	189,775
2028	130,000	62,275	192,275
2029	135,000	59,513	194,513
2030	140,000	56,644	196,644
2031	145,000	53,319	198,319
2032	150,000	49,875	199,875
2033	155,000	46,125	201,125
2034	160,000	42,250	202,250
2035	165,000	38,250	203,250
2036	170,000	33,300	203,300
2037	175,000	28,200	203,200
2038	180,000	22,950	202,950
2039	190,000	17,550	207,550
2040	195,000	11,850	206,850
2041	200,000	6,000	206,000
2042			
2043			
2044			
2045			
2046			
2047			
	<u>\$ 2,870,000</u>	<u>\$ 875,076</u>	<u>\$ 3,745,076</u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2022

SERIES - 2018 ROAD

Due During Fiscal Years Ending February 28/29	Principal Due September 1	Interest Due March 1/ September 1	Total
2023	\$ 110,000	\$ 120,688	\$ 230,688
2024	115,000	114,637	229,637
2025	115,000	108,312	223,312
2026	115,000	102,563	217,563
2027	125,000	99,112	224,112
2028	120,000	95,363	215,363
2029	115,000	91,462	206,462
2030	120,000	87,438	207,438
2031	125,000	83,237	208,237
2032	130,000	78,550	208,550
2033	130,000	73,675	203,675
2034	130,000	68,475	198,475
2035	135,000	63,275	198,275
2036	135,000	57,875	192,875
2037	140,000	52,475	192,475
2038	135,000	46,875	181,875
2039	155,000	41,475	196,475
2040	160,000	35,275	195,275
2041	165,000	28,875	193,875
2042	170,000	22,069	192,069
2043	180,000	15,056	195,056
2044	185,000	7,631	192,631
2045			
2046			
2047			
	<u>\$ 3,010,000</u>	<u>\$ 1,494,393</u>	<u>\$ 4,504,393</u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2022

S E R I E S - 2 0 1 9

Due During Fiscal Years Ending February 28/29	Principal Due September 1	Interest Due March 1/ September 1	Total
2023	\$ 105,000	\$ 125,713	\$ 230,713
2024	110,000	123,612	233,612
2025	115,000	121,413	236,413
2026	120,000	119,112	239,112
2027	125,000	116,713	241,713
2028	135,000	114,212	249,212
2029	140,000	111,175	251,175
2030	145,000	106,975	251,975
2031	150,000	102,625	252,625
2032	160,000	98,125	258,125
2033	165,000	93,325	258,325
2034	175,000	88,375	263,375
2035	185,000	83,125	268,125
2036	190,000	77,575	267,575
2037	200,000	71,638	271,638
2038	210,000	65,387	275,387
2039	220,000	58,563	278,563
2040	230,000	51,412	281,412
2041	240,000	43,938	283,938
2042	255,000	36,137	291,137
2043	265,000	27,850	292,850
2044	280,000	19,238	299,238
2045	290,000	9,787	299,787
2046			
2047			
	<u>\$ 4,210,000</u>	<u>\$ 1,866,025</u>	<u>\$ 6,076,025</u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2022

SERIES - 2019 ROAD REFUNDING

Due During Fiscal Years Ending February 28/29	Principal Due September 1	Interest Due March 1/ September 1	Total
2023	\$ 90,000	\$ 68,481	\$ 158,481
2024	95,000	65,781	160,781
2025	100,000	62,931	162,931
2026	105,000	60,931	165,931
2027	105,000	58,831	163,831
2028	110,000	56,731	166,731
2029	115,000	53,431	168,431
2030	120,000	49,981	169,981
2031	125,000	45,181	170,181
2032	135,000	40,181	175,181
2033	135,000	34,782	169,782
2034	145,000	29,382	174,382
2035	150,000	25,032	175,032
2036	160,000	20,531	180,531
2037	165,000	15,731	180,731
2038	170,000	10,782	180,782
2039	175,000	5,469	180,469
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
	<u>\$ 2,200,000</u>	<u>\$ 704,169</u>	<u>\$ 2,904,169</u>

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2022

SERIES - 2021 ROAD

Due During Fiscal Years Ending February 28/29	Principal Due September 1	Interest Due March 1/ September 1	Total
2023	\$	\$ 62,380	\$ 62,380
2024	75,000	51,625	126,625
2025	75,000	50,125	125,125
2026	80,000	48,625	128,625
2027	80,000	47,025	127,025
2028	85,000	45,425	130,425
2029	85,000	43,725	128,725
2030	85,000	42,025	127,025
2031	90,000	40,325	130,325
2032	90,000	38,525	128,525
2033	95,000	36,725	131,725
2034	95,000	34,825	129,825
2035	100,000	32,925	132,925
2036	105,000	30,925	135,925
2037	105,000	28,825	133,825
2038	110,000	26,725	136,725
2039	110,000	24,525	134,525
2040	115,000	22,325	137,325
2041	115,000	19,881	134,881
2042	120,000	17,438	137,438
2043	125,000	14,737	139,737
2044	125,000	11,925	136,925
2045	130,000	9,113	139,113
2046	135,000	6,187	141,187
2047	140,000	3,150	143,150
	<u>\$ 2,470,000</u>	<u>\$ 790,036</u>	<u>\$ 3,260,036</u>

See accompanying independent auditor's report.

THIS PAGE INTENTIONALLY LEFT BLANK

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 28, 2022

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending February 28/29	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2023	\$ 650,000	\$ 693,781	\$ 1,343,781
2024	750,000	663,295	1,413,295
2025	780,000	640,786	1,420,786
2026	805,000	618,536	1,423,536
2027	835,000	597,566	1,432,566
2028	875,000	575,636	1,450,636
2029	900,000	550,352	1,450,352
2030	930,000	522,759	1,452,759
2031	970,000	492,269	1,462,269
2032	1,010,000	460,057	1,470,057
2033	1,045,000	425,848	1,470,848
2034	1,085,000	390,101	1,475,101
2035	1,130,000	354,099	1,484,099
2036	1,175,000	315,672	1,490,672
2037	1,215,000	275,353	1,490,353
2038	1,265,000	233,479	1,498,479
2039	1,330,000	189,607	1,519,607
2040	1,055,000	143,312	1,198,312
2041	935,000	107,025	1,042,025
2042	545,000	75,644	620,644
2043	570,000	57,643	627,643
2044	590,000	38,794	628,794
2045	420,000	18,900	438,900
2046	135,000	6,187	141,187
2047	140,000	3,150	143,150
	<u>\$ 21,140,000</u>	<u>\$ 8,449,851</u>	<u>\$ 29,589,851</u>

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED FEBRUARY 28, 2022**

Description	Original Bonds Issued	Bonds Outstanding March 1, 2021
Denton County Fresh Water Supply District No. 11-B Unlimited Tax Road Bonds - Series 2011	\$ 2,675,000	\$ 70,000
Denton County Fresh Water Supply District No. 11-B Unlimited Tax Bonds - Series 2014	2,020,000	1,740,000
Denton County Fresh Water Supply District No. 11-B Unlimited Tax Road Bonds - Series 2014	2,200,000	1,905,000
Denton County Fresh Water Supply District No. 11-B Unlimited Tax Road Bonds - Series 2015	3,375,000	2,960,000
Denton County Fresh Water Supply District No. 11-B Unlimited Tax Bonds - Series 2016	3,370,000	2,975,000
Denton County Fresh Water Supply District No. 11-B Unlimited Tax Road Bonds - Series 2018	3,235,000	3,125,000
Denton County Fresh Water Supply District No. 11-B Unlimited Tax Bonds - Series 2019	4,310,000	4,310,000
Denton County Fresh Water Supply District No. 11-B Unlimited Tax Road Refunding Bonds - Series 2019	2,215,000	2,215,000
Denton County Fresh Water Supply District No. 11-B Unlimited Tax Road Bonds - Series 2021	<u>2,470,000</u>	
TOTAL	<u>\$ 25,870,000</u>	<u>\$ 19,300,000</u>

Bond Authority:	<u>Utility Bonds</u>	<u>Road Bonds</u>	<u>Utility Refunding Bonds</u>	<u>Road Refunding Bonds</u>
Amount Authorized by Voters	\$ 25,600,000	\$ 29,500,000	\$ 25,600,000	\$ 29,500,000
Amount Issued	<u>9,700,000</u>	<u>13,955,000</u>		<u>60,000</u>
Remaining to be Issued	<u>\$ 15,900,000</u>	<u>\$ 15,545,000</u>	<u>\$ 25,600,000</u>	<u>\$ 29,440,000</u>

See accompanying independent auditor's report.

<u>Current Year Transactions</u>					
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding February 28, 2022</u>		<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>			
\$	\$ 70,000	\$ 3,063	\$ - 0 -		The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	65,000	71,181	1,675,000		Amegy Bank, N.A. Houston, TX
	65,000	72,116	1,840,000		Amegy Bank, N.A. Houston, TX
	95,000	105,289	2,865,000		Amegy Bank, N.A. Houston, TX
	105,000	75,975	2,870,000		Amegy Bank, N.A. Houston, TX
	115,000	127,013	3,010,000		Zions Bancorporation, N.A. Houston, TX
	100,000	127,712	4,210,000		Zions Bancorporation, N.A. Houston, TX
	15,000	68,931	2,200,000		Zions Bancorporation, N.A. Houston, TX
<u>2,470,000</u>			<u>2,470,000</u>		Zions Bancorporation, N.A. Houston, TX
<u>\$ 2,470,000</u>	<u>\$ 630,000</u>	<u>\$ 651,280</u>	<u>\$ 21,140,000</u>		

Debt Service Fund cash and investment balances as of February 28, 2022: \$ 2,309,918

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,183,594

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

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2022	2021	2020
REVENUES			
Property Taxes	\$ 900,328	\$ 732,059	\$ 517,082
Water Service	705,221	619,766	533,033
Wastewater Service	616,880	540,706	461,845
Fire Protection Service	150,829	111,733	81,309
Franchise Fees	60,150	55,509	55,079
Penalty and Interest	27,843	12,400	22,493
Permit Fees	316,100	17,450	96,350
Investment and Miscellaneous Revenues	41,591	61,480	124,702
TOTAL REVENUES	\$ 2,818,942	\$ 2,151,103	\$ 1,891,893
EXPENDITURES			
Professional Fees	\$ 159,622	\$ 133,540	\$ 124,338
Contracted Services	1,168,096	1,126,495	744,728
Purchase Water Service	699,735	685,854	654,411
Purchase Wastewater Service	412,964	402,985	320,698
Repairs and Maintenance/Capital Outlay	73,107	51,274	46,018
Other	62,165	46,372	59,778
TOTAL EXPENDITURES	\$ 2,575,689	\$ 2,446,520	\$ 1,949,971
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 243,253	\$ (295,417)	\$ (58,078)
OTHER FINANCING SOURCES (USES)			
Denton No. 11-A Construction Costs Reimbursement Transfer In	\$	\$	\$ 39,078
TOTAL OTHER FINANCING SOURCES (USES)	\$ -0-	\$ -0-	\$ 39,078
NET CHANGE IN FUND BALANCE	\$ 243,253	\$ (295,417)	\$ (19,000)
BEGINNING FUND BALANCE	1,924,572	2,219,989	2,238,989
ENDING FUND BALANCE	\$ 2,167,825	\$ 1,924,572	\$ 2,219,989

See accompanying independent auditor's report.

Percentage of Total Revenues

2019	2018	2022	2021	2020	2019	2018
\$ 735,811	\$ 696,344	31.9 %	34.0 %	27.3 %	36.4 %	41.0 %
452,607	448,462	25.0	28.8	28.2	22.4	26.4
404,416	384,918	21.9	25.1	24.4	20.0	22.6
72,787	69,290	5.4	5.2	4.3	3.6	4.1
54,133	45,974	2.1	2.6	2.9	2.7	2.7
18,640	15,188	1.0	0.6	1.2	0.9	0.9
222,050	11,000	11.2	0.8	5.1	11.0	0.6
59,873	28,452	1.5	2.9	6.6	3.0	1.7
<u>\$ 2,020,317</u>	<u>\$ 1,699,628</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 154,158	\$ 102,024	5.7 %	6.2 %	6.6 %	7.6 %	6.0 %
487,360	407,129	41.4	52.4	39.4	24.1	24.0
532,842	532,466	24.8	31.9	34.6	26.4	31.3
196,289	172,691	14.6	18.7	17.0	9.7	10.2
32,940	11,285	2.6	2.4	2.4	1.6	0.7
51,625	27,726	2.2	2.2	3.2	2.6	1.6
<u>\$ 1,455,214</u>	<u>\$ 1,253,321</u>	<u>91.3 %</u>	<u>113.8 %</u>	<u>103.2 %</u>	<u>72.0 %</u>	<u>73.8 %</u>
<u>\$ 565,103</u>	<u>\$ 446,307</u>	<u>8.7 %</u>	<u>(13.8) %</u>	<u>(3.2) %</u>	<u>28.0 %</u>	<u>26.2 %</u>
\$ 374,512	\$					
<u>\$ 374,512</u>	<u>\$ - 0 -</u>					
\$ 939,615	\$ 446,307					
<u>1,299,374</u>	<u>853,067</u>					
<u>\$ 2,238,989</u>	<u>\$ 1,299,374</u>					

See accompanying independent auditor's report.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2022	2021	2020
REVENUES			
Property Taxes	\$ 1,303,690	\$ 1,344,782	\$ 894,696
Investment and Miscellaneous Revenues	<u>701</u>	<u>8,121</u>	<u>25,429</u>
TOTAL REVENUES	<u>\$ 1,304,391</u>	<u>\$ 1,352,903</u>	<u>\$ 920,125</u>
EXPENDITURES			
Debt Service Principal	\$ 630,000	\$ 495,000	\$ 370,000
Debt Service Interest, Fees and Expenditures	667,734	696,214	547,297
Payment to Refunded Bond Escrow Agent			55,100
Bond Issuance Costs			<u>110,245</u>
TOTAL EXPENDITURES	<u>\$ 1,297,734</u>	<u>\$ 1,191,214</u>	<u>\$ 1,082,642</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 6,657</u>	<u>\$ 161,689</u>	<u>\$ (162,517)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Refunding Bonds	\$	\$	\$ 2,215,000
Transfer to Refunded Bond Escrow Agent			(2,146,112)
Bond Premium			66,776
Bond Discount			(21,295)
Transfer from Other Governmental Entity			
Proceeds from Issuance of Long-Term Debt			<u>400</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 114,769</u>
NET CHANGE IN FUND BALANCE	\$ 6,657	\$ 161,689	\$ (47,748)
BEGINNING FUND BALANCE	<u>900,266</u>	<u>738,577</u>	<u>786,325</u>
ENDING FUND BALANCE	<u>\$ 906,923</u>	<u>\$ 900,266</u>	<u>\$ 738,577</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,098</u>	<u>902</u>	<u>887</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,098</u>	<u>892</u>	<u>877</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2019	2018	2022	2021	2020	2019	2018
\$ 891,728	\$ 920,121	99.9 %	99.4 %	97.2 %	98.2 %	99.4 %
<u>16,427</u>	<u>5,281</u>	<u>0.1</u>	<u>0.6</u>	<u>2.8</u>	<u>1.8</u>	<u>0.6</u>
\$ <u>908,155</u>	\$ <u>925,402</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0</u>	<u>100.0</u>
\$ 355,000	\$ 345,000	48.3 %	36.6 %	40.2 %	39.1 %	37.3 %
482,034	469,935	51.2	51.5	59.5	53.1	50.8
				6.0		
				<u>12.0</u>		
\$ <u>837,034</u>	\$ <u>814,935</u>	<u>99.5 %</u>	<u>88.1 %</u>	<u>117.7 %</u>	<u>92.2 %</u>	<u>88.1 %</u>
\$ <u>71,121</u>	\$ <u>110,467</u>	<u>0.5 %</u>	<u>11.9 %</u>	<u>(17.7) %</u>	<u>7.8 %</u>	<u>11.9 %</u>
\$	\$					
	126,777					
<u>66,531</u>						
\$ <u>66,531</u>	\$ <u>126,777</u>					
\$ 137,652	\$ 237,244					
<u>648,673</u>	<u>411,429</u>					
\$ <u>786,325</u>	\$ <u>648,673</u>					
<u>823</u>	<u>753</u>					
<u>813</u>	<u>746</u>					

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
FEBRUARY 28, 2022**

District Mailing Address - Denton County Fresh Water Supply District No. 11-B
c/o Crawford & Jordan LLP
19 Briar Hollow Lane, Suite 245
Houston, TX 77027

District Telephone Number - (713) 621-3707

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>February 28, 2022</u>	Expense Reimbursements for the year ended <u>February 28, 2022</u>	<u>Title</u>
David McClellan	05/18 05/22 (Elected)	\$ 5,700	\$ 3,123	President
Karen Brown	05/20 05/24 (Elected)	\$ 6,900	\$ 2,017	Vice President
Andrea Lagusis	05/20 05/24 (Elected)	\$ 2,100	\$ 202	Secretary/ Treasurer
Kevin Youngblood	5/18 05/22 (Elected)	\$ 1,650	\$ 81	Assistant Secretary
Lester Finch III	11/21 05/22 (Appointed)	\$ 1,050	\$ -0-	Assistant Secretary

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

Submission date of most recent District Registration Form: May 2022

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on April 21, 2005. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-B
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
FEBRUARY 28, 2022**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended February 28, 2022</u>	<u>Title</u>
Crawford & Jordan LLP	11/11/03	\$ 85,947	General Counsel
McCall Gibson Swedlund Barfoot PLLC	09/15/05	\$ 19,000 \$ 14,500	Audit AUP/Other
McCall, Parkhurst & Horton, LLP	11/11/03	\$ 77,766	Bond Counsel and Disclosure Counsel
Dye & Toverly, LLC	07/20/06	\$ 38,585	Bookkeeper
Pettitt & Associates LLC	10/13/03	\$ 43,660	Engineer
Robert W. Baird & Co. Incorporated	02/17/15	\$ 51,971	Financial Advisor
Mustang Special Utility District	06/18/01	\$ 444,595	Operator

See accompanying independent auditor's report.

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN