

OFFICIAL STATEMENT DATED FEBRUARY 15, 2024

IN THE OPINION OF BOND COUNSEL TO THE DISTRICT (HEREINAFTER DEFINED), 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 UNDER “TAX MATTERS” HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS.

THE BONDS ARE NOT “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS. SEE “TAX MATTERS—NOT QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS.”

NEW ISSUE-BOOK-ENTRY-ONLY

Insured Rating (BAM): S&P “AA” (stable)
 Underlying Rating: Moody’s “A2”
 See “MUNICIPAL BOND RATING” and
 “MUNICIPAL BOND INSURANCE” herein.

\$23,835,000
ELM RIDGE WATER CONTROL AND IMPROVEMENT DISTRICT OF DENTON COUNTY
 (Formerly Denton County Fresh Water Supply District No. 10)
(A political subdivision of the State of Texas located within Denton County)
UNLIMITED TAX BONDS
SERIES 2024

Dated Date: March 1, 2024

Due: September 1, as shown below

Interest Accrual Date: Date of Delivery

The \$23,835,000 Unlimited Tax Bonds, Series 2024 (the “Bonds”) are obligations solely of Elm Ridge Water Control and Improvement District of Denton County (the “District”) and are not obligations of the State of Texas, Denton County, the Town of Little Elm, the City of Aubrey, the Town of Prosper or any entity other than the District.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. INVESTMENT IN THE BONDS IS SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See “INVESTMENT CONSIDERATIONS.”

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrars, initially, BOKF, NA in Dallas, Texas (the “Paying Agent/Registrar”). Interest on the Bonds accrues from the date of initial delivery (expected on or about March 21, 2024) (the “Date of Delivery”), and is payable each March 1 and September 1, commencing September 1, 2024, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds mature and are subject to redemption prior to their maturity, as shown below.

The Bonds will be registered and delivered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM.”



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. See “MUNICIPAL BOND INSURANCE” herein.

MATURITY SCHEDULE

Principal Amount	Maturity (September 1)	CUSIP Number(b)	Interest Rate	Initial Reoffering Yield(c)	Principal Amount	Maturity (September 1)	CUSIP Number(b)	Interest Rate	Initial Reoffering Yield(c)
\$ 500,000	2025	28932A AA9	4.000 %	3.30 %	\$ 1,200,000	2037 (a)	28932A AN1	4.000 %	3.60 %
500,000	2026	28932A AB7	4.000	3.20	1,210,000	2038 (a)	28932A AP6	4.000	3.70
800,000	2027	28932A AC5	4.000	3.10	1,225,000	2039 (a)	28932A AQ4	4.000	3.80
800,000	2028	28932A AD3	4.000	3.00	1,250,000	2040 (a)	28932A AR2	4.000	3.90
800,000	2029	28932A AE1	4.000	3.00	1,250,000	2041 (a)	28932A AS0	4.000	3.95
800,000	2030	28932A AF8	4.000	3.05	1,250,000	2042 (a)	28932A AT8	4.000	4.00
800,000	2031 (a)	28932A AG6	3.000	3.20	1,250,000	2043 (a)	28932A AU5	4.000	4.03
800,000	2032 (a)	28932A AH4	3.000	3.25	1,250,000	2044 (a)	28932A AV3	4.000	4.06
800,000	2033 (a)	28932A AJ0	3.000	3.35	1,250,000	2045 (a)	28932A AW1	4.000	4.09
1,200,000	2034 (a)	28932A AK7	3.125	3.45	1,250,000	2046 (a)	28932A AX9	4.000	4.12
1,200,000	2035 (a)	28932A AL5	4.000	3.40	1,250,000	2047 (a)	28932A AY7	4.000	4.15
1,200,000	2036 (a)	28932A AM3	4.000	3.50					

- (a) Bonds maturing on or after September 1, 2031, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time, in part, on September 1, 2030, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Initial Reoffering Yield represents the initial offering yield to the public, which has been established by the Underwriter for offers to the public and which subsequently may be changed.

The Bonds are offered, when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. See “LEGAL MATTERS.” Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about March 21, 2024.

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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.

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, 4514 Cole Avenue, Suite 1450, Dallas, TX 75205, upon payment of the costs of duplication thereof.

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 for purposes of, and as that term is defined in, SEC Rule 15c2-12, as amended.

This OFFICIAL STATEMENT contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this OFFICIAL STATEMENT nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this OFFICIAL STATEMENT current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this OFFICIAL STATEMENT until delivery of the Bonds to the Underwriter (as herein defined) and thereafter only as specified in "PREPARATION OF 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 the heading "MUNICIPAL BOND INSURANCE" and "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 accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets, Inc. (the "Underwriter"), paying the interest rates shown on the cover page hereof, at a price of 99.0458% of the principal amount thereof which resulted in a net effective interest rate of 3.974366% as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

Information concerning initial 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 offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the 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 and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this OFFICIAL STATEMENT. The summary should not be detached and should be used in conjunction with more complete information contained herein. A full review should be made of the entire OFFICIAL STATEMENT and of the documents summarized or described therein.

THE DISTRICT

Description...

The District was created by the Denton County Commissioners Court on September 12, 2000, as a fresh water supply district pursuant to Chapter 53, Texas Water Code, as amended. Pursuant to an election held on November 7, 2000, the District assumed sanitary sewer powers and road district powers, including those under Chapter 257, Texas Transportation Code. On November 30, 2000, the District converted to a water control and improvement district. 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 Texas Constitution, and Chapters 49, 51 and, for certain purposes, 53, Texas Water Code, as amended. Creation of the District and certain actions of its Board were validated by Section 42 of Senate Bill 1444, Acts of 77th Legislature of the State of Texas, Regular Session 2001. In an order dated April 18, 2022, the Texas Commission on Environmental Quality (the "TCEQ") pursuant to a request by the District, granted permission to the District to change its name to Elm Ridge Water Control and Improvement District of Denton County. The District currently contains approximately 1,580 acres of land. See "THE DISTRICT."

Location...

The District is located approximately 33 miles northwest of the central downtown business district of the City of Dallas. Portions of the District are within the extraterritorial jurisdiction of the City of Aubrey, the Town of Prosper, and the Town of Little Elm, and the remainder of the District is not within the extraterritorial jurisdiction of any municipality. Portions of the District have been annexed into the Town of Little Elm, Town of Prosper and the City of Aubrey for limited purposes. A portion of the District is located within the Denton Independent School District and a portion of the District is located within Prosper Independent School District. The District consists of six non-contiguous tracts containing approximately 636, 275, 479, 166, 2 and 22 acres, respectively. The six tracts are located generally northwest and northeast of the intersection of U.S. Highway 380 and Farm-to-Market 1385. See "THE DISTRICT—Description and Location" and "AERIAL LOCATION MAP."

The Developers And Major Property Owners...

Bloomfield Homes, L.P. ("Bloomfield"), a Texas limited partnership has developed most of the land within the District developed as ArrowBrooke. Bloomfield has completed the development of ArrowBrooke and does not own any additional developable land for future development.

Mezzo Owner LLC ("Mezzo") owns approximately 16 acres of developable land with the District where a 378-unit apartment community has been developed.

Field Street Development I, Ltd. ("Field Street") owns approximately 5 acres of developable land with the District. A shopping center has been developed on approximately 4 acres.

JB/Calder Fund IX Prosper LLC ("JB/Calder") and Inwood Plaza Joint Venture ("Inwood Plaza") separately own two adjacent tracts of developable land within the District, sized approximately 11 acres and 13 acres, respectively. Currently, Phase 1 of a multi-family residential apartment community, Prosper Elms, has been developed on the 11 acre tract, with approximately 196 units.

Bloomfield, Mezzo, JB/Calder and Field Street are collectively referred to herein as the "Developers." See "THE DEVELOPERS AND MAJOR PROPERTY OWNERS" and "TAX DATA—Principal Taxpayers."

Status of Development...

The District is being developed as a predominantly single-family residential development. Development currently consists of Savannah (2,447 single-family residential lots completed on approximately 593 acres), Artesia (1,686 single-family residential lots completed on approximately 370 acres), and ArrowBrooke (1,705 single-family residential lots completed on approximately 405 acres). As of December 31, 2023, the District included 5,640 completed single-family homes (of which 5,631 were occupied, 4 unoccupied and 5 models), 30 new homes under construction or in the name of the builder and 168 vacant developed lots available for home construction. Homes being constructed in the District range in price from approximately \$450,000 to \$730,000, and based on the 2023 tax rolls, the average homestead value in the District is approximately \$398,660.

A portion of the Estates 3Eighty, a 420-unit apartment community, is located on approximately 10 acres in the District. The portion of the apartment community in the District consists of approximately 359 units and includes the leasing office and community clubhouse with pool and fitness center. Additionally, Mezzo, a 378-unit apartment community, is located on approximately 16 acres and JBJ/Calder Fund IX Prosper LLC has developed Prosper Elms, a 196-unit apartment community on approximately 11 acres within the District. See “TAX DATA—Principal Taxpayers.”

In addition to residential development, approximately 20 acres has been developed as a Valero gas station and convenience store, Dollar General, liquor store, day care center, emergency medical center, Golf Cars for Fun, Electric Co-op, and restaurants, approximately 15 acres have been developed as a school site and community center and approximately 12 developable acres within the District have not been fully provided with water distribution, wastewater collection and storm drainage facilities. Approximately 5 acres has been developed as a church (which is not subject to ad valorem taxation by the District), approximately 47 acres are not developable and approximately 76 acres are devoted to parks, recreation and open space.

Recreational amenities for residents within Savannah include a 20,000 square feet clubhouse with a ballroom, a kitchen and café area, a pool and water park, 4 tennis courts and a covered basketball court. Recreational facilities in Artesia include a 2,808 square feet clubhouse with a swimming pool. Recreational facilities in ArrowBrooke include a resort style pool, splash pad and spray park, playground and surrounding open spaces.

The District has begun construction of a new administration building with an anticipated completion date of August 2025. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

In addition, Savannah Elementary School has been constructed within the boundaries of the District by the Denton Independent School District, which are not subject to ad valorem taxation by the District.

See “THE DISTRICT—Land Use” and “—Status of Development.”

The Builders...

Homebuilding in Savannah and ArrowBrooke is being conducted by Grand Acquisition, Inc. d/b/a Grand Homes, and Bloomfield Homes, LP, respectively. Homebuilding in Artesia was completed in 2023. See “THE DEVELOPERS AND MAJOR PROPERTY OWNERS—Homebuilders.”

Payment Record...

The District has previously issued fifteen series of unlimited tax bonds and four series of unlimited tax refunding bonds of which a total of \$120,655,000 principal amount of bonds is outstanding (the “Outstanding Bonds”) as of the date hereof. The District has never defaulted on principal and interest payments on the Outstanding Bonds. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”

THE BONDS

Description...

The \$23,835,000 Unlimited Tax Bonds, Series 2024 (the “Bonds”) are being issued as fully registered bonds pursuant to an order (the “Bond Order”) authorizing the issuance of Bonds adopted by the District’s Board of Directors (the “Board”). The Bonds are scheduled to mature serially on September 1 in each of the years 2025 through 2047, both inclusive. The Bonds will be issued in book-entry form only in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from the date of initial delivery (the “Date of Delivery”), and is payable on September 1, 2024, and each March 1 and September 1 thereafter, until the earlier of maturity or redemption. See “THE BONDS” and “BOOK-ENTRY-ONLY SYSTEM.”

Book-Entry-Only System...

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds and will be deposited with DTC or its designee. See “BOOK-ENTRY-ONLY SYSTEM.”

<i>Redemption...</i>	Bonds maturing on and after September 1, 2031, are subject to redemption in whole or from time to time in part, at the option of the District, prior to their maturity dates on September 1, 2030, and on any date thereafter at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”
<i>Use of Proceeds...</i>	Proceeds of the Bonds will be used to pay for the water, wastewater and storm drainage facilities, District administration facilities and other related costs, including engineering fees, as shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS. In addition, Bond proceeds will be used to pay interest on funds advanced by the Developers on behalf of the District and to pay certain other costs related to the issuance of the Bonds.
<i>Authority for Issuance...</i>	The Bonds are the ninth series of new money bonds issued out of an aggregate of \$139,500,000 principal amount of unlimited tax bonds authorized by the District’s voters purpose of acquiring or constructing water, wastewater and storm drainage facilities. The Bonds are issued by the District pursuant to an order of the Texas Commission on Environmental Quality (the “TCEQ”), Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including, without limitation, Chapters 49, 51, and for limited purposes, 53 of the Texas Water Code, as amended, elections held within the District, and the Bond Order. See “THE BONDS—Authority for Issuance.”
<i>Source of Payment...</i>	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the Town of Little Elm, the Town of Prosper, the City of Aubrey, Denton County, the State of Texas or any entity other than the District. See “THE BONDS—Source and Security for Payment.”
<i>Municipal Bond Rating and Municipal Bond Insurance...</i>	S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) has assigned a municipal bond insured rating of “AA” (stable outlook) to the Bonds with the understanding that, upon issuance and delivery of the Bonds, a municipal bond insurance policy ensuring the timely payment of the principal of and interest on the Bonds will be issued by BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM” or the “Insurer”). Moody’s has also assigned an underlying rating of “A2” to the Bonds. An explanation of the ratings may be obtained from S&P and Moody’s. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”
<i>Not Qualified Tax-Exempt Obligations...</i>	The Bonds are not “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS—Not Qualified Tax-Exempt Obligations.”
<i>Bond Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Dallas, Texas. See “MANAGEMENT OF THE DISTRICT,” “LEGAL MATTERS” and “TAX MATTERS.”
<i>General Counsel...</i>	Allen Boone Humphries Robinson, LLP, Dallas, Texas. See “MANAGEMENT OF THE DISTRICT.”
<i>Financial Advisor...</i>	Masterson Advisors LLC, Houston, Texas. See “MANAGEMENT OF THE DISTRICT.”
<i>Disclosure Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas. See “MANAGEMENT OF THE DISTRICT.”
<i>Paying Agent/Registrar...</i>	BOKF, NA, Dallas, Texas. See “THE BONDS—Method of Payment of Principal and Interest.”

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds are subject to special investment considerations and all prospective purchasers are urged to examine carefully this entire OFFICIAL STATEMENT with respect to the investment security of the Bonds, including particularly the section captioned “INVESTMENT CONSIDERATIONS.”

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2023 Taxable Assessed Valuation.....	\$2,562,865,406	(a)
Gross Direct Debt Outstanding (after the issuance of the Bonds).....	\$144,490,000	(b)
Estimated Overlapping Debt.....	167,196,150	(c)
Gross Direct Debt and Estimated Overlapping Debt.....	\$311,686,150	
Ratio of Gross Direct Debt to:		
2023 Taxable Assessed Valuation	5.64%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2023 Taxable Assessed Valuation	12.16%	
System Debt Service Funds Available as of January 18, 2024	\$7,900,604	
Road Debt Service Funds Available as of January 18, 2024.....	6,080,990	
Total Funds Available for Debt Service	\$13,981,594	(d)
Funds Available for Operations and Maintenance as of January 18, 2024.....	\$22,418,413	(e)
System Capital Projects Funds Available as of January 18, 2024.....	\$6,108,295	
Road Capital Projects Funds Available as of January 18, 2024	169,996	
Total Funds Available for Capital Projects	\$6,278,291	(f)
2023 Debt Service Tax Rate.....	\$0.430	
2023 Maintenance Tax Rate.....	0.397	
2023 Contract Tax Rate.....	0.060	
2023 Total Tax Rate.....	\$0.887	
Average Annual Debt Service Requirement (2024-2047).....	\$ 8,127,442	(g)
Maximum Annual Debt Service Requirement (2027).....	\$11,633,894	(g)
Tax Rate Required to Pay Average Annual Debt Service (2024-2047) at a 95% Collection Rate		
Based upon 2023 Taxable Assessed Valuation.....	\$0.34	(h)
Tax Rate Required to Pay Maximum Annual Debt Service (2027) at a 95% Collection Rate		
Based upon 2023 Taxable Assessed Valuation.....	\$0.48	(h)
Status of Development as of December 31, 2023 (i):		
Developed Lots.....	5,838	
Homes Completed (5,631 occupied, 4 unoccupied and 5 models)	5,640	
Homes Under construction or in the Name of Homebuilder.....	30	
Lots Available for Home Construction	168	
Multi-Family Apartment Units	(j)	
Estimated population	21,575	(k)

- (a) The 2023 Taxable Assessed Valuation shown herein includes \$2,555,844,425 of certified value and \$7,020,981 of uncertified value, subject to change and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Denton Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
- (b) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."
- (c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt" and "—Overlapping Taxes."
- (d) Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Debt Service Fund. The System Debt Service Fund (as defined herein) is not pledged to the Road Bonds and the Road Debt Service Fund (as defined herein) is not pledged to the System Bonds, including the Bonds (as defined herein).
- (e) The District expects to contribute approximately \$1,500,000 of surplus operating funds for the construction related to Harper Road Pump Station. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
- (f) Represents as yet unused construction funds for ongoing projects and surplus construction funds, and interest thereon, derived from the Outstanding Bonds. The Bonds, if, as and when issued, may produce additional surplus funds. Surplus funds for construction may be expended for any lawful purpose for which surplus funds may be used, limited, however, to the purposes for which the issue of the Outstanding Bonds which produced the surplus funds were issued. Under certain circumstances, the approval of the TCEQ is required for the use of surplus funds derived from System Bonds. Of such amount, \$524,324 may be used to finance water, sewer and drainage facilities, with the approval of the TCEQ, and \$169,996 may be used to finance road facilities.
- (g) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
- (h) See "TAX DATA—Tax Adequacy for Debt Service" and "INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates."
- (i) See "THE DISTRICT—Land Use" and "—Status of Development."
- (j) See "THE DISTRICT—Status of Development—Multi-Family Residential" and "TAX DATA—Principal Taxpayers."
- (k) Based upon 3.5 persons per occupied single-family residence and 2.0 persons per apartment unit. See "THE DISTRICT—Land Use" and "—Status of Development—Multi-Family Residential."

OFFICIAL STATEMENT

\$23,835,000

ELM RIDGE WATER CONTROL AND IMPROVEMENT DISTRICT OF DENTON COUNTY

(Formerly Denton County Fresh Water Supply District No. 10)

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

UNLIMITED TAX BONDS

SERIES 2024

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Elm Ridge Water Control and Improvement District of Denton County (the “District”) of its \$23,835,000 Unlimited Tax Bonds, Series 2024 (the “Bonds”).

The Bonds are issued by the District pursuant to an order of the Texas Commission on Environmental Quality (the “TCEQ”), Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including, without limitation, Chapters 49, 51, and for limited purposes, 53 of the Texas Water Code, as amended, elections held within the District, and an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”).

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District, Bloomfield Homes, L.P. (“Bloomfield”), Mezzo Owner LLC (“Mezzo”), JBJ/Calder Fund IX Prosper LLC (“JBJ/Calder”), Field Street Development I, Ltd. (“Field Street”), and development activity in the District. Bloomfield, Mezzo, JBJ/Calder and Field Street are collectively referred to herein as the “Developers.” All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Allen Boone Humphries Robinson LLP, 4514 Cole Avenue, Suite 1450, Dallas, TX 75205.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order. 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.

Description

The Bonds will be dated March 1, 2024 and will accrue interest from the date of initial delivery (the “Date of Delivery”), with interest payable each March 1 and September 1, beginning September 1, 2024 (each an “Interest Payment Date”), and will mature on the dates and in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months. The Bonds 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 system described herein. See “BOOK-ENTRY-ONLY SYSTEM.”

Authority for Issuance

At elections held within the District on May 4, 2002, and September 13, 2003, voters of the District authorized the issuance of \$139,500,000 principal amount of unlimited tax bonds for purpose of acquiring or constructing water, wastewater and storm drainage facilities. The Bonds are being issued pursuant to such authorizations.

The Bonds are issued by the District pursuant the terms and conditions of the Bond Order, Article XVI, Section 59 of the Texas Constitution, Chapters 49, 51, and for limited purposes, 53 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, and an order of the TCEQ dated January 5, 2024.

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 and Security for Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are appraised, levied and collected, in each year, a continuing direct annual ad valorem tax, without limit as to rate, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. In the Bond Order, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

The Bonds are obligations solely of the District and are not obligations of the City of Aubrey, the Town of Little Elm, the Town of Prosper, Denton County, the State of Texas or any political subdivision or entity other than the District.

Funds

The Bond Order creates the District's Series 2024 Debt Service Fund, which may be held as part of the Debt Service Fund for prior System Bonds (collectively, the "System Debt Service Fund"), which is to be used to pay debt service on bonds issued for water, wastewater and storm drainage facilities, or to refund such bonds ("System Bonds"). The System Debt Service Fund is a separate fund from the Road Debt Service Fund (the "Road Debt Service Fund") which is used to pay debt service on bonds issued to finance roads and improvements in aid thereof or to refund such bonds ("Road Bonds"). The Bond Order also creates the District's Series 2024 Capital Projects Fund, which may be held as part of the Capital Projects Fund created for the prior System Bonds (collectively, the "Capital Projects Funds"). The proceeds of the Bonds will be deposited in the Series 2024 Capital Projects Fund.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on and after September 1, 2031, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2030, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption.

If fewer than all of the Bonds are redeemed at any time, the particular maturity or series and the maturities of the Bonds to be redeemed will be selected by the District. If fewer than all the Bonds within a particular maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar 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).

If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Bond or Bonds of like series and maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

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

Method of Payment of Principal and Interest

In the Bond Order, the Board has appointed BOKF, NA, having a designated payment office in Dallas, Texas, as the initial Paying Agent/Registrar for the Bonds (the "Paying Agent/Registrar," "Paying Agent," or "Registrar"). The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry-only system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the registered owner of the Bonds (the "Registered Owners") of record as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

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, as defined in the Bond Order.

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Order.

In the event the Book-Entry-Only System should be discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Order to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

Replacement of Paying Agent/Registrar

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

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is quoted 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) authorizes bonds of the District (including the Bonds) to be 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 purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which might apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

Issuance of Additional Debt

The District's voters have authorized the issuance of a total of \$139,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and storm drainage facilities and \$82,100,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing roads and improvements in aid thereof and could authorize additional amounts. The District is also authorized to issue unlimited tax refunding bonds in an amount equal to one and one-half of the principal amount of water, wastewater and storm drainage bonds previously issued by the District. After the issuance of the Bonds, the District will have \$37,020,000 principal amount of unlimited tax bonds for water, wastewater and storm drainage facilities authorized but unissued and no unlimited tax bonds authorized but unissued for roads and improvements in aid thereof. See "INVESTMENT CONSIDERATIONS—Future Debt."

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. Except with respect to the issuance of bonds issued to acquire or construct roads and improvements in aid thereof, 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 to acquire or construct roads and improvements in aid thereof (including its allocable share of obligations issued by Denton County for road purposes) may not exceed one-fourth of the assessed valuation of the real property in the District.

After approval by the District's voters and the Texas Commission on Environmental Quality ("TCEQ"), the District also has the power to issue unlimited tax bonds for the purpose of providing fire-fighting activities. The Board is further empowered to borrow money for any lawful purpose and to issue bond anticipation and tax anticipation notes. The District does not have the statutory authority to issue bonds supported by ad valorem taxes for the development of parks and recreational facilities.

Issuance of additional bonds could dilute the investment security for the Bonds.

Remedies in Event of Default

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 observance or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies and Bankruptcy Limitations."

Defeasance

The Bond Order provide that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) for obligations of the District payable from revenues or from ad valorem taxes or both, or a commercial bank or trust company designated in the proceedings authorizing such discharge amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and

that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

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

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

Annexation

Chapter 42, Local Government Code, provides that, within the limits described therein, the unincorporated area contiguous to the corporate limits of a municipality comprises that municipality's extraterritorial jurisdiction ("ETJ"). The size of the ETJ depends in part on the size of a municipality's population. With certain exceptions, a municipality may annex territory only within the confines of its ETJ. Absent an agreement with a neighboring municipality, when a municipality annexes additional territory, the municipality's ETJ expands automatically in conformity with such annexation up to the ETJ of a neighboring municipality. Under existing Texas law, the land within the District located in a municipality's ETJ may be annexed subject to compliance with the procedural requirements of Chapter 43, Local Government Code.

The Town of Little Elm and the Town of Prosper are each a home-rule municipality. The City of Aubrey is a Type A general law municipality. The District consists of six non-contiguous areas. Based upon maps provided by these municipalities and Denton County, the District believes the following information in this paragraph to be correct, but makes no guarantee as to its accuracy. A portion of the area of the District developed as ArrowBrooke is located within the ETJ's of the City of Aubrey, the Town of Prosper and the Town of Little Elm. The area developed as Artesia is located wholly within the ETJ of the Town of Prosper. A portion of the area within the District developed as Savannah is located within the Town of Little Elm.

Because the District lies partially in the extraterritorial jurisdiction of more than one municipality, none of such municipalities may annex the entire District and abolish the District in its entirety. Under certain circumstances provided in Chapter 43, Local Government Code, a municipality may annex less than all of the area within the District. Should a municipality annex only part of the area in the District, the governing bodies of the municipality and the District may make contracts relating to the allocation of overlapping duties, functions and dispositions of the assets, liabilities and obligations of the District, but the District is not abolished. Should a municipality annex all or part of the area in the District and the balance of the area within the District is located in one or more municipalities or one or more municipalities and an unincorporated area, the District may be abolished by agreement among the District and the municipalities in which the District is located. Such agreement must provide for the distribution among the municipalities of the assets of the District and pro rata assumption by the municipalities of all debts and obligations of the District. Annexation is a policy-making matter within the discretion of the governing body of each municipality and therefore, the District makes no representation regarding when or if the municipalities will ever act to annex the District.

A portion of land within the District lies within the extraterritorial jurisdiction of the Town of Prosper. Pursuant to agreements dated March 5, 2002 and March 28, 2012, the Town of Prosper has agreed not to annex (for full purposes) a portion of the area within the District in its ETJ located west of Farm-to-Market 1385 (consisting of a portion of Savannah) until March 2027. Pursuant to an agreement, dated May 6, 2003, the Town of Prosper has agreed not to annex (for full purposes) the area within the District in its ETJ located east of Farm-to-Market 1385 (consisting of Artesia) until such time as certain conditions are met, including the reimbursement of certain Developers for funds advanced for the construction of water, wastewater and drainage facilities and roads to serve such acreage.

The District has entered into Strategic Partnership Agreements with the Town of Prosper pursuant to which the Town of Prosper annexed for limited purposes three (3) tracts of land consisting of approximately 22 acres of commercial property. One of such tracts is located within Savannah; one is located within ArrowBrooke; and one within Artesia. Furthermore, upon such limited purpose annexation, the Town of Prosper imposed its two percent (2%) sales and use taxes (but not its property tax) within the area. The District receives one-half of one percent (½%) of such sales and use taxes collected by the Town of Prosper. Such amounts received by the District pursuant to the Strategic Partnership Agreements are not pledged to the payment of the Bonds. The terms of these Strategic Partnership Agreements run for 15 years from March 28, 2012. The Town of Prosper has also agreed not to annex all or part of the District during the term of such agreements.

A portion of land within the District lies within the extraterritorial jurisdiction of the City of Aubrey. Pursuant to an agreement dated June 26, 2018, the City of Aubrey has agreed not to annex (for full purposes) a portion of the area within the District comprised of the ArrowBrooke Development until June 2038, or upon dissolution of the District, whichever is earliest.

The District has entered into a Strategic Partnership Agreement with the Town of Little Elm pursuant to which the Town of Little Elm annexed for limited purposes eight (8) tracts of land consisting of approximately 44 acres of commercial property. The tracts are located adjacent to the Savannah development along the north and south sides of U.S. 380. Furthermore, upon such limited purpose annexation, the Town of Little Elm imposed its two percent (2%) sales and use taxes (but not its property tax) within the area. The District does not receive any share of such sales and use taxes collected by the Town of Little Elm. The term of this Strategic Partnership Agreement runs for 50 years from March 28, 2012, or until the property is disannexed or annexed for full purposes.

The Bonds are obligations solely of the District and are not obligations of the Town of Prosper, the Town of Little Elm, the City of Aubrey, Denton County or any entity other than the District.

Consolidation

The District has the legal authority, upon a favorable election in each district, to consolidate with one or more other districts, operating under Chapter 51, Texas Water Code, and, thereafter, to become one district and be governed as one district. However, debts created prior to consolidation, such as the Bonds and the Outstanding Bonds, remain debts of the original districts, payable from taxes levied on land in the original districts as if they had not consolidated or from contributions from the consolidated district on terms stated in the consolidation agreement. No representation is made concerning whether the District will consolidate with any other district, but the District currently has no plans to do so.

BOOK-ENTRY-ONLY SYSTEM

The section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York (“DTC”) while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this OFFICIAL STATEMENT. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor takes any responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurances 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 Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 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 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.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect 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 the District (or the Trustee on behalf thereof) 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).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, 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, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest payments and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, 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. 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 transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

USE AND DISTRIBUTION OF BOND PROCEEDS

The items to be funded by the Bonds appearing below were approved by the TCEQ in its order dated January 5, 2024, authorizing the issuance of the Bonds. Non-construction costs are based upon either contract amounts or estimates of various costs by the City of Celina, who serves as the District’s engineer, (the “Engineer”) and Masterson Advisors LLC (the “Financial Advisor”). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and review by an independent auditor. Surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ where required. See “THE WATER, WASTEWATER AND DRAINAGE SYSTEM.”

I. CONSTRUCTION COSTS

Developer Contribution Items

• ArrowBrooke Phase 7 - W, WW & D.....	\$ 2,369,121
• Prosper Elms Apartments Phase 1 - W & WW.....	959,616
• Engineering and Testing.....	457,785
• Storm Water Pollution Prevention Planning (SWPPP).....	3,730

Total Developer Contribution Items..... \$ 3,790,252

District Items

• Harper Road Pump Station Upgrade.....	\$ 2,134,700
• Artesia Waterline.....	7,990,000
• 12-inch Waterline to Harper Road Pump Station.....	1,227,300
• Remaining Costs for District Administration Building.....	2,479,870
• Contingencies.....	2,497,451
• Architectural and Engineering Fees.....	1,684,862

Total District Items..... \$ 18,014,183

Total Construction Costs..... \$ 21,804,435

II. NON-CONSTRUCTION COSTS

• Underwriter's Discount (a).....	\$ 227,432
• Developer Interest.....	267,963

Total Non-Construction Costs..... \$ 495,395

III. ISSUANCE COSTS AND FEES

• Issuance Costs and Professional Fees.....	\$ 894,629
• Bond Application Report.....	83,835
• State Regulatory Fees.....	69,088
• Contingency (a).....	487,618

Total Issuance Costs and Fees..... \$ 1,535,170

TOTAL BOND ISSUE..... \$ 23,835,000

(a) The TCEQ approved a maximum Underwriter’s discount of 3.0%. Contingency represents the difference in the estimated and actual amounts of Underwriter’s Discount.

THE DISTRICT

General

The District was created by the Denton County Commissioners Court on September 12, 2000, as a fresh water supply district pursuant to Chapter 53, Texas Water Code, as amended. Pursuant to an election held on November 7, 2000, the District assumed sanitary sewer powers and road district powers including those under Chapter 257, Texas Transportation Code. On November 30, 2000, the District converted to a water control and improvement district. 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 Texas Constitution, and Chapters 49, 51 and, for certain purposes, 53, Texas Water Code, as amended. In an order dated April 18, 2022, the TCEQ pursuant to a request by the District, granted permission to the District to change its name to Elm Ridge Water Control and Improvement District of Denton County. The District currently contains approximately 1,580 acres of land.

The creation of the District, and certain acts and proceedings of the District 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, and improvements in aid thereof. 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, with the approval of the TCEQ. The District 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 an existing fire station located northeast of the District. The Fire Plan, which received voter approval 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. The current monthly surcharge is \$16.25 for residents of Artesia and \$13.95 for residents of Savannah and Arrowbrooke). The District has the power to develop parks and recreational facilities; however, the District does not have the power to issue bonds supported by ad valorem taxes for such purpose.

Under Section 49.216, Texas Water Code, the District may contract for or employ its own peace officers. Pursuant to approval granted by the Texas Commission of Law Enforcement ("TCOLE"), at a publicly held Board meeting on February 15, 2018, the District's Board of Directors adopted a resolution authorizing the formation of the District Police Department to provide law enforcement services to the District. The District Police Department is funded through the collection of water and sewer operation revenues.

The TCEQ exercises continuing supervisory jurisdiction over the District. Construction and operation of the District's utility system is subject to the regulatory jurisdiction of additional governmental agencies. See "THE WATER, WASTEWATER AND DRAINAGE SYSTEM—Regulation."

Description and Location

The District currently consists of approximately 1,580 acres of land in north Denton County. The District is located approximately 33 miles northwest of the central downtown business district of the City of Dallas and approximately 15 miles east of the central downtown business district of the City of Denton. The portions of the District developed as Savannah and ArrowBrooke are within Denton Independent School District and the portion of the District developed as Artesia is within Prosper Independent School District. A portion of the District is within the extraterritorial jurisdiction ("ETJ") of the Town of Prosper, a portion of the District is within the ETJ of the City of Aubrey and a portion of the District is within the ETJ of the Town of Little Elm. The remainder of the District is not within the ETJ of any municipality. Portions of the District have been annexed by the Town of Little Elm and the Town of Prosper for limited purposes. The District consists of six non-contiguous tracts containing approximately 636, 275, 479, 166, 2, and 22 acres, respectively. The six tracts are located generally northwest and northeast of the intersection of U.S. Highway 380 and Farm-to-Market 1385. See "AERIAL LOCATION MAP."

Land Use

The following table represents a detailed breakdown of the current acreage and development in the District.

	Approximate	
	<u>Acres</u>	<u>Lots/Units</u>
<i>Single-Family Residential:</i>		
Savannah.....	593	2,447
Artesia.....	370	1,686
ArrowBrooke.....	405	1,705
Total Single-Family Residential.....	1,368	5,838
Commercial.....	20	--
Multi-Family (a).....	37	933
School and Community Center.....	15	--
Church.....	5	--
Parks, Recreational and Open Space.....	76	--
Future Development.....	12	--
Undevelopable (b).....	47	--
Subtotal.....	212	--
Total.....	1,580	5,838

- (a) See “Status of Development—Multi-Family Residential” herein and “THE DEVELOPERS AND MAJOR PROPERTY OWNERS.”
 (b) Includes streets, easements and acreage located in the flood plain.

Status of Development

Single-Family Residential: The District is being developed as a predominantly single-family residential development. Development currently consists of Savannah (2,447 single-family residential lots completed on approximately 593 acres), Artesia (1,686 single-family residential lots completed on approximately 370 acres), and ArrowBrooke (1,705 single-family residential lots completed on approximately 405 acres). As of December 31, 2023, the District included 5,640 completed single-family homes (5,631 occupied, 4 unoccupied and 5 models), 30 new homes under construction or in the name of the builder and 168 vacant developed lots available for home construction. Homes being constructed in the District range in price from approximately \$450,000 to \$730,000, and based on the 2023 tax rolls, the average homestead value in the District is approximately \$398,660.

Multi-Family Residential: A portion of the Estates 3Eighty, a 420-unit apartment community, is located on approximately 10 acres in the District. The portion of the apartment community in the District consists of approximately 359 units and includes the leasing office and community clubhouse with pool and fitness center. Additionally, Mezzo, a 378-unit apartment community, is located on approximately 16 acres, and Prosper Elms, a 196-unit apartment complex, has been developed on approximately 11 acres. See “DEVELOPERS AND MAJOR PROPERTY OWNERS” and “TAX DATA—Principal Taxpayers.”

In addition to residential development, approximately 20 acres has been developed as a Valero gas station and convenience store, Dollar General, liquor store, day care center, emergency medical center, Golf Cars for Fun, Electric Co-op, and restaurants, approximately 15 acres have been developed as a school site and community center and approximately 12 developable acres within the District have not been fully provided with water distribution, wastewater collection and storm drainage facilities. Approximately 5 acres has been developed as a church (which is not subject to ad valorem taxation by the District), approximately 47 acres are not developable and approximately 76 acres are devoted to parks, recreation and open space.

The District has begun construction of a new administration building with an anticipated completed date of August 2025. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Recreational amenities for residents within Savannah include a 20,000 square feet clubhouse with a ballroom, a kitchen and café area, a pool and water park, 4 tennis courts and a covered basketball court. Recreational facilities in Artesia include a 2,808 square feet clubhouse with a swimming pool. Recreational facilities in ArrowBrooke include a resort style pool, splash pad and spray park, playground and surrounding open spaces.

In addition, Savannah Elementary School has been constructed within the boundaries of the District by the Denton Independent School District which are not subject to ad valorem taxation by the District.

Future Development

The District is planned as a primarily single-family residential development. Approximately 12 developable acres of land in the District are not yet fully served with water, wastewater and storm drainage facilities or roads necessary for the construction of taxable improvements. While the Developers and other owners anticipate future development of this acreage as business conditions warrant, there can be no assurances if and when any of such undeveloped land will ultimately be developed. The District anticipates issuing additional bonds to accomplish full development of the District. See “INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates.” The District believes that based upon current development plans, the remaining authorized but unissued bonds (\$37,020,000, principal amount for water, wastewater and storm drainage facilities) will be sufficient to finance the construction of water, wastewater and storm drainage facilities for full development of the District. The District has issued all of the authorized bonds for roads and road improvements for full development of the District, so under contracts with the Developers, the District shall reimburse the Developers for eligible road costs out of the District’s operation and maintenance tax, if available. See “THE WATER, WASTEWATER AND DRAINAGE SYSTEM,” “THE ROAD SYSTEM” and “INVESTMENT CONSIDERATIONS—Future Debt.”

THE DEVELOPERS AND MAJOR PROPERTY OWNERS

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 purchasers of the Bonds should note that the prior real estate experience of the Developers should not be construed as an indication that further development within the District will occur, or that 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. No representation is made as to the relative success of any of the projects mentioned above, and no assurance as to the future performance of the Developers should be inferred. Prospective purchasers are urged to inspect the District in order to acquaint themselves with the nature of the Developers’ business activities. See “INVESTMENT CONSIDERATIONS—Dependence on the Developers and Principal Taxpayers—Landowners/Developers/Homebuilders Under No Obligation to the District.”

Bloomfield Homes, L.P.

Bloomfield Homes, L.P. (“Bloomfield”), a Texas limited partnership has developed most of the land within the District developed as ArrowBrooke. Bloomfield has completed the development of ArrowBrooke and does not own any additional developable land for future development. See “THE DISTRICT—Land Use Plan,” “—Status of Development” and “TAX DATA—Principal Taxpayers.”

Mezzo Owner LLC

Mezzo Owner LLC owns approximately 16 acres of developable land with the District where a 378-unit apartment has been developed. See “THE DISTRICT—Land Use Plan,” “—Status of Development—Multi-Family Residential” and “TAX DATA—Principal Taxpayers.”

Major Property Owners

JBJ Calder Fund IX Prosper LLC and Inwood Plaza J/V: JBJ/Calder Fund IX Prosper LLC (“JB/Calder”) and Inwood Plaza Joint Venture (“Inwood Plaza”) separately own two adjacent tracts of developable land within the District, sized approximately 11 acres and 13 acres, respectively. Currently, Phase 1 of a multi-family residential apartment community, Prosper Elms, has been developed on the 11 acre tract, with approximately 196 units.

Field Street Development I, Ltd.: Field Street Development I, Ltd. (“Field Street”) owns approximately 5 acres of developable land with the District. A shopping center has been developed on approximately 4 acres. See “THE DISTRICT—Land Use Plan,” “—Status of Development” and “TAX DATA—Principal Taxpayers.”

Homebuilders

Homebuilding in Savannah and ArrowBrooke is being conducted by Grand Acquisition, Inc. d/b/a Grand Homes, and Bloomfield Homes, LP, respectively. Homebuilding in Artesia was completed in 2023.

Future Debt

Certain Developers have advanced certain funds on behalf of the District for the construction of water, wastewater and storm drainage facilities and road improvements as well as under the Contracts (herein defined) with Upper Trinity (hereinafter defined). After reimbursement from Bond proceeds, the District will continue to owe \$8,813,000 to the Developers for road improvements. The District has issued all of the authorized bonds for roads and road improvements for full development of the District, so under contracts with the Developers, the District shall reimburse the Developers for eligible road costs out of the District's operation and maintenance tax, if available. The District believes that the remaining authorized but unissued bonds will be sufficient to finance the water, wastewater and storm drainage facilities for full development of the District.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year staggered terms and elections are held in May in even numbered years. All of the Board members reside and own land within the District. The current members and officers of the Board along with their titles and terms, are listed as follows:

<u>Name</u>	<u>District Board Title</u>	<u>Term Expires</u>
Amy Myers	President	May 2024
Jon TenBroeck	Vice President	May 2024
Maggie Hernandez	Secretary	May 2024
Mike Perry	Assistant Secretary	May 2026
Scott Bollig	Director	May 2026

District Consultants

The District has twenty-three full-time employees. See "THE DISTRICT—General" and "—Law Enforcement Services."

The District provides retirement for all of its full and part-time non-temporary employees through a non-traditional defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of approximately 850 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available on the TCDRS website (www.tcdrs.org). The District contributes to the defined contribution pension plan, which provides retirement and death benefits to plan members and their beneficiaries. During the fiscal year ending July 31, 2023, the District contributed \$202,289 to the plan. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The deposit rate payable by the employee members for calendar year 2022 was 10.76%. See "APPENDIX A" for a description of the defined benefit pension plan. Other than the defined benefit pension plan, the District has no other pension plans or post-employment benefits to be funded by the District.

Bond Counsel and Disclosure Counsel: The District has engaged McCall, Parkhurst & Horton L.L.P., Dallas, Texas, as Bond Counsel and Disclosure Counsel in connection with the issuance of the District's Bonds. The fees of Bond Counsel and Disclosure Counsel are contingent upon the sale and delivery of the Bonds.

General Counsel: The District has engaged Allen Boone Humphries Robinson LLP, Dallas, Texas as General Counsel to the District. General Counsel also provides certain legal services in association with and as requested by Bond Counsel in connection with the issuance of the Bonds. A portion of the fees of General Counsel are contingent upon the sale and delivery of the Bonds.

Financial Advisor: Masterson Advisors LLC serves as the District’s Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Auditor: The District’s financial statements for the fiscal year ending July 31, 2023 were prepared by the independent accounting firm of McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, Houston, Texas. See “APPENDIX A” for a copy of the District’s audited financial statements for the fiscal year ending July 31, 2023.

Tax Assessor/Collector: The Denton Central Appraisal District (the “Appraisal District”) has the responsibility of appraising all property within the District. See “TAXING PROCEDURES.” The District also has contracted with Ms. Michelle French, Denton County Tax Assessor-Collector, to perform the tax collection function.

Engineer: The District’s consulting engineer is Andy Glasgow, Director of Engineering at the City of Celina (the “Engineer”).

Bookkeeper: In December of 2019, the District hired Regina Van Dyke, CPA, as in-house financial director.

Artesia Utility System Operator: The operator of Artesia’s internal water and wastewater system is the City of Celina.

THE WATER, WASTEWATER AND DRAINAGE SYSTEM

Regulation

Construction and operation of the District’s water, wastewater and storm drainage system (the “System”) as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency.

Mustang Special Utility District Contracts Transfer Agreement – Waterworks and Sewer System Serving Savannah and ArrowBrooke

Mustang Special Utility District (“Mustang”) is a conservation and reclamation district operating pursuant to Chapter 65, Texas Water Code. It was created on May 13, 1966 as a non-profit rural water supply corporation and in 1985 secured a certificate of convenience and necessity (“CCN”) to provide retail water service to a large area of southeast Denton County (“Mustang Service Area”), including those portions of the District developed as Savannah and ArrowBrooke (formerly, Comanche Ridge). Mustang converted into a special utility district in May 2002 and secured a CCN to provide retail sewer service to the Mustang Service Area. Pursuant to agreements entered into between the District and Mustang in June of 2002 and October 1, 2007, Mustang agreed that the District would provide retail water and sewer service to approximately 849 acres within the Mustang Service Area. The District subsequently secured CCNs to provide retail water and sewer service to that area which includes portions of Savannah and ArrowBrooke (“District West Service Area”), as well as the portion of the District developed as Artesia (“District East Service Area”). Although the District West Service Area is included within the Mustang Service Area, the District East Service Area is not within the Mustang Service Area or the service area of any other retail service provider. The District has provided retail utility services to its District West Service Area since late 2003.

On or about October 9, 2017, the District and Mustang executed an Interlocal Agreement For Property Transfer And Allocation of Water And Wastewater Service Areas (the “Mustang Agreement”), pursuant to which the parties agreed that upon the approval of the Mustang Agreement (the “Approval Date”) by the Public Utility Commission (the “PUC”), Mustang shall be the sole retail provider of retail water and wastewater services to the area within the District West Service Area, and all customers within such areas shall become retail customers of Mustang. The Mustang Agreement was approved by Upper Trinity Regional Water District (“Upper Trinity”) on December 7, 2017. On or about August 3, 2018, the District filed the necessary application with the PUC to remove the District’s West Service Area from the District’s certificates of convenience and necessity and obtain approval of the Mustang Agreement. On or about April 25, 2019, the PUC approved such application.

Pursuant to the Mustang Agreement, the District’s existing and proposed retail water and wastewater facilities and improvements that serve or will serve the District’s West Service Area were transferred to Mustang; and the District’s service and capacity rights and payment obligations pertaining to the District’s West Service Area under certain Upper Trinity Contracts (detailed in “Upper Trinity Regional Water District Contract” herein) were assigned to Mustang. The Mustang Agreement did not relieve the District from any obligation it may have to acquire, construct, and reimburse the cost of internal water distribution, sanitary collection, and drainage lines and facilities pursuant to reimbursement agreements with developers or owners of land within Savannah and ArrowBrooke. However, with regard to ArrowBrooke, Mustang assumed the reimbursement obligation of the District for funds advanced for 105,000 gpd (gallons per day) of capacity in the Upper Trinity Doe Branch wastewater treatment plant.

As partial consideration for the transfer of facilities and improvements, assignment of Upper Trinity Contract rights, and other agreements by the District, Mustang agreed to make certain payments to compensate the District. During the period between the December 7, 2017, and the date of approval from the PUC, Mustang made payments to the District equivalent to the net revenues (after payment of the Upper Trinity Contract charges) it would have received under the prior agreements with Mustang as if the District were continuing to serve as the retail provider. Following the Approval Date, Mustang made monthly residual payments to the District until October of 2020, from net revenues generated from retail customers within Savannah, as calculated pursuant to the Mustang Agreement. As further consideration for such transfer and assignment, Mustang has agreed to: provide water service to District meters at Mustang's actual costs; maintain certain limitations on service rate increases to customers within the District West Service Area; and provide for billing and collection for solid waste services provided within the District West Service Area.

The District entered into a Non-Standard Service Contract, dated on or about August 15, 2013 ("Mustang Non-Standard Contract") with Mustang and 166 Bryan Road Partners, L.P., predecessor in interest to Development Solutions, regarding the financing and construction of water and sanitary sewer facilities to serve approximately 154 acres within the District being developed as the remaining portion of ArrowBrooke and located within the Mustang Service Area. The initial approximately 256 acres of the ArrowBrooke development is located within the District West Service Area and is not subject to the Mustang Non-Standard Contract. Pursuant to the Mustang Non-Standard Contract, the District did or shall construct facilities to serve this tract with funds advanced by Development Solutions and convey such facilities to Mustang which will serve as the retail water and sewer provider for customers residing within the 154 acres. The District retained the obligation to issue bonds to reimburse Development Solutions for funds advanced for construction of these facilities upon certain terms and conditions.

Upper Trinity Regional Water District Contracts

The 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. The District has entered into two separate contracts (defined herein as the "Contracts") with the Upper Trinity as follows: "Upper Trinity Regional Water District Regional Treated Water System Participating Customer Contract With Denton County Fresh Water Supply District No. 10" (the previous name of the District) (the "Water Contract"), and "Upper Trinity Regional Water District Northeast Regional Water Reclamation System Participating Customer Contract With Denton County Fresh Water Supply District No. 10" (the "Sewer Contract"), each originally dated August 29, 2001 and subsequently amended.

Pursuant to the Contracts, Upper Trinity pledged to deliver certain wholesale water supply and wastewater treatment services as required to serve the needs of the property owners within the District. The Upper Trinity system for providing water and wastewater to the District is financed by the 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. Pursuant to the Contracts, the District agreed to fix and collect water and sewer rates and to levy and assess a contract tax, if funds are not otherwise available from water and wastewater system revenues, sufficient to meet its payment obligations under the Contracts. At an election on January 20, 2001, voters of the District approved the Contracts and authorized the levy of a contract tax, if necessary, to make payments under the Contracts. Pursuant to an order issued December 8, 2008, the TCEQ approved the Upper Trinity Contracts and authorized the levy of a tax in support thereof. Further, on December 18, 2009, the District adopted an order levying such tax in support of the Contracts. The District assessed a contract tax for 2010 and 2014 through 2023. See "TAX DATA—Contract Tax" and "INVESTMENT CONSIDERATIONS—Upper Trinity Regional Water District Contracts."

Pursuant to the Mustang Agreement, the District agreed to transfer the rights and obligations under the Contracts for the Savannah and ArrowBrooke developments to Mustang. Under the Mustang Agreement, Mustang assumed the right to the delivery of wholesale water supply and wastewater treatment services from Upper Trinity for the Savannah and ArrowBrooke developments and Mustang assumed the payment obligations under the Contracts for the Savannah and ArrowBrooke developments. Furthermore, under the Mustang Agreement, the District retained the right to the delivery of wholesale water supply and wastewater treatment services from Upper Trinity for the Artesia development and the District retained the payment obligations under the Contracts for the Artesia development.

Water Supply

Under the Water Contract, the District obtains water from Upper Trinity and prior to the Mustang Agreement, the District subscribed for 2,400,000 gallons per day ("gpd") of treated water. This was sufficient to serve at least 2,777 single-family residential homes.

Pursuant to the Mustang Agreement, effective February 1, 2018, the District entered into an amendment to the Water Contract that assigned to Mustang the rights to 1,580,000 gpd of treated water. Such treated water supply was sufficient to serve existing connections in Savannah and ArrowBrooke. In addition to the 1,580,000 gpd transferred to Mustang, Mustang also has additional subscribed rights of 2,900,000 gpd of treated water. Such additional subscription to treated water supply is sufficient to serve connections on all developed lots within all of Savannah and all of ArrowBrooke.

As of December 31, 2023, Mustang was serving 3,945 active connections in Savannah and ArrowBrooke. The water system serving these areas within the District includes approximately 2,275,000 gallons of capacity in an elevated storage tank owned and operated by Mustang.

Pursuant to the Mustang Agreement, the District retained 820,000 gpd of treated water of the original 2,400,000 gpd subscription under the Water Contract to serve the Artesia Development. On or about June 1, 2020, the District increase its subscription for treated water to a total of 1,020,000 gpd to serve the Artesia development. The District believes it has treated water supply sufficient to serve connections on all developed lots within Artesia.

Effective October 1, 2023, for treated water, the District is required to pay an annual Demand Charge (as defined in the Water Contract) of \$505,400 per million gpd, and a monthly Volume Charge (as defined in the Contract) of \$1.60 per 1,000 gallons used. The Upper Trinity considers the necessity of rate increases in September of each year.

As of December 31, 2023, the District was serving 1,686 active connections in the Artesia development. The District provides water to Artesia from the Upper Trinity by means of an 18-inch water transmission line currently connected to the Savannah system. The Artesia water system also includes a pump station, a 100,000-gallon ground storage tank, and a 300,000 gallon elevated storage tank. Additionally, the District constructed an additional pumping station at the elevated water storage tank site, as well as a direct connection to a 24-inch Upper Trinity trunk water transmission line and a metering station located on Farm-to-Market 1385. The Artesia system has the capacity to serve Artesia's full build out under current land usage assumptions. A portion of the proceeds from the Bonds will be expended to construct a waterline for Artesia, a 12 inch waterline extension to the Harper Road Pumpstation, and for pumping and storage upgrades. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Wastewater Treatment

The District obtains wastewater treatment from the Upper Trinity Riverbend Plant and Doe Branch plant owned and operated by Upper Trinity. Prior to the Mustang Agreement, under the Sewer Contract, as amended, the District had total subscribed capacity in the Upper Trinity system of 682,500 gallons average daily flow (gpd). Out of the 682,500 gpd, 547,500 gpd was subscribed in the Riverbend Plant, sufficient to serve approximately 3,042 single-family residential homes, and 135,000 gpd was subscribed in the Doe Branch Plant, sufficient to serve approximately 750 additional single-family residential homes. The Riverbend Plant currently has a TCEQ rated capacity of 2,000,000 gpd. The Doe Branch Plant currently has a TCEQ rated capacity of 4,000,000 gpd.

Pursuant to the Mustang Agreement, effective February 1, 2018, the District entered into an amendment to the Sewer Contract that assigned to Mustang the subscription rights to 526,500 gpd of treatment capacity. Such subscribed capacity was sufficient to serve existing connections in Savannah and lots currently under development in ArrowBrooke. In addition to the 526,500 gpd of treatment capacity transferred to Mustang, Mustang also has additional subscribed rights of 1,010,000 gpd of treatment capacity. Such additional subscription to treatment capacity is sufficient to serve connections on all developed lots within all of Savannah and all of ArrowBrooke.

Pursuant to the Mustang Agreement, the District retained 156,000 gpd of treatment capacity of the original 682,500 gpd of treatment capacity under the Sewer Contract to serve the Artesia Development. Such treatment capacity is entirely contained in the Doe Branch Plant. Further, on or about July 1, 2018, the District executed an amendment to the Sewer Contract that increased the District's subscribed treatment capacity in the Doe Branch plant to a total of 365,000 gpd of treatment capacity. As a result, the District believes it has treatment capacity sufficient to serve connections on all developed lots within Artesia.

Effective October 1, 2023, for wastewater treatment, the District is required to pay an annual Joint Facilities Capital Charge of \$12,535, annual fixed operation and maintenance costs of \$620,000 per million gpd payable in equal monthly installments, and a monthly Volume Charge of \$1.55 per 1,000 gallons used. As of December 31, 2023, the District was serving 5,631 active connections.

Water Distribution, Wastewater Collection and Storm Drainage Facilities

Internal water distribution, wastewater collection and storm drainage facilities have been constructed to serve approximately 5,838 single-family residential lots (2,447 lots in Savannah, 1,686 lots in Artesia and 1,705 lots in ArrowBrooke).

Waterworks and Sewer System Serving Artesia

The District currently contracts with the City of Celina to operate and maintain that portion of its System serving the District East Service Area. The District has no agreement with any party for the transfer of ownership of that portion of the District's System serving the District East Service Area.

Flood Protection

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency ("FEMA") has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes and other improvements must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes or other improvements built in such area will not be flooded. According to the District's engineer, approximately 47 undevelopable acres within the District are within the 100-year flood plain. See "THE DISTRICT—Land Use."

Waterworks and Sewer System Operating Statement

Principal and interest on the Bonds and the Outstanding Bonds are payable solely from the proceeds of an unlimited tax levied against all taxable property within the District's boundaries. Net revenues, if any, derived from the operation of the District's System are available for any lawful purposes of the District, including, upon Board action, payment of debt service on the Bonds and Outstanding Bonds. However, historically, the District's System has not produced material net revenues and no representation is made that net revenues will be produced in any material amount and available for payment of debt service on the Bonds and the Outstanding Bonds.

The District currently estimates that it will continue to operate on a positive cash flow basis. However, the District cannot predict with any certainty that the District's net revenues will be sufficient to fund its future operation and maintenance obligations and expenses without an increase in its maintenance tax.

The following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements for the years ending July 31, 2019 through 2023. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information on the audited financial statements.

	Fiscal Year Ended July 31				
	2023	2022	2021	2020	2019
Revenues					
Property Taxes	\$ 9,312,582	\$ 6,267,711	\$ 5,320,488	\$ 3,305,195	\$ 2,676,714
Water Service	1,341,949	1,493,988	1,787,650	2,662,796	2,348,287
Wastewater Service	710,310	698,456	1,001,385	1,762,173	2,096,666
Fire Protection Services	982,877	918,468	877,604	556,186	420,263
Solid Waste Services	1,306,434	1,264,516	1,145,084	691,667	126,034
Franchise Fees	795,757	661,570	554,966	563,379	411,898
Penalty and Interest	25,984	10,745	12,752	9,915	44,889
Permit Revenues	-	-	-	102,070	317,455
Sales Tax Revenue	51,822	44,002	40,668	29,861	18,750
Grant Revenue	-	-	-	475,000	-
Miscellaneous Revenues	713,064	307,154	59,617	344,128	314,886
Total Revenues	<u>\$ 15,240,779</u>	<u>\$ 11,666,610</u>	<u>\$ 10,800,214</u>	<u>\$ 10,502,370</u>	<u>\$ 8,775,842</u>
Expenditures					
Service Operations					
Professional Fees	\$ 321,353	\$ 392,912	\$ 379,661	\$ 379,599	\$ 398,825
Contracted Services	2,832,379	2,478,283	2,254,623	2,670,724	2,320,532
Purchased Water Service	787,737	742,173	901,317	1,527,333	1,471,652
Purchased Wastewater Service	421,155	394,133	520,697	982,453	850,837
Police Department	3,161,649	2,677,516	2,318,336	2,236,794	1,714,738
Repairs and Maintenance	456,677	660,304	537,384	510,592	622,901
Personnel Fees	434,353	374,906	325,161	-	-
Other	167,600	186,765	136,946	160,744	247,844
Capital Outlay (a)	1,549,084	645,444	1,883,492	2,243,005	4,899,539
Total Expenditures	<u>\$ 10,131,987</u>	<u>\$ 8,552,436</u>	<u>\$ 9,257,617</u>	<u>\$ 10,711,244</u>	<u>\$ 12,526,868</u>
Revenues Over (Under) Expenditures	\$ 5,108,792	\$ 3,114,174	\$ 1,542,597	\$ (208,874)	\$ (3,751,026)
Interfund Transfer In/(Out)	\$ -	\$ -	\$ -	\$ 98,569	\$ 1,514,648
Developer Advances (a)	\$ -	\$ -	\$ -	\$ -	\$ 3,685
Fund Balance (Beginning of Year)	\$ 10,898,771	\$ 7,784,597	\$ 6,242,000	\$ 6,352,305	\$ 8,584,998
Fund Balance (End of Year)	\$ 16,007,563	\$ 10,898,771	\$ 7,784,597	\$ 6,242,000	\$ 6,352,305

(a) Developers deposited funds with the District for certain projects including construction of an elevated storage tank, Teel Parkway improvements, repairs of various roads within Artesia, and construction of Upper Trinity's Doe Branch Wastewater Treatment Facility. The District made payments with funds advanced by the Developers for such projects, as reflected by the capital outlay.

THE ROAD SYSTEM

All of the roads and improvements in aid thereof (“Road System”) that lie within the District’s boundaries have been financed to date with a portion of the proceeds of the Outstanding Bonds and funds advanced by certain Developers. Roads within Savannah are constructed with reinforced concrete pavement with curbs on lime stabilized subgrade. Alleys within Savannah are constructed with reinforced concrete pavement on lime stabilized subgrade. Magnolia Boulevard is the principal arterial entering the project at two locations; US Highway 380 and Farm-to-Market 1385. Magnolia Boulevard is a 4-lane divided roadway for approximately 400 feet, then turning into a collector roadway between the two entrances. Savannah Boulevard and Gardenia Boulevard are two additional entrances into Savannah off Highway US Highway 380. The boulevards enter Savannah as 4-lane divided roadways. In addition, Brown Thrasher Boulevard and Plantation Parkway are two secondary entrances into Savannah off Farm-to-Market 1385. Continental Congress Parkway, Jasmine Trail and Cherokee Rose Trail are secondary entrances into Savannah off Fishtrap Road. Remaining streets provide local interior service within the project and are typically 30-feet wide (between curbs). Alleys are located at the rear of most residential lots. The alleys vary between 12 feet to 14 feet in width, depending upon their location. The Road System includes streetlights. Franchise utilities (power, gas, phone and cable) are typically located along the alley. Public utilities such as water, wastewater and storm drainage are typically located within street right of ways.

Roads within Artesia are constructed with reinforced concrete pavement with curbs on lime stabilized subgrade. Artesia Boulevard is currently the principal arterial entering the project off Fishtrap Road. Artesia Boulevard is a 4-lane divided roadway for approximately 3,600 feet, then turning into a collector roadway, and including a two-lane, 240-foot long bridge crossing the flood-plain area. Harper Road is a secondary entrance to Artesia off Fishtrap Road. The District constructed two (2) lanes of the Teel Parkway extending north along the western boundary of Artesia from Fishtrap Road. Such extension of Teel Parkway offers connection to one (1) street entering Artesia and two (2) streets entering Artesia North, which will serve as additional entrances to Artesia. Remaining streets provide local interior service within the project and are typically 30-feet wide (between curbs). The Road System includes streetlights. Franchise utilities (power, phone and cable) and public utilities such as water, wastewater and storm drainage are typically located within street right of ways.

Roads within ArrowBrooke are constructed with reinforced concrete pavement with curbs on lime stabilized subgrade. ArrowBrooke Avenue is the principal arterial entering ArrowBrooke off Farm-to-Market 1385 in the south and Frontier Parkway in the north. Remaining streets provide local interior service within the project and are typically 30-feet wide (between curbs). The Road System includes streetlights. Franchise utilities (power, phone and cable) and public utilities such as water, wastewater and storm drainage are typically located within street right of ways.

Roads within the District are designed and constructed in general accordance with Denton County and/or Town of Prosper design criteria and are maintained by the District.

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2023 Taxable Assessed Valuation.....	\$2,562,865,406	(a)
Gross Direct Debt Outstanding (after the issuance of the Bonds).....	\$144,490,000	(b)
Estimated Overlapping Debt.....	167,196,150	(c)
Gross Direct Debt and Estimated Overlapping Debt.....	\$311,686,150	
Ratio of Gross Direct Debt to:		
2023 Taxable Assessed Valuation	5.64%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2023 Taxable Assessed Valuation	12.16%	
System Debt Service Funds Available as of January 18, 2024	\$7,900,604	
Road Debt Service Funds Available as of January 18, 2024.....	6,080,990	
Total Funds Available for Debt Service	\$13,981,594	(d)
Funds Available for Operations and Maintenance as of January 18, 2024.....	\$22,418,413	(e)
System Capital Projects Funds Available as of January 18, 2024.....	\$6,108,295	
Road Capital Projects Funds Available as of January 18, 2024.....	169,996	
Total Funds Available for Capital Projects	\$6,278,291	(f)

- (a) The 2023 Taxable Assessed Valuation shown herein includes \$2,555,844,425 of certified value and \$7,020,981 of uncertified value, subject to change and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Appraisal District. See "TAXING PROCEDURES."
- (b) See "—Outstanding Bonds" herein.
- (c) See "—Estimated Overlapping Debt" and "—Overlapping Taxes" herein.
- (d) Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Debt Service Fund. The System Debt Service Fund (as defined herein) is not pledged to the Road Bonds and the Road Debt Service Fund (as defined herein) is not pledged to the System Bonds, including the Bonds (as defined herein).
- (e) The District expects to contribute approximately \$1,500,000 of surplus operating funds for the construction related to Harper Road Pump Station. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
- (f) Represents as yet unused construction funds for ongoing projects and surplus construction funds, and interest thereon, derived from the Outstanding Bonds. The Bonds, if, as and when issued, may produce additional surplus funds. Surplus funds for construction may be expended for any lawful purpose for which surplus funds may be used, limited, however, to the purposes for which the issue of the Outstanding Bonds which produced the surplus funds were issued. Under certain circumstances, the approval of the TCEQ is required for the use of surplus funds derived from System Bonds. Of such amount, \$524,324 may be used to finance water, sewer and drainage facilities, with the approval of the TCEQ, and \$169,996 may be used to finance road facilities.

Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District will be invested in short term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long-term securities or derivative products in the District portfolio.

Outstanding Bonds

The District has issued fifteen (15) series of unlimited tax bonds and four (4) series of unlimited tax refunding bonds, of which a total of \$120,655,000 principal amount remains outstanding (the “Outstanding Bonds”) as of the date hereof. The following table lists the original principal amount of the Outstanding Bonds and the principal amount of the Outstanding Bonds.

Series	Original Principal Amount	Outstanding Bonds
2005	\$ 8,125,000	\$ -
2005A (a)	8,750,000	-
2006 (a)	8,000,000	-
2008	6,250,000	-
2008A (a)	3,500,000	-
2010	1,430,000	-
2013 (a)	4,380,000	3,140,000
2014 (b)	6,380,000	3,460,000
2014 (c)	11,840,000	6,305,000
2014 (a)	9,500,000	6,800,000
2015	11,000,000	8,550,000
2016 (b)	6,415,000	4,940,000
2016 (c)	3,640,000	3,225,000
2016A	15,240,000	11,040,000
2017 (a)	34,500,000	28,795,000
2018	17,060,000	14,460,000
2019	7,270,000	6,370,000
2019 (a)	13,470,000	11,750,000
2021	12,270,000	11,820,000
Total	\$ 189,020,000	\$ 120,655,000

- (a) Unlimited Tax Road Bonds.
- (b) Unlimited Tax Refunding Bonds.
- (c) Unlimited Tax Road Refunding Bonds.

Debt Service Requirements

The following sets forth the debt service on the Outstanding Bonds and the Bonds.

Year	Outstanding Bonds Debt Service	Plus: Debt Service on the Bonds			Total Debt Service
		Principal	Interest	Total	
2024	\$ 10,150,156.25	\$ -	\$ 408,400.00	\$ 408,400.00	\$ 10,558,556.25
2025	10,027,343.75	500,000	918,900.00	1,418,900.00	11,446,243.75
2026	9,985,937.50	500,000	898,900.00	1,398,900.00	11,384,837.50
2027	9,954,993.75	800,000	878,900.00	1,678,900.00	11,633,893.75
2028	9,898,543.75	800,000	846,900.00	1,646,900.00	11,545,443.75
2029	9,854,737.50	800,000	814,900.00	1,614,900.00	11,469,637.50
2030	9,829,237.50	800,000	782,900.00	1,582,900.00	11,412,137.50
2031	9,371,531.25	800,000	750,900.00	1,550,900.00	10,922,431.25
2032	8,831,168.75	800,000	726,900.00	1,526,900.00	10,358,068.75
2033	8,664,881.25	800,000	702,900.00	1,502,900.00	10,167,781.25
2034	8,156,318.75	1,200,000	678,900.00	1,878,900.00	10,035,218.75
2035	7,777,675.00	1,200,000	641,400.00	1,841,400.00	9,619,075.00
2036	7,593,837.50	1,200,000	593,400.00	1,793,400.00	9,387,237.50
2037	7,255,062.50	1,200,000	545,400.00	1,745,400.00	9,000,462.50
2038	6,946,612.50	1,210,000	497,400.00	1,707,400.00	8,654,012.50
2039	6,744,875.00	1,225,000	449,000.00	1,674,000.00	8,418,875.00
2040	5,989,825.00	1,250,000	400,000.00	1,650,000.00	7,639,825.00
2041	4,309,400.00	1,250,000	350,000.00	1,600,000.00	5,909,400.00
2042	4,176,575.00	1,250,000	300,000.00	1,550,000.00	5,726,575.00
2043	1,573,175.00	1,250,000	250,000.00	1,500,000.00	3,073,175.00
2044	605,475.00	1,250,000	200,000.00	1,450,000.00	2,055,475.00
2045	590,237.50	1,250,000	150,000.00	1,400,000.00	1,990,237.50
2046	-	1,250,000	100,000.00	1,350,000.00	1,350,000.00
2047	-	1,250,000	50,000.00	1,300,000.00	1,300,000.00
Total	\$ 158,287,600.00	\$ 23,835,000	\$ 12,936,000.00	\$ 36,771,000.00	\$ 195,058,600.00

Average Annual Debt Service Requirements (2024-2047) \$ 8,127,442
 Maximum Annual Debt Service Requirement (2027) \$11,633,894

Estimated Overlapping Debt

The following table indicates the outstanding debt payable from ad valorem taxes of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Denton County.....	\$ 624,655,000	12/31/2023	1.25%	\$ 7,808,188
Denton ISD (a).....	2,150,181,665	12/31/2023	4.16%	89,447,557
Prosper ISD (a).....	1,585,950,240	12/31/2023	4.41%	69,940,406
Total Estimated Overlapping Debt.....				\$ 167,196,150
The District.....	144,490,000	(b)	100.00%	144,490,000
Total Direct and Estimated Overlapping Debt.....				\$ 311,686,150

Direct and Estimated Overlapping Debt as a Percentage of:

2023 Taxable Assessed Valuation of \$2,562,865,406 12.16%

- (a) The portions of the District developed as Savannah and ArrowBrooke are located in Denton Independent School District and the portion of the District developed as Artesia is located in Prosper Independent School District.
- (b) The Bonds and the Outstanding Bonds.

Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such 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 taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities (see “Estimated Overlapping Debt” above), certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all of the taxes levied for the 2023 tax year by all taxing jurisdictions overlapping the District and the 2023 tax rate of the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Denton County.....	\$ 0.189485
Prosper Independent School District (a).....	1.257500
Total Overlapping Tax Rate.....	\$ 1.446985
The District (b).....	0.887000
Total Tax Rate.....	\$ 2.333985

- (a) The portions of the District developed as Savannah and ArrowBrooke are located within Denton Independent School District, which levied a 2023 tax rate of \$1.1592 per \$100 taxable assessed valuation.
- (b) See “TAX DATA—Tax Rate Distribution.”

TAX DATA

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds and the Outstanding Bonds. In 2023, the District levied a debt service tax of \$0.430 per \$100 of taxable assessed valuation, of which \$0.239 per \$100 of taxable assessed valuation was allocated to pay debt service on bonds issued for water, wastewater and storm drainage purposes and \$0.191 per \$100 of taxable assessed valuation was allocated to pay debt service on bonds issued for road purposes. See “Tax Rate Distribution,” and “Tax Roll Information,” below and “TAXING PROCEDURES.”

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District’s voters. A maintenance tax election was conducted November 7, 2000, and voters of the District authorized, among other things, the Board to levy a maintenance tax without legal limitation as to rate or amount. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. The District levied a 2023 maintenance tax rate of \$0.397 per \$100 of taxable assessed valuation. See “Tax Rate Distribution” below.

Contract Tax

The Board 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 the District, and such tax is approved by the TCEQ. On January 20, 2001, voters in the District approved proposed contracts between the District and the Upper Trinity and the levy of a tax without legal limitation as to rate or amount in support thereof. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on its bonds, taxes for any additional tax bonds which may be issued in the future, and taxes for the maintenance of the District’s improvements. Pursuant to an order issued December 8, 2008, the TCEQ approved the Upper Trinity Contracts and authorized the levy of a tax in support thereof. Further, on December 18, 2009, the District adopted an order levying such tax in support of the Contracts. The District levied a 2023 contract tax rate of \$0.060 per \$100 of taxable assessed valuation. See “Tax Rate Distribution” below and “INVESTMENT CONSIDERATIONS—Upper Trinity.”

Tax Exemptions

The District adopted a resolution exempting \$25,000 of assessed value of residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act located within the District. In addition, according to the Appraisal District, as of January 1, 2023, no land within the District was designated for agricultural use, open space, or timberland.

Tax Rate Distribution

	2023	2022	2021	2020	2019
Debt Service	\$ 0.430 (a)	\$ 0.485	\$ 0.590	\$ 0.610	\$ 0.720
Contract Tax	0.060	0.060	0.065	0.065	0.065
Maintenance and Operations	0.397	0.383	0.310	0.290	0.180
Total District Tax Rate	\$ 0.887	\$ 0.928	\$ 0.965	\$ 0.965	\$ 0.965

(a) Of such 2023 debt service tax rate in the amount of \$0.430 per \$100 of taxable assessed valuation, \$0.239 per \$100 of taxable assessed valuation was allocated to pay debt service on bonds issued for water, wastewater and storm drainage purposes and \$0.191 per \$100 of taxable assessed valuation was allocated to pay debt service on bonds issued for road purposes. See “Debt Service Tax” herein.

Historical Tax Collections

The following table sets forth the historical tax collection experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District’s tax assessor/collector. Reference is made to such statements and records for further and complete information. See “Tax Roll Information” below.

Tax Year	Taxable	Tax Rate	Total (b) Tax Levy	Total Collections As of 12/31/23 (c)	
	Assessed Valuation (a)			Amount	Percent
2018	\$ 1,143,682,126	\$ 0.965	\$ 11,036,533	\$ 11,027,707	99.92%
2019	1,347,900,766	0.965	13,007,242	12,996,834	99.92%
2020	1,501,024,770	0.965	14,484,889	14,472,652	99.92%
2021	1,673,858,011	0.965	16,152,730	16,139,928	99.92%
2022	2,101,250,102	0.928	19,499,601	19,458,508	99.79%
2023	2,562,865,406 (d)	0.887	22,732,616	17,037,137	74.95%

- (a) Net valuation represents final gross appraised value as certified by the Appraisal District less any exemptions granted. See “Tax Roll Information” below for gross appraised value and exemptions granted by the District.
- (b) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date of this OFFICIAL STATEMENT.
- (c) Unaudited.
- (d) Includes \$7,020,981 of uncertified value.

Tax Roll Information

The District’s taxable assessed value as of January 1 of each year is used by the District in establishing its tax rate. See “TAXING PROCEDURES—Valuation of Property for Taxation.” The following represents the composition of property comprising the 2019 through 2023 Taxable Assessed Valuations. A breakdown of the uncertified portion (\$7,020,981) of the 2023 Taxable Assessed Valuation of \$2,562,865,406 is not available.

	2023 Taxable Assessed Valuation	2022 Taxable Assessed Valuation	2021 Taxable Assessed Valuation	2020 Taxable Assessed Valuation	2019 Taxable Assessed Valuation
Land	\$ 683,817,067	\$ 560,588,886	\$ 400,803,922	\$ 378,167,635	\$ 353,941,401
Improvements	2,302,384,699	1,790,706,148	1,323,938,921	1,165,176,415	1,027,890,692
Personal Property	20,669,195	17,224,159	12,618,430	11,114,445	10,856,034
Exemptions	(451,026,536)	(267,269,091)	(63,503,262)	(53,433,725)	(44,787,361)
Uncertified	7,020,981	-	-	-	-
Total	\$ 2,562,865,406	\$ 2,101,250,102	\$ 1,673,858,011	\$ 1,501,024,770	\$ 1,347,900,766

Principal Taxpayers

The following table represents the principal taxpayers, the taxable assessed value of such property, and such property’s taxable assessed value as a percentage of the certified portion (\$2,555,844,425) of the 2023 Taxable Assessed Valuation of \$2,562,865,406. A principal taxpayer list related to the uncertified portion (\$7,020,981) of the 2023 Taxable Assessed Valuation of \$2,562,865,406 is not available.

Taxpayer	2023 Certified Taxable Assessed Valuation	% of 2023 Certified Taxable Assessed Valuation
BVF-V Park 380 LLC	\$ 60,071,247	2.34%
Mezzo Gardens LP Etal (a)(b)	52,284,115	2.04%
JBJ/Calder Fund IX Prosper LLC (a)(b)	26,572,154	1.04%
Field Street Dev 1 Ltd (b)	8,450,942	0.33%
Bloomfield Homes LP (b)(c)	7,677,572	0.30%
West Denton Properties Ltd	7,362,019	0.29%
Coserv Electric Cooperative	7,185,800	0.28%
Line 5 Holdings LP	6,600,000	0.26%
Loescher Prosper Land LLC	5,055,348	0.20%
Bryan Road Retail Partners, LP	3,569,372	0.14%
Total	\$ 184,828,569	7.22%

- (a) Apartment community. See “THE DISTRICT—Status of Development—Multi-Family Residential.”
- (b) See “THE DEVELOPERS AND MAJOR PROPERTY OWNERS.”
- (c) See “THE DEVELOPERS AND MAJOR PROPERTY OWNERS—Homebuilders.”

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements on the Bonds and the Outstanding Bonds if no growth in the District’s tax base occurred beyond the 2023 Taxable Assessed Valuation of \$2,562,865,406 (\$2,555,844,425 of certified value plus \$7,020,981 of uncertified value). The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in the taxable value in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements” and “INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates.”

Average Annual Debt Service Requirement (2024-2047)	\$ 8,127,442
\$0.34 Tax Rate on the 2023 Taxable Assessed Valuation	\$ 8,278,055
Maximum Annual Debt Service Requirement (2027).....	\$11,633,894
\$0.48 Tax Rate on the 2023 Taxable Assessed Valuation	\$11,686,666

No representation or suggestion is made that the uncertified portion of the 2023 Taxable Assessed Valuation will not be adjusted downward or certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See “TAXING PROCEDURES.”

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

Title I of the Texas Property Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Denton Central Appraisal District (the “Appraisal District”) has the responsibility for appraising property for all taxing units within Denton County, including the District. Such appraisal values are subject to review and change by the Denton County Appraisal Review Board (the “Appraisal Review Board”).

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately-owned utilities. 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; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt certain property owned by qualified organizations engaged primarily in charitable purposes, residential homesteads of persons sixty- five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old- Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District’s preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2023 tax year, the District has granted a residential homestead exemption for persons sixty-five (65) years or older or under a disability in the amount of \$25,000. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, to between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran. A veteran who

receives a disability rating of 100% and, subject to certain conditions, the surviving spouse of such a veteran, is entitled to an exemption for the full amount 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 or fatally injured in the line of duty is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. 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."

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. See "TAX DATA."

Freeport Goods and Goods-in-Transit Exemptions: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit 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. The District has taken no official action to allow taxation of all such goods-in-transit personal property.

Valuation of Property for Taxation

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

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its 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. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use, open space or timberland designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years.

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

On July 13, 2023, during the Second Special Session, the Texas Legislature passed Senate Bill 2, which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "subjected property") whose appraised values are not more than \$5 million dollars (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the subjected property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the subjected property for the preceding tax year; (b) the appraised value of the subjected property for the preceding tax year; and (c) the market value of all new improvements to the subjected property (collectively, the "appraisal cap"). After the 2024 tax year, through December 31, 2026, the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value. The appraisal cap takes effect on January 1, 2024.

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% physically 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 (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

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

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 of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

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

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. The District was designated as a "Developing District" for the 2023 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.

Tax Abatement

Denton County may designate all or part of the District as a reinvestment zone, and the District, the Town of Little Elm, the Town of Prosper, and Denton County, under certain circumstances, may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. To date, none of the area within the District has been designated as a reinvestment zone.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement in writing and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both except as described above under "Levy and Collection of Taxes." In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "INVESTMENT CONSIDERATIONS—Tax Collections Limitations and Foreclosure Remedies."

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the City of Aubrey, the Town of Little Elm, the Town of Prosper, Denton County, the State of Texas, or any entity other than the District. Payment of the principal and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District's bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS—Source and Security for Payment." The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "Registered Owners' Remedies" below.

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of commercial, retail and multi-family properties and from single-family residences and developed lots which are currently being marketed by the Developers for sale to homebuilders for the construction of primary residences. The market value of such properties is related to general economic conditions affecting the demand for properties. Demand for commercial properties and lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 33 miles from the central downtown business district of the City of Dallas, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Dallas metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of Dallas and the nation could adversely affect development and home-building plans in the District and restrain the growth of or reduce the value of the District's property tax base.

Competition

The demand for and construction of single-family homes in the District, which is 33 miles from downtown Dallas, could be affected by competition from other residential developments including other residential developments located in the vicinity of the District. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District and in more established neighborhoods closer to downtown Dallas. Such homes could represent additional competition for new homes proposed to be sold within the District.

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

Development and Home Construction in the District

As of December 31, 2023, approximately 168 developed lots within the District remained vacant and 30 homes were under construction or in the name of the builder. Failure of builders to construct taxable improvements on developed lots could result in increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds, the Outstanding Bonds, and the contractual obligations of the District. Future increases in value will result primarily from the construction of homes by builders. See “Possible Impact on District Tax Rates” below and “THE DEVELOPERS AND MAJOR PROPERTY OWNERS—Homebuilders.”

Undeveloped Acreage/Vacant Lots

There are approximately 12 developable acres of land within the District that have not been fully provided with water, wastewater and storm drainage facilities and roads. There are also 168 vacant developed lots. The District makes no representation as to when or if development of the undeveloped acreage will occur or the success of any homebuilding programs. Failure of the Developers to develop the developable land or of the builders to construct homes on the developed lots could restrict the rate of growth of taxable values in the District. See “THE DISTRICT—Land Use” and “—Status of Development.”

Possible Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2023 Taxable Assessed Valuation is \$2,562,865,406 (\$2,555,844,425 certified plus \$7,020,981 uncertified). After issuance of the Bonds, the maximum annual debt service requirement will be \$11,633,894 (2027), and the average annual debt service requirement will be \$8,127,442 (2024-2047), inclusive). Assuming no increase or decrease from the 2023 Taxable Assessed Valuation (2,555,844,425 certified plus \$7,020,981 uncertified), the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.48 and \$0.34 per \$100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements” and “TAX DATA—Tax Adequacy for Debt Service.”

No representation or suggestion is made that the 2023 Taxable Assessed Valuation will be the amounts finally certified by the Appraisal District and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See “TAXING PROCEDURES.”

While the District anticipates future increases in taxable values, it makes no representations that over the term of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by property owners. Property within the District also is subject to taxes levied by other political subdivisions. See “Future Debt” in this section, “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes.”

Landowners/Developers/Homebuilders Under No Obligation to the District

There are no commitments from or obligations of the Developers or other homebuilders within the District to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District, and there is no restriction on any landowner’s right to sell its land. Failure to construct taxable improvements on developed lots and tracts and failure of landowners to develop their land could restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developers (see “TAX DATA—Principal Taxpayers”) and the other landowners for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developers will be or what effect, if any, such condition may have on its ability to pay taxes. See “THE DEVELOPERS AND MAJOR PROPERTY OWNERS.”

Tax Collections Limitations and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies and Bankruptcy Limitations

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

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

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. The filing of such petition would automatically stay the enforcement of a Registered Owner's remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it is (1) authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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 the collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district.

A district may not be forced into involuntary bankruptcy.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes, bond anticipation notes and unlimited tax road bonds, and to borrow for any valid corporate purpose. Pursuant to elections held on May 4, 2002 and September 13, 2003, the resident electors authorized a total of \$139,500,000 principal amount of unlimited tax bonds for water, wastewater and storm drainage facilities, and \$82,100,000 principal amount of unlimited tax bonds for roads and improvements in aid thereof. The District is also authorized to issue unlimited tax refunding bonds in an amount of one and one-half of the principal amount of bonds issued for water, wastewater and storm drainage facilities to refund outstanding bonds issued for water, wastewater and storm drainage facilities. After the issuance of the Bonds, the District will have \$37,020,000 principal amount of unlimited tax bonds for water, wastewater and storm drainage facilities authorized but unissued and no unlimited tax bonds authorized but unissued for roads and improvements in aid thereof for a total of \$37,020,000 principal amount in authorized but unissued unlimited tax debt. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. See "Factors Affecting Taxable Values and Tax Payments" in this Section and "THE BONDS—Authority for Issuance." The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

The Developers have also advanced funds on behalf of the District to finance the construction of water, wastewater and storm drainage facilities and roads already constructed as well as to pay amounts due under the Contracts with Upper Trinity. After payment from Bond proceeds, the District will continue to owe \$8,813,000 to the Developers for road improvements.

Any future unlimited tax bonds will be on parity with the Bonds. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. However, the total amount of bonds of the District issued for road purposes may not exceed one-fourth (1/4) of the assessed valuation of real property in the District. The issuance of additional bonds for the purpose of acquiring or constructing water, wastewater and storm drainage facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds, but the issuance of bonds for the purpose of acquiring or constructing roads and improvements in and thereof is not. See "THE BONDS—Authority for Issuance—Issuance of Additional Debt."

The District has issued all of the authorized bonds for roads and road improvements for full development of the District, so under contracts with the Developers, the District shall reimburse the Developers for eligible road costs out of the District's operation and maintenance tax, if available. The District believes that the remaining authorized but unissued bonds will be sufficient to finance the water, wastewater and storm drainage facilities for full development of the District.

Future and Proposed Legislation

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

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

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

Air Quality Issues: Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the TCEQ may impact new industrial, commercial and residential development in the District and surrounding area. Under the Clean Air Act (“CAA”) Amendments of 1990, the Dallas-Fort Worth area (“DFW Area”)—Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Tarrant, and Wise Counties, and Rockwall County for the purposes of the 2008 Ozone Standards only—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion (“ppb”)) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While Texas has been able to demonstrate steady progress and improvements in air quality in the DFW Area, the DFW Area remains subject to CAA nonattainment requirements.

The DFW Area is currently designated as a serious ozone nonattainment area under the 1997 Ozone Standards. On June 24, 2019, the EPA proposed approval of redesignation of the DFW to “attainment” for the 1997 Ozone Standards, which would terminate the serious nonattainment area “anti-backsliding” requirements and leave the DFW Area subject only to the nonattainment area requirements under the 2008 Ozone Standard and the 2015 Ozone Standard.

On October 7, 2022, the EPA published final notice reclassifying the DFW Area from “serious” to “severe” under the 2008 Ozone Standard, effective November 7, 2022. As the DFW Area is now designated a “severe” nonattainment area, it must meet the attainment date of July 20, 2027 with an attainment year of 2026. The “severe” nonattainment classification 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.

On October 7, 2022, the EPA published final notice reclassifying the DFW Area from “marginal” to “moderate” under the 2015 Ozone Standard, effective November 7, 2022. The attainment deadline for the DFW Area under the 2015 Ozone Standard is August 3, 2024, with an attainment year of 2023.

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the DFW Area 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 DFW 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 DFW Area to reach attainment with the ozone standards by the EPA’s attainment deadlines. These additional controls could have a negative impact on the DFW Area’s economic growth and development. As a result of the DFW Area’s reclassification, the TCEQ must submit revisions of the SIP to the EPA no later than January 1, 2023, addressing the “moderate” nonattainment classification and by May 2024 addressing the “severe” nonattainment classification.

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

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

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

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

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

Operations of utility districts, including the District, are also potentially subject to requirements and restrictions under the CWA regarding the use and alteration of wetland areas that are within the “waters of the United States.” The District must 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.

On May 25, 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of “waters of the United States” and significantly restricted the reach of federal jurisdiction under the CWA. Under the Sackett decision, “waters of the United States” includes only geographical features that are described in ordinary parlance as “streams, oceans, rivers, and lakes” and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection.

While the *Sackett* decision removed a great deal of uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction, operations of municipal utility districts, including the Regional District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

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 retroactive to the date of original issuance. See “LEGAL MATTERS” and “TAX MATTERS.”

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Underwriter has entered into an agreement with Build America Mutual Assurance Company (“BAM” or the “Insurer”) for the purchase of a municipal bond insurance policy (the “Policy”). At the time of entering into the agreement, the Insurer was rated “AA” (stable outlook) by S&P. See “MUNICIPAL BOND INSURANCE” and “APPENDIX B—Specimen Municipal Bond Insurance Policy.”

The long-term ratings on the Bonds are dependent in part on the financial strength of the insurer and its claim paying ability. The 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 insurer and of the ratings on the Bonds insured by the 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 description of “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B—Specimen Municipal Bond Insurance Policy.”

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

Neither the District nor the Underwriter has made independent investigation into the claims paying ability of the insurer and no assurance or representation regarding the financial strength or projected financial strength of the 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 insurer, particularly over the life of the investment. See “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B—Specimen Municipal Bond Insurance Policy.” for further information provided by the insurer and the Policy, which includes further instructions for obtaining current financial information concerning the 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.

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 under the subheading "Annexation")," "MANAGEMENT OF THE DISTRICT—District Consultants—Bond Counsel and Disclosure Counsel," "TAXING PROCEDURES," "LEGAL MATTERS—Legal Opinions," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subheading "Compliance with Prior Undertakings") solely to determine whether such information fairly summarizes the documents and law referred to therein. In its capacity as General Counsel to the District, Allen Boone Humphries Robinson LLP has reviewed the information appearing in this OFFICIAL STATEMENT under the captioned sections "THE BONDS—Annexation," "THE DISTRICT—General," and "—Law Enforcement Services," "THE WATER, WASTEWATER AND DRAINAGE SYSTEM—Upper Trinity Regional Water District Contracts," and "Mustang Special Utility District Contracts Transfer Agreement—Waterworks and Sewer System Serving Savannah and ArrowBrooke" solely to determine whether such sections fairly summarize the documents and matters of law contained therein. Such firms have not independently verified factual information contained in this OFFICIAL STATEMENT, nor have such firms 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 firms' 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., Bond Counsel to the District, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the District will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

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

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM 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 corporation's "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 Internal Revenue Service. 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.

Future and Proposed Legislation

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

NOT Qualified Tax-Exempt Obligations for Financial Institutions

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

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 condition (financial or otherwise) of the District subsequent to the date of sale from that set forth or contemplated in the PRELIMINARY OFFICIAL STATEMENT, as it may have been supplemented or amended through the date of the sale.

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President or Vice President and Secretary or Assistant 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 of which the District has notice 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; 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.

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook), with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy ensuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM"). Moody's Investors Service, Inc. ("Moody's") has also assigned an underlying rating of "A2" to the Bonds. An explanation of the ratings may be obtained from S&P and Moody's. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND INSURANCE" and "APPENDIX B—Specimen Municipal Bond Insurance Policy."

There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by S&P or Moody's, in their judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

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 APPENDIX B to this OFFICIAL STATEMENT.

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by 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 <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects 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, 2023 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$500.0 million, \$230.7 million and \$269.3 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 presale 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.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this OFFICIAL STATEMENT has been obtained primarily from the District's records, the Developers, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and its inclusion herein is not to be construed as a representation on the part of the District to such effect. Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this OFFICIAL STATEMENT are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT, including the OFFICIAL NOTICES OF SALE and the OFFICIAL BID FORMS for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

In approving this OFFICIAL STATEMENT, the District has relied upon the following consultants:

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by the Denton Central Appraisal District and is included herein in reliance upon the authority of such entity as an expert in assessing property values and collecting taxes.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the District's water and wastewater system and roads and improvements in aid thereof and, in particular that information included in the sections entitled "THE DISTRICT," "THE ROAD SYSTEM," and "THE WATER, WASTEWATER AND DRAINAGE SYSTEM" has been provided by the Director of Engineering at the City of Celina, who serves as the District's Engineer, and has been included herein in reliance upon the authority of such experts in the field of civil engineering.

Auditor: The District's audited financial statements for the fiscal year ending July 31, 2023, were prepared by the independent accounting firm of McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, Houston, Texas. See "APPENDIX A" for a copy of the District's audited financial statements for the fiscal year ending July 31, 2023.

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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"). This information will be available to the public without charge through its Electronic Municipal Market Access ("EMMA") internet portal at www.emma.msrb.org.

Annual Reports

The District will provide annually to the MSRB certain updated financial information and operating data. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings “THE WATER, WASTEWATER AND DRAINAGE SYSTEM—Waterworks and Sewer System Operating Statement,” “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) (except for “Estimated Overlapping Debt”),” and “TAX DATA,” (most of which information is contained in the District’s annual audit report) and in Appendix A. The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2024.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the “Rule”) of the United States Securities and Exchange Commission (the “SEC”). The updated information will include audited financial statements, if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District’s current fiscal year end is July 31. Accordingly, it must provide updated information by the following January 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.

Specified Event Notices

The District will provide timely notices of certain events to the MRSB, 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 status of the Bonds, or other material events affecting the tax 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 17 CFR § 240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, 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 or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under the Rule. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from the MSRB

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

Limitations and Amendments

The District has agreed to update information and to provide notices of specified 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 and beneficial owners of the Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

Compliance With Prior Undertakings

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

MISCELLANEOUS

All estimates, statements and assumptions in this OFFICIAL STATEMENT and the APPENDICES hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this OFFICIAL STATEMENT involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

/s/ Amy Myers
President, Board of Directors

ATTEST:

/s/ Maggie Hernandez
Secretary, Board of Directors

AERIAL LOCATION MAP
(Approximate boundaries as of January 2024)

ELM RIDGE WATER CONTROL
AND IMPROVEMENT DISTRICT

ARROWBROOKE

ARTESIA

SAVANNAH

FISHTRAP RD.

ELM L385

HWY 380

TEEL PKWY



PHOTOGRAPHS OF THE DISTRICT
(Taken February 2024)















APPENDIX A

Financial Statement of the District for the year ended July 31, 2023

The information contained in this appendix includes the Annual Audit Report of Elm Ridge Water Control and Improvement District of Denton County and certain supplemental information for the fiscal year ended July 31, 2023.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY**

DENTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2023

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY**

DENTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Elm Ridge Water Control and Improvement
District of Denton County
Denton County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Elm Ridge Water Control and Improvement District of Denton County (the "District") as of and for the year ended July 31, 2023, 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 July 31, 2023, 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 Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund, Schedule of Changes in Net Pension Liability and Related Ratios, and the Schedule of District Contributions 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
Elm Ridge Water Control and Improvement
District of Denton County

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

November 21, 2023

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2023**

Management’s discussion and analysis of the financial performance of Elm Ridge Water Control and Improvement District of Denton County (the “District”) provides an overview of the District’s financial activities for the fiscal year ended July 31, 2023. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2023**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) and other supplementary information. RSI includes a budgetary comparison schedule for the General Fund, a schedule of changes in net pension liability and related ratios, and a schedule of District contributions to the pension plan.

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, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$13,932,791 as of July 31, 2023. A portion of the District's net position reflects its net investment in capital assets and intangible assets (recreational facilities, water, wastewater and drainage facilities, land, roads, and vehicles and equipment less any debt used to acquire those assets that is still outstanding).

The table on the following page presents a comparative analysis of government-wide changes in the Statement of Net Position as of July 31, 2023, and July 31, 2022:

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2023	2022	Change Positive (Negative)
Current and Other Assets	\$ 36,969,558	\$ 31,297,424	\$ 5,672,134
Capital and Intangible Assets (Net of Accumulated Depreciation/Amortization)	<u>117,379,835</u>	<u>118,991,685</u>	<u>(1,611,850)</u>
Total Assets	<u>\$ 154,349,393</u>	<u>\$ 150,289,109</u>	<u>\$ 4,060,284</u>
Deferred Outflows of Resources	<u>\$ 805,782</u>	<u>\$ 828,126</u>	<u>\$ (22,344)</u>
Due to Developers	\$ 12,016,866	\$ 12,016,866	\$
Bonds Payable	126,867,820	132,586,675	5,718,855
Other Liabilities	<u>2,336,857</u>	<u>2,302,830</u>	<u>(34,027)</u>
Total Liabilities	<u>\$ 141,221,543</u>	<u>\$ 146,906,371</u>	<u>\$ 5,684,828</u>
Deferred Inflows of Resources	<u>\$ 841</u>	<u>\$ 61,574</u>	<u>\$ 60,733</u>
Net Position:			
Net Investment in Capital Assets	\$ (14,411,344)	\$ (18,158,397)	\$ 3,747,053
Restricted	11,935,614	11,055,705	879,909
Unrestricted	<u>16,408,521</u>	<u>11,251,982</u>	<u>5,156,539</u>
Total Net Position	<u>\$ 13,932,791</u>	<u>\$ 4,149,290</u>	<u>\$ 9,783,501</u>

The following table provides a summary of the District's operations for the years ended July 31, 2023, and July 31, 2022.

	Summary of Changes in the Statement of Activities		
	2023	2022	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 19,516,127	\$ 16,162,639	\$ 3,353,488
Charges for Services	5,193,746	5,069,413	124,333
Other Revenues	<u>1,529,834</u>	<u>433,155</u>	<u>1,096,679</u>
Total Revenues	<u>\$ 26,239,707</u>	<u>\$ 21,665,207</u>	<u>\$ 4,574,500</u>
Expenses for Services	<u>16,456,206</u>	<u>16,946,510</u>	<u>490,304</u>
Change in Net Position	\$ 9,783,501	\$ 4,718,697	\$ 5,064,804
Net Position, Beginning of Year	<u>4,149,290</u>	<u>(569,407)</u>	<u>4,718,697</u>
Net Position, End of Year	<u>\$ 13,932,791</u>	<u>\$ 4,149,290</u>	<u>\$ 9,783,501</u>

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS

The District’s combined fund balances as of July 31, 2023, total \$36,044,020, an increase of \$5,575,093 from the prior year.

The General Fund fund balance increased by \$5,108,792 due to service revenues and property tax revenues exceeding operating expenditures and capital costs.

The Debt Service Fund fund balance increased by \$772,937, primarily due to the structure of the District’s outstanding debt.

The Capital Projects Fund fund balance decreased by \$306,636, primarily due to the use of the bond proceeds received in prior year to fund current year capital costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated General Fund budget for the current fiscal year which was amended to decrease budgeted property tax revenues and increase various other categories of revenues in addition to increasing the budgeted amounts across various categories of expenditures while decreasing repairs and maintenance costs. Actual revenues were \$525,679 more than budgeted revenues and actual expenditures were \$4,575,323 less than budgeted expenditures which resulted in a positive variance of \$5,101,002. See the budget to actual comparison for more information.

LONG-TERM DEBT ACTIVITY

As of July 31, 2023, the District had total bond debt payable of \$126,930,000. The changes in the debt position of the District during the current fiscal year are summarized as follows:

Bond Debt Payable, August 1, 2022	\$ 132,655,000
Less: Bond Principal Paid	<u>5,725,000</u>
Bond Debt Payable, July 31, 2023	<u>\$ 126,930,000</u>

The District’s Series 2014 Road, 2015, 2016 Road Refunding, 2016 Refunding, 2016A, 2017 Road, 2018, 2019, 2019 Road, and 2021 Bonds carry insured ratings of “AA” or “A1” by virtue of bond insurance issued by either Assured Guaranty Municipal Corporation or Build America Mutual Assurance Company. The District’s underlying rating is “A2” by Moody’s. Credit enhanced ratings provided through bond insurance policies are subject to change based on changes to the ratings of the insurers.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2023**

CAPITAL ASSETS

Capital assets as of July 31, 2023, total \$94,474,047 (net of accumulated depreciation) and include land, vehicles, equipment and roads as well as the water, wastewater and drainage systems. Capital asset additions included the purchase or construction of utilities infrastructure, park facilities, vehicles and equipment.

Capital Assets At Year-End			
	2023	2022	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 9,287,235	\$ 9,287,235	\$
Construction in Progress	3,019,747	1,293,509	1,726,238
Capital Assets Subject to Depreciation:			
Roads and Improvements	62,665,439	62,665,439	
Water and Wastewater Systems	28,351,799	28,351,799	
Drainage System	15,169,188	15,169,188	
Vehicles and Equipment	1,395,454	989,663	405,791
Recreational Facilities	589,392	589,392	
Less Accumulated Depreciation	(26,004,207)	(23,281,197)	(2,723,010)
Total Net Capital Assets	\$ 94,474,047	\$ 95,065,028	\$ (590,981)

INTANGIBLE ASSETS

Water and wastewater facilities that serve the District's West Service Area have been conveyed to Mustang for operations and maintenance in accordance with the agreement discussed in Note 11. Mustang provides water and sewer service to residents of the District's West Service Area, which includes the Savannah and Arrowbrooke developments. The cost of constructing the facilities in exchange for service has been recorded as an intangible asset and is being amortized over the term of the agreement.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Elm Ridge Water Control and Improvement District of Denton County, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2023**

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 1,172,524	\$ 91,306
Investments	14,900,119	13,393,032
Receivables:		
Property Taxes	55,305	77,924
Penalty and Interest on Delinquent Taxes		
Service Accounts	537,996	
Accrued Interest	19,416	
Other	13,921	
Due from Other Funds	17,140	
Prepaid Costs	24,936	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
Intangible Assets (Net of Accumulated Amortization)		
TOTAL ASSETS	\$ 16,741,357	\$ 13,562,262
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$	\$
Deferred Pension Plan Charges		
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ - 0 -	\$ - 0 -
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 16,741,357	\$ 13,562,262

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 701	\$ 1,264,531	\$	\$ 1,264,531
6,569,058	34,862,209		34,862,209
	133,229		133,229
		21,813	21,813
	537,996		537,996
	19,416		19,416
	13,921		13,921
	17,140	(17,140)	
	24,936	91,507	116,443
		9,287,235	9,287,235
		3,019,747	3,019,747
		82,167,065	82,167,065
		22,905,788	22,905,788
<u>\$ 6,569,759</u>	<u>\$ 36,873,378</u>	<u>\$ 117,476,015</u>	<u>\$ 154,349,393</u>
\$	\$	\$ 540,888	\$ 540,888
		264,894	264,894
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 805,782</u>	<u>\$ 805,782</u>
<u>\$ 6,569,759</u>	<u>\$ 36,873,378</u>	<u>\$ 118,281,797</u>	<u>\$ 155,155,175</u>

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

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2023**

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 531,982	\$ 500
Accrued Interest Payable		
Due to Developers		
Due to Other Funds		
Security Deposits	146,507	
Net Pension Liability		
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 678,489	\$ 500
 DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 55,305	\$ 77,924
Pension Plan Income		
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 55,305	\$ 77,924
 FUND BALANCES		
Nonspendable: Prepaid Costs	\$ 24,936	\$
Restricted for Authorized Construction		
Restricted for Debt Service		13,483,838
Unassigned	15,982,627	
TOTAL FUND BALANCES	\$ 16,007,563	\$ 13,483,838
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 16,741,357	\$ 13,562,262
 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
\$	\$ 532,482	\$	\$ 532,482
		1,647,961	1,647,961
		12,016,866	12,016,866
17,140	17,140	(17,140)	
	146,507		146,507
		9,907	9,907
		6,275,000	6,275,000
		120,592,820	120,592,820
<u>17,140</u>	<u>696,129</u>	<u>140,525,414</u>	<u>141,221,543</u>
\$	\$ 133,229	\$ (133,229)	\$
		841	841
<u>- 0 -</u>	<u>133,229</u>	<u>(132,388)</u>	<u>841</u>
\$	\$ 24,936	\$ (24,936)	\$
6,552,619	6,552,619	(6,552,619)	
	13,483,838	(13,483,838)	
	15,982,627	(15,982,627)	
<u>6,552,619</u>	<u>36,044,020</u>	<u>(36,044,020)</u>	<u>- 0 -</u>
<u>6,569,759</u>	<u>36,873,378</u>		
		\$ (14,411,344)	\$ (14,411,344)
		11,935,614	11,935,614
		16,408,521	16,408,521
		<u>13,932,791</u>	<u>13,932,791</u>

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

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JULY 31, 2023**

Total Fund Balances - Governmental Funds \$ 36,044,020

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

Portions of the changes in net pension liability or net pension asset that are not immediately recognized as pension expense or pension income are recorded as deferred outflows of resources or deferred inflows of resources. This amount also includes the net pension liability as of year end. 254,146

Deferred charges on refunding bonds are amortized over the life of the retired debt or the new debt, whichever is shorter. The District also amortizes bond insurance costs over the life of the debt. 632,395

Capital assets and intangible assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 117,379,835

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2022 and prior tax levies became part of recognized revenue in the governmental activities of the District. 155,042

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Due to Developers	\$ (12,016,866)	
Accrued Interest Payable	(1,647,961)	
Bonds Payable	<u>(126,867,820)</u>	<u>(140,532,647)</u>

Total Net Position - Governmental Activities \$ 13,932,791

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

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**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2023**

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 9,312,582	\$ 10,211,271
Water Service	1,341,949	
Wastewater Service	710,310	
Fire Protection Services	982,877	
Solid Waste Services	1,306,434	
Penalty and Interest	25,984	28,644
Easement, Permit, and Franchise Revenues	795,757	
Sales Tax Revenues	51,822	
Investment and Miscellaneous Revenues	713,064	473,249
TOTAL REVENUES	\$ 15,240,779	\$ 10,713,164
EXPENDITURES/EXPENSES		
Service Operations:		
Personnel	\$ 434,353	\$
Professional Fees	321,353	
Contracted Services	2,832,379	117,680
Purchased Water Service	787,737	
Purchased Wastewater Service	421,155	
Police Department	3,161,649	
Repairs and Maintenance	456,677	
Depreciation and Amortization		
Other	167,600	
Capital Outlay	1,549,084	
Debt Service:		
Bond Issuance Costs		
Bond Principal		5,725,000
Bond Interest		4,097,547
TOTAL EXPENDITURES/EXPENSES	\$ 10,131,987	\$ 9,940,227
NET CHANGE IN FUND BALANCES	\$ 5,108,792	\$ 772,937
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - AUGUST 1, 2022	10,898,771	12,710,901
FUND BALANCES/NET POSITION - JULY 31, 2023	\$ 16,007,563	\$ 13,483,838

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 19,523,853	\$ (7,726)	\$ 19,516,127
	1,341,949		1,341,949
	710,310		710,310
	982,877		982,877
	1,306,434		1,306,434
	54,628	1,791	56,419
	795,757		795,757
	51,822		51,822
291,699	1,478,012		1,478,012
<u>\$ 291,699</u>	<u>\$ 26,245,642</u>	<u>\$ (5,935)</u>	<u>\$ 26,239,707</u>
\$	\$ 434,353	\$	\$ 434,353
	321,353		321,353
	2,950,059		2,950,059
	787,737		787,737
	421,155		421,155
	3,161,649	(48,414)	3,113,235
	456,677		456,677
		3,743,879	3,743,879
	167,600		167,600
582,945	2,132,029	(2,132,029)	
15,390	15,390		15,390
	5,725,000	(5,725,000)	
	4,097,547	(52,779)	4,044,768
<u>\$ 598,335</u>	<u>\$ 20,670,549</u>	<u>\$ (4,214,343)</u>	<u>\$ 16,456,206</u>
\$ (306,636)	\$ 5,575,093	\$ (5,575,093)	\$
		9,783,501	9,783,501
6,859,255	30,468,927	(26,319,637)	4,149,290
<u>\$ 6,552,619</u>	<u>\$ 36,044,020</u>	<u>\$ (22,111,229)</u>	<u>\$ 13,932,791</u>

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

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2023**

Net Change in Fund Balances - Governmental Funds	\$ 5,575,093
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(7,726)
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	1,791
Governmental funds do not account for depreciation and amortization. However, depreciation and amortization expense is recorded in the Statement of Activities.	(3,743,879)
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.	2,132,029
The changes in the net pension liability, net pension asset and deferred pension plan costs are recorded as an expense in the government-wide financial statements.	48,414
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, principal payments are reported as decreases in long-term liabilities.	5,725,000
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.	<u>52,779</u>
Change in Net Position - Governmental Activities	<u>\$ 9,783,501</u>

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

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 1. CREATION OF DISTRICT

Elm Ridge Water Control and Improvement District of Denton County (formerly known as Denton County Fresh Water Supply District No. 10) (the “District”) was created by Denton County Commissioners Court Order, effective September 12, 2000, in accordance with the Texas Water Code, Chapter 53. At an election held on November 7, 2000, the District acquired sanitary sewer and road powers. On November 30, 2000, the District converted to a water control and improvement district in accordance with the Texas Water Code, Chapter 51. The District operates in accordance with Chapters 49, 51, and, for limited purposes, Chapter 53 of the Texas Water Code and is subject to the continuing supervision of the Texas Commission on Environmental Quality (the “Commission”). Effective April 18, 2022, the District formally changed its name from Denton County Fresh Water Supply District No. 10 to Elm Ridge Water Control and Improvement District of Denton County under authorization from the TCEQ. The principal functions of the District are to finance, construct, own, and operate waterworks, wastewater, and drainage facilities and to provide such facilities and services to the customers of the District. The District also has the authority to construct and maintain roads. The District is governed by a Board of Directors consisting of five individuals who are owners of property within the District and are elected by voters within the District.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

These classifications are defined as follows:

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

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements. The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position. The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds are eliminated by adjustment to obtain net total revenue and expense of the 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 a Statement of Revenues, Expenditures and Changes in Fund Balances

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, police department expenditures, operating costs and general expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond principal and interest on outstanding bonds.

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

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. The Capital Projects Fund owes the General Fund \$17,140 for bond issuance costs and capital purchases.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. 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
Roads	30-45
Water System	7-45
Wastewater System	7-45
Drainage System	7-45
Vehicles and Equipment	5-10
Recreational Facilities	45

Intangible Assets

Certain water and wastewater facilities serving the Savannah and Arrowbrooke developments purchased by the District have been conveyed to Mustang Special Utility District (“Mustang”) for operations and maintenance in accordance with an agreement with Mustang. Mustang provides water and sewer service to residents of the District living within the Savannah and Arrowbrooke developments. The cost of constructing the facilities in exchange for service has been recorded as an intangible asset and is being amortized over the term of the agreement.

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 amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget and amended budget amounts compared to the actual amounts of revenues and expenditures for the current year.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

Employees of the District participate in the TCDRS Pension Plan (see Note 17). The District has also established a Section 457 Deferred Compensation Plan. The Section 457 Plan is funded only by voluntary employee contributions which totaled \$100,986 during the current fiscal year. The Internal Revenue Service has determined that the directors are considered to be employees for federal payroll tax purposes only. Directors do not participate in either plan.

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. The District does not have any nonspendable fund balances.

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

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

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

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

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

	<u>Series 2013</u>	<u>Series 2014 Refunding</u>	<u>Series 2014 Road Refunding</u>
Amounts Outstanding – July 31, 2023	\$3,290,000	\$3,870,000	\$7,130,000
Interest Rates	4.00% - 5.00%	3.00% - 4.00%	3.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2023/2037	September 1, 2023/2030	September 1, 2023/2030
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2023*	September 1, 2022*	September 1, 2022*

* In whole or from time to time in part on the callable date or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Series 2013 term bonds maturing September 1, 2037 are subject to mandatory redemption beginning September 1, 2031. Series 2014 Refunding term bonds maturing September 1, 2028, 2030, are subject to mandatory redemption beginning September 1, 2027, and 2029, respectively. Series 2014 Road Refunding term bonds maturing September 1, 2028, and 2030 are subject to mandatory redemption beginning September 1, 2027, and 2029, respectively.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2014 Road	Series 2015	Series 2016 Refunding
Amounts Outstanding – July 31, 2023	\$7,100,000	\$8,850,000	\$5,275,000
Interest Rates	3.00% - 3.50%	2.25% - 3.75%	2.00% - 3.125%
Maturity Dates – Serially Beginning/Ending	September 1, 2023/2039	September 1, 2023/2040	September 1, 2023/2036
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2023*	September 1, 2023*	September 1, 2024*

	Series 2016 Road Refunding	Series 2016A	Series 2017 Road
Amounts Outstanding – July 31, 2023	\$3,395,000	\$11,640,000	\$30,005,000
Interest Rates	2.00% - 3.00%	2.00% - 4.00%	2.00% - 3.50%
Maturity Dates – Serially Beginning/Ending	September 1, 2023/2034	September 1, 2023/2040	September 1, 2023/2042
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2024*	September 1, 2024*	September 1, 2024*

* In whole or from time to time in part on the callable date or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Series 2014 Road term bond maturing on September 1, 2038 is subject to mandatory redemption beginning September 1, 2037. Series 2016A term bonds maturing on September 1, 2028, 2036 and 2040, are subject to mandatory redemption beginning September 1, 2027, 2034 and 2037, respectively. Series 2017 Road term bonds maturing on September 1, 2032 and 2042, are subject to mandatory redemption beginning September 1, 2031 and 2040, respectively.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2018	Series 2019
Amounts Outstanding – July 31, 2023	\$15,110,000	\$6,670,000
Interest Rates	3.00% - 5.00%	2.00% - 3.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2023/2042	September 1, 2023/2043
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2025*	September 1, 2025*

	Series 2019 Road	Series 2021
Amounts Outstanding – July 31, 2023	\$12,325,000	\$12,270,000
Interest Rates	2.00% - 3.00%	2.00% - 2.65%
Maturity Dates – Serially Beginning/Ending	September 1, 2023/2043	September 1, 2023/2045
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2025*	September 1, 2027*

* In whole or from time to time in part on the callable date or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Series 2018 term bonds maturing on September 1, 2037 and 2042, are subject to mandatory redemption beginning September 1, 2035 and 2041, respectively. Series 2019 term bonds maturing on September 1, 2027, 2033, 2035, and 2043, are subject to mandatory redemption beginning September 1, 2026, 2032, 2034, and 2040, respectively. Series 2019 road term bonds maturing September 1, 2028 and 2043, are subject to mandatory redemption beginning September 1, 2027 and 2040, respectively. Series 2021 term bonds maturing September 1, 2032, 2041, 2043 and 2045, are subject to mandatory redemption beginning September 1, 2031, 2040, 2042 and 2044, respectively.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended July 31, 2023:

	August 1, 2022	Additions	Retirements	July 31, 2023
Bonds Payable	\$ 132,655,000	\$	\$ 5,725,000	\$ 126,930,000
Unamortized Discounts	(229,142)		(14,036)	(215,106)
Unamortized Premiums	160,817		7,891	152,926
Bonds Payable	<u>\$ 132,586,675</u>	<u>\$ -0-</u>	<u>\$ 5,718,855</u>	<u>\$ 126,867,820</u>
		Amount Due Within One Year		\$ 6,275,000
		Amount Due After One Year		120,592,820
		Bonds Payable, Net		<u>\$ 126,867,820</u>

As of July 31, 2023, the District had authorized but unissued bonds in the amount of \$60,855,000 for utility facilities. The District is also authorized to issue unlimited tax refunding bonds in an amount of one and one-half of the principal amount of water, wastewater and drainage debt bonds previously issued by the District.

As of July 31, 2023, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 6,275,000	\$ 3,862,632	\$ 10,137,632
2025	6,380,000	3,673,748	10,053,748
2026	6,450,000	3,489,141	9,939,141
2027	6,585,000	3,310,465	9,895,465
2028	6,735,000	3,121,769	9,856,769
2029-2033	34,775,000	12,483,388	47,258,388
2034-2038	31,660,000	7,271,143	38,931,143
2039-2043	25,420,000	2,315,568	27,735,568
2044-2046	2,650,000	82,299	2,732,299
	<u>\$ 126,930,000</u>	<u>\$ 39,610,153</u>	<u>\$ 166,540,153</u>

During the year ended July 31, 2023, the District levied an ad valorem debt service tax rate of \$0.485 per \$100 of assessed valuation, which resulted in a tax levy of \$10,210,398 on the adjusted taxable valuation of \$2,105,236,649 for the 2022 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax, in an unlimited amount, sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 3. LONG-TERM DEBT (Continued)

Financing agreements between the Developers and the District call for the Developers to fund costs associated with the construction of water, sewer, drainage, and road infrastructure. Reimbursement to the Developers will come from bond sales or other lawfully available funds. The District's liability to the Developers for unreimbursed construction costs and advances totaled \$12,016,866 as of year end, which was unchanged from the prior year.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

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

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 each five-year anniversary of the bonds.

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 \$2,739,297 and the bank balances were \$2,955,559. The District was not exposed to custodial credit risk at year-end.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits (Continued)

The carrying values of the deposits at July 31, 2023, are summarized in the following table:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
GENERAL FUND	\$ 1,172,524	\$ 1,474,766	\$ 2,647,290
DEBT SERVICE FUND	91,306		91,306
CAPITAL PROJECTS FUND	<u>701</u>		<u>701</u>
TOTAL DEPOSITS	<u>\$ 1,264,531</u>	<u>\$ 1,474,766</u>	<u>\$ 2,739,297</u>

Investments

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

The District invests in Texas Cooperative Liquid Assets Securities System Trust (“Texas CLASS”), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool’s administrator and investment advisor under the general supervision of the Board of Trustees and its Advisory Board. UMB Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis and 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 restrictions on withdrawals from Texas CLASS.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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 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.

Certificates of deposits are recorded at acquisition cost.

As of July 31, 2023, the District had the following investments and maturities:

Funds and Investment Type	Fair Value	Maturities - Less Than 1 Year
<u>GENERAL FUND</u>		
Texas CLASS	\$ 9,159,403	\$ 9,159,403
LOGIC	4,265,950	4,265,950
Certificates of Deposit	1,474,766	1,474,766
<u>DEBT SERVICE FUND</u>		
Texas CLASS	10,524,876	10,524,876
LOGIC	2,868,156	2,868,156
<u>CAPITAL PROJECTS FUND</u>		
Texas CLASS	6,569,058	6,569,058
TOTAL INVESTMENTS	<u>\$ 34,862,209</u>	<u>\$ 34,862,209</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District's investments in Texas CLASS and LOGIC are rated AAAM by Standard and Poor's. The District also manages credit risk by typically investing in certificates of deposit with balances below FDIC insurance coverage or those which are covered by securities pledged for balances in excess of FDIC insurance 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 Texas CLASS and LOGIC to have maturities of less than one year due to the fact 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 also manages interest rate risk by investing in certificates of deposit with maturities of one year or less.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of principal and interest on outstanding bonds.

All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

NOTE 6. CAPITAL ASSETS AND INTANGIBLE ASSETS

Capital asset activity for the year ended July 31, 2023, is summarized in the following table:

	<u>August 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>July 31, 2023</u>
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 9,287,235	\$	\$	\$ 9,287,235
Construction in Progress	<u>1,293,509</u>	<u>2,132,029</u>	<u>405,791</u>	<u>3,019,747</u>
Total Capital Assets Not Being Depreciated	<u>\$ 10,580,744</u>	<u>\$ 2,132,029</u>	<u>\$ 405,791</u>	<u>\$ 12,306,982</u>
Capital Assets Subject to Depreciation				
Roads and Improvements	\$ 62,665,439	\$	\$	\$ 62,665,439
Water and Wastewater Systems	28,351,799			28,351,799
Drainage System	15,169,188			15,169,188
Vehicles and Equipment	989,663	405,791		1,395,454
Recreational Facilities	<u>589,392</u>			<u>589,392</u>
Total Capital Assets Subject to Depreciation	<u>\$ 107,765,481</u>	<u>\$ 405,791</u>	<u>\$ - 0 -</u>	<u>\$ 108,171,272</u>
Less Accumulated Depreciation				
Roads and Improvements	\$ 13,693,028	\$ 1,458,726	\$	\$ 15,151,754
Water and Wastewater Systems	6,957,408	733,972		7,691,380
Drainage System	2,099,833	337,093		2,436,926
Vehicles and Equipment	506,908	174,254		681,162
Recreational Facilities	<u>24,020</u>	<u>18,965</u>		<u>42,985</u>
Total Accumulated Depreciation	<u>\$ 23,281,197</u>	<u>\$ 2,723,010</u>	<u>\$ - 0 -</u>	<u>\$ 26,004,207</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 84,484,284</u>	<u>\$ (2,317,219)</u>	<u>\$ - 0 -</u>	<u>\$ 82,167,065</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 95,065,028</u>	<u>\$ (185,190)</u>	<u>\$ 405,791</u>	<u>\$ 94,474,047</u>

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 6. CAPITAL ASSETS AND INTANGIBLE ASSETS (Continued)

Intangible asset activity for the year ended July 31, 2023, is summarized in the following table:

	<u>August 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>July 31, 2023</u>
Intangible Assets Subject to Amortization				
Infrastructure Conveyed to Mustang	\$ 36,236,881	\$ - 0 -	\$ - 0 -	\$ 36,236,881
Less Accumulated Amortization				
Infrastructure Conveyed to Mustang	\$ 12,310,224	\$ 1,020,869	\$ - 0 -	\$ 13,331,093
Total Intangible Assets, Net of Accumulated Amortization	<u>\$ 23,926,657</u>	<u>\$ (1,020,869)</u>	<u>\$ - 0 -</u>	<u>\$ 22,905,788</u>

NOTE 7. MAINTENANCE TAX

On November 7, 2000, voters of the District approved the levy and collection of a maintenance tax in an unlimited amount per \$100 of assessed valuation of taxable property within the District. The maintenance tax is for maintaining, repairing and operating all necessary facilities of the District and for other operational and administrative costs authorized by the Texas Water Code. During the fiscal year ended July 31, 2023, the District levied an ad valorem maintenance tax rate of \$0.383 per \$100 of assessed valuation, which resulted in a tax levy of \$8,063,056 on the adjusted taxable valuation of \$2,105,236,649 for the 2022 tax year. 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 8. CONTRACT TAX

On January 20, 2001, the voters within the District approved the levy and collection of an annual contract tax imposed on all taxable property within the boundaries of the District at an unlimited amount per \$100 of assessed valuation for purposes of making payments pursuant to the Upper Trinity Regional Water District Regional Treated Water System Participating Customer Contract and Upper Trinity Regional Water District Northeast Regional Water Reclamation System Participating Customer Contract (the "Contracts") relating to the allocation and cost of water supply and wastewater treatment capacity and service from Upper Trinity Regional Water District. By Order dated December 8, 2008, the Texas Commission on Environmental Quality approved the levy of a contract tax by the District in a sufficient amount to make payments related to the Contracts (see Notes 9 and 10). During the fiscal year ended July 31, 2023, the District levied a contract tax rate of \$0.06 per \$100 assessed valuation which resulted in a tax levy of \$1,263,142 on the adjusted taxable valuation of \$2,105,236,649 for the 2022 tax year.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 9. WATER SUPPLY AGREEMENT

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

On August 29, 2001, District 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 for a service area that includes the District. The First, Second, Third, Fourth and Fifth Amendments to Participating Customer Contract were executed on September 6, 2001, April 1, 2004, May 18, 2006, September 3, 2009, and February 1, 2018 respectively. 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 to serve the District. The UTRWD is governed by a Board of directors that are appointed by the governing bodies of members and by the County. The District, as a Participating Customer, is not entitled to appoint a representative to the Board; however, the District will be represented by a Board member serving Denton County at-large.

Pursuant to the Third Amendment, the supply of water on a minimum demand decreased from 3.0 to 2.4 million gallons of water per day (MGD). The District 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. If daily demand is exceeded, the daily demand minimum will be increased by 100,000-gallon increments, per the UTRWD policy. Payments 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 are prepared for the system. The District pays its part of the annual requirement in monthly installments.

In accordance with the contract, the District was required to pay an Equity Fee on the initial 1.0 MGD to the UTRWD in the amount of \$139,171. Per the Second Amendment increase of 2.0 MGD, the District was required to pay an additional equity fee in the amount of \$333,500. The UTRWD established the Equity Fee to be paid by customers who contract for capacity in the Regional Treated Water System to help repurchase that portion of the system that was originally funded through the State Participation Program.

Pursuant to the Interlocal Agreement For Property Transfer And Allocation of Water And Wastewater Service Areas (the “Mustang Agreement”), effective February 1, 2018, the District entered into an amendment to the Water Contract that assigned to Mustang the rights to 1,580,000 gpd of treated water. Such treated water supply was sufficient to serve existing connections in Savannah and lots currently under development for 256 acres in Arrowbrooke. In addition to the 1,580,000 gpd transferred to Mustang, Mustang also has additional subscribed rights of 2,900,000 gpd of treated water. Such additional subscription to treated water supply is sufficient to serve connections on all developed lots and lots currently under development within all of Savannah and all of Arrowbrooke, including the 154 acres that were part of the Mustang Non-Standard Contract. Per the Fifth Amendment the District retained 820,000 gpd of treated water of the original 2,400,000 gpd subscription under the Water Contract to serve the Artesia

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 9. WATER SUPPLY AGREEMENT (Continued)

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

Development. Subsequently, on or about June 19, 2020, the District and UTRWD agreed to increase the treated water subscription by 200,000 gpd, resulting in a total current subscription of 1,020,000 gpd to serve the Artesia Development. Effective October 1, 2023, the District is required to pay an annual Demand Charge of \$505,400 per million gpd and a monthly Volume Charge of \$1.60 per 1,000 gallons used for treated water.

NOTE 10. SEWAGE TREATMENT SERVICE AGREEMENT

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

On August 29, 2001, the District executed an agreement with the Upper Trinity Regional Water District (the "UTRWD") to provide wastewater treatment service to the District as a Participating Customer of the UTRWD, as well as a service area that includes the District. Subsequently, on May 1, 2003, the parties executed an Amended and Restated Participating Customer Contract for the same purpose. This Amended and Restated agreement was amended on May 1, 2003, May 15, 2008, December 16, 2010, November 19, 2015 and February 1, 2018. 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. The UTRWD is governed by a Board of directors that are appointed by the governing bodies of members and by the County. The District, as a Participating Customer, is not entitled to appoint a representative to the Board; however, the District will be represented by a Board member serving Denton County at-large.

The District's Developer advanced monies on behalf of the District to the UTRWD for the District's share of the construction cost of the Riverbend Wastewater Treatment Plant. The construction of the Riverbend Plant was completed in two phases. After completion of the first phase the District was entitled to wastewater capacity of 0.05 MGD on a minimum flow basis and 0.11 MGD for average annual flow. After completion of the second phase the District was entitled to wastewater capacity of 0.10 MGD on a minimum flow basis and 0.36 MGD for average annual flow. Pursuant to the December 16, 2010 Amendment, the District was entitled to 0.07 MGD minimum flow and 0.5475 MGD average annual flow. The District is required to pay based on the minimum flow basis of wastewater, whether or not the District actually delivers this amount of wastewater to the UTRWD, to assure adequate funds to the UTRWD to fulfill its obligations under the contract. Payments 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 are prepared for the system. The District pays its part of the annual requirement in monthly installments.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
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JULY 31, 2023**

NOTE 10. SEWAGE TREATMENT SERVICE AGREEMENT (Continued)

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

Effective May 15, 2008, the District subscribed to the expansion of the Doe Branch Plant. After completion, the District is entitled to 0.01 MGD on a minimum flow basis. The November 19, 2015 amendment increased the District's subscribed capacity from 0.10 MGD to 0.135 MGD. Subscription in the Doe Branch Plant is in addition to the District's existing subscribed capacity in the Riverbend Plant. Therefore, the total existing subscribed capacity in both plants was 0.6825 MGD.

Pursuant to the Mustang Agreement, effective February 1, 2018, the District entered into an amendment to the Sewer Contract that assigned to Mustang the subscription rights to 0.5265 MGD of treatment capacity. Such subscribed capacity was sufficient to serve existing connections in Savannah and lots currently under development in Arrowbrooke. In addition to the 0.5265 MGD of treatment capacity transferred to Mustang, Mustang also has additional subscribed rights of 1.010 MGD of treatment capacity. Such additional subscription to treatment capacity is sufficient to serve connections on all developed lots and lots currently under development within all of Savannah and all of Arrowbrooke.

Pursuant to the Mustang Agreement, the District retained 0.1560 MGD of treatment capacity of the original 0.6825 MGD of treatment capacity under the Sewer Contract to serve the Artesia Development. Such treatment capacity is entirely contained in the Doe Branch Plant. Further, on or about July 1, 2018, the District executed an amendment to the Sewer Contract that increased the District's subscribed treatment capacity in the Doe Branch plant to a total of 0.3650 MGD of treatment capacity. The additional capacity shall be part of the Doe Branch expansion. As a result, the District believes it has treatment capacity sufficient to serve connections on all developed lots and lots currently under development within Artesia.

Effective October 1, 2023, the District is required to pay an annual Joint Facilities Capital Charge of \$12,535, annual fixed operation and maintenance costs of \$239,320 per million gpd payable in equal monthly installments, and a monthly Volume Charge of \$1.55 per 1,000 gallons used for wastewater treatment.

NOTE 11. WATER AND SEWER SERVICE AGREEMENT

On June of 2002, the District approved a Water Service Agreement and a Sewer Service Agreement with Mustang Water Supply Corporation, now known as Mustang Special Utility District ("Mustang"). At that time, the District held Certificates of Convenience and Necessity Nos. 13021 and 20923 ("CCN") to provide retail water and wastewater services to certain areas within Denton County, Texas, in which area the District is located.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
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JULY 31, 2023**

NOTE 11. WATER AND SEWER SERVICE AGREEMENT (Continued)

Effective October 1, 2007, the District entered into a Merged, Amended and Restated Agreement Relating to Water and Sanitary Sewer Service with Mustang. The purpose of this agreement was to merge, amend and restate the original agreements with Mustang to (1) facilitate the provisions of wholesale water supply and wastewater treatment services to the District by the UTRWD, 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 would 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 agreed to perform the schedule of services as outlined in Exhibit "B" of the agreement. Mustang was responsible for the monthly meter reading and billing of each customer of the District. Mustang collected the amounts due the District for water and wastewater services and remitted the funds collected on behalf of the District at least once per month. In addition, Mustang billed and collected for solid waste collection from each District customer. 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.

Pursuant to the agreements entered into between the District and Mustang in June of 2002 and October 1, 2007, Mustang agreed that the District would provide retail water and sewer service to approximately 849 acres within the Mustang Service Area. The District subsequently secured CCNs to provide retail water and sewer service to that area which includes Savannah and portions of Arrowbrooke ("District West Service Area"), as well as the portion of the District being developed as Artesia ("District East Service Area"). Although the District West Service Area is included within the Mustang Service Area, the District East Service Area is not within the Mustang Service Area or the service area of any other retail service provider. The District has provided retail utility services to its District West Service Area since late 2003.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
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JULY 31, 2023**

NOTE 11. WATER AND SEWER SERVICE AGREEMENT (Continued)

On or about October 9, 2017, the District and Mustang executed an Interlocal Agreement For Property Transfer And Allocation of Water And Wastewater Service Areas (the “Mustang Agreement”), pursuant to which the parties agree that upon the approval of the Mustang Agreement (the "Approval Date") by the Public Utility Commission (the “PUC”), Mustang shall be the sole retail provider of retail water and wastewater services to the area within the District West Service Area, and all customers within such areas shall become retail customers of Mustang. The Mustang Agreement was approved by Upper Trinity Regional Water District (“Upper Trinity”) on December 7, 2017. On or about August 3, 2018, the District filed the necessary application with the PUC to remove the District's West Service Area from the District's certificates of convenience and necessity and obtained approval of the Mustang Agreement. On or about April 25, 2019, the PUC approved such application. Pursuant to the Mustang Agreement, the District's existing and proposed retail water and wastewater facilities and improvements that serve or will serve the District's West Service Area were transferred to Mustang; and the District's service and capacity rights and payment obligations pertaining to the District's West Service Area under certain Upper Trinity Contracts were assigned to Mustang. The Mustang Agreement did not relieve the District from any obligation it may have to acquire, construct, and reimburse the cost of internal water distribution, sanitary collection, and drainage lines and facilities pursuant to reimbursement agreements with developers or owners of land within Savannah and Arrowbrooke. However, with regard to Arrowbrooke, Mustang assumed the reimbursement obligation of the District for funds advanced for 105,000 gpd of capacity in the Upper Trinity Doe Branch wastewater treatment plant. As partial consideration for the transfer of facilities and improvements, assignment of Upper Trinity Contract rights, and other agreements by the District, Mustang agreed to make certain payments to compensate the District. During the period between the December 7, 2017, and the date of approval from the PUC, Mustang made payments to the District equivalent to the net revenues (after payment of the Upper Trinity Contract charges) it would have received under the prior agreements with Mustang as if the District were continuing to serve as the retail provider. After the Approval Date, Mustang was to make monthly residual payments to the District until June 1, 2023, from net revenues generated from retail customers within Savannah, as calculated pursuant to the Mustang Agreement. As further consideration for such transfer and assignment, Mustang agreed to: provide water service to District meters at Mustang's actual costs; maintain certain limitations on service rate increases to customers within the District West Service Area; and provide for billing and collection for solid waste services provided within the District West Service Area.

The District entered into a Non-Standard Service Contract, dated on or about August 15, 2013 (“Mustang Non-Standard Contract”) with Mustang and 166 Bryan Road Partners, L.P., predecessor in interest to Development Solutions, regarding the financing and construction of water and sanitary sewer facilities to serve approximately 154 acres within the District being developed as the remaining portion of Arrowbrooke and located within the Mustang Service Area. The initial approximately 256 acres of the Arrowbrooke development is located within the

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
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JULY 31, 2023**

NOTE 11. WATER AND SEWER SERVICE AGREEMENT (Continued)

District West Service Area and is not subject to the Mustang Non-Standard Contract. Pursuant to the Mustang Non-Standard Contract, the District did or shall construct facilities to serve this tract with funds advanced by Development Solutions and convey such facilities to Mustang which will serve as the retail water and sewer provider for customers residing within the 154 acres. The District retained the obligation to issue bonds to reimburse Development Solutions for funds advance for construction of these facilities upon certain terms and conditions.

On or about October 15, 2020, the District and Mustang mutually agreed to end the residual payment portion of the Mustang Agreement as of the October 15, 2020 date, due to the UTRWD capacity payments and Mustang operation costs exceeding the revenue generated from customers. Pursuant to the Mustang Agreement, the District agreed to transfer the rights and obligations under the UTRWD Water Supply and Sewer Treatment Participating Contracts (the “UTRWD Contracts”) (see Note 9 and Note 10) for the Savannah and Arrowbrooke developments to Mustang. Under the Mustang Agreement, Mustang assumed the right to the delivery of wholesale water supply and wastewater treatment services from Upper Trinity for the Savannah and Arrowbrooke developments and Mustang assumed the payment obligations under the Contracts for the Savannah and Arrowbrooke developments. Furthermore, under the Mustang Agreement, the District retained the right to the delivery of wholesale water supply and wastewater treatment services from Upper Trinity for the District’s East Service Area, which is made up of the Artesia development and the District retained the payment obligations under the Contracts for the Artesia development. The District remains the retail provider of water and wastewater services to the Artesia Development under CCN Nos. 13021 and 20923.

From June of 2015 to June of 2021, the District contracted with Arcadia Water Company, LLC to provide operation and maintenance services to the District’s water and sanitary sewer facilities located within the Artesia development. On or about June 21, 2021, the District entered into an Interlocal Agreement for Public Works and Utility Billing with the City of Celina which established the terms by which Celina would operate and maintain the District’s water and sanitary sewer facilities located within the Artesia development.

NOTE 12. 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 from the prior year and there have been no settlements of claims in the past three years.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 13. STRATEGIC PARTNERSHIP AGREEMENT - TOWN OF PROSPER

Effective March 28, 2012, the District entered into Strategic Partnership Agreements with the Town of Prosper, Texas (“Town”). The agreements provide for the limited purpose annexation of three tracts of land within the District. The Town will impose a sales and use tax within the boundaries of tracts one, two and three at the rate of 2% on the receipts from the sale and use at retail of taxable items or the rate specified under future amendments to Chapter 321 of the Tax Code. The Town and the District agree to share equally the 1% sales and use tax revenues remaining subsequent to payment of the other 1% sales and use tax revenues to the Prosper Economic Development Corporation and Town property tax relief as required by state law. The Town will deliver the District’s portion of the sales and use tax revenues within 30 days of the Town’s receipt of the sales report from the Comptroller. The Town agrees it will not annex all or part of the District during the term of the agreements. The term of the agreements are 15 years from the effective date of the agreements and may be extended thereafter at the sole discretion of the Town for up to two consecutive terms of 15 years. During the fiscal year ended July 31, 2023, the District received sales tax revenues of \$51,822.

NOTE 14. AGREEMENTS WITH THE TOWN OF LITTLE ELM, TEXAS

Effective November 16, 2005, the District entered into a Strategic Partnership Agreement with the Town of Little Elm, Texas (“Town”). The agreement provides for the limited purpose annexation of certain tracts of land (“Limited Purpose Property”) within the District, as described in Exhibit A to the agreement. The Town may impose a sales and use tax on all eligible commercial activities within the Limited Purpose Property pursuant to Chapter 321 of the Tax Code. The Town will retain the sales and use tax revenues collected on the Limited Purpose Property and will not be responsible for providing any municipal services to the Limited Purpose Property. The term of this agreement is 50 years from the effective date of the agreement, provided, however, the agreement would terminate should the Town annex the Limited Purpose Property for full purposes or disannex the Limited Purpose Property during the term of this agreement. On November 16, 2005, the District entered into an Interlocal Agreement with the Town, in which the Town released its extraterritorial jurisdiction on all land within the District except for the Limited Purpose Property. This agreement is coterminous with the District’s Strategic Partnership Agreement with the Town.

On or about June 19, 2018, the District entered into a Strategic Partnership Agreement with the Town of Little Elm pursuant to which the Town of Little Elm annexed for limited purposes a tract of land consisting of approximately 1.615 acres of property located to the west and adjacent to Arrowbrooke. The District agreed to construct portions of Winn Ridge Boulevard on the tract, with the Town of Little Elm accepting the constructed road for maintenance and operation purposes, including the exercise of its police powers. The term of this Strategic Partnership Agreement runs until the property is disannexed or annexed for full purposes.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
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NOTE 15. FIRE PROTECTION SERVICES AGREEMENT

The District, Denton County Fresh Water Supply District No. 8-A, Denton County Fresh Water Supply District No. 8-B, Denton County Fresh Water Supply District No. 9 (subsequently incorporated as the Town of Providence Village), Denton County Fresh Water Supply District No. 11-A, Denton County Fresh Water Supply District No. 11-B and Denton County Fresh Water Supply District No. 11-C have entered into a Fire Protection Services Agreement with the City of Aubrey, Texas (the “City”). 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. The term of this agreement is ten years. The Fire Protection Services Agreement was further amended to extend the term to 15 years and to provide the District, beginning January 1, 2018, an option to exclude a defined portion of the area within its boundaries from service (and corresponding payment obligations) under this Agreement. The Fire Protection Services Agreement was further amended to extend the term to 18 years, so that the term is extended to December 31, 2025.

Effective November 9, 2021, the District entered into an Interlocal Agreement with the Town of Prosper, Texas for the purposes of providing fire-fighting services for the benefit of the residents and property owners within the boundaries of the Artesia development located within the District. At an election held May 7, 2022, voters within the District approved the provisions of the Artesia Fire Protection Plan and Interlocal Cooperation Agreement for Fire Protection Services, implementation of the Artesia Fire Protection Plan, and assessment and collection of fees and charges for fire protection services. Concurrently, Artesia was removed from the Fire Protection Services Agreement with the City of Aubrey. The District’s costs under this agreement for fire-fighting services are determined by multiplying the number of existing water connections (evaluated once every quarter) in the Artesia area by the rate per connection for that year of the agreement (currently \$16.25 per connection).

NOTE 16. LAW ENFORCEMENT SERVICES

Under Section 49.216, Texas Water Code, the District may contract for or employ its own peace officers. Pursuant to approval granted by the Texas Commission of Law Enforcement (“TCOLE”), at a publicly held Board meeting on February 15, 2018, the District’s Board of Directors adopted a resolution authorizing the formation of the District Police Department to provide law enforcement services to the District. The District Police Department is funded through the collection of water and sewer operation revenues. The District Police Department became fully operational January of 2019 and is responsible for providing full law enforcement services including emergency response.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
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NOTE 17. PENSION PLAN

Plan Description

The District provides retirement for all of its full and part-time non-temporary employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (“TCDRS”). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of approximately 850 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report on a calendar year basis which is available on the TCDRS website (www.tcdrs.org).

Benefits Provided

The plan provisions are adopted by the governing body of the District, within the options available in the Texas state statutes governing the TCDRS (TCDRS Act). Members can retire at ages 60 and above with 5 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 5 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by the District. Benefit amounts are determined by the sum of the employee’s deposits to the plan, with interest, and employer-financed monetary credit. The level of these monetary credits is adopted by the governing body of the District within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer’s commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee’s accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. There are no automatic cost-of-living adjustments. Each year the District may elect an ad hoc cost-of-living adjustment for its retirees (if any). As of the plan measurement date of December 31, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled but not yet receiving benefits	15
Active employees	23

Contributions

The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The deposit rate payable by the employee members for plan year 2022 was 10.76%.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 17. PENSION PLAN (Continued)

Actuarial Assumptions

Actuarial methods and assumptions used to determine the total pension liability as of December 31, 2022, are as follows:

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age (level percent of pay)
Amortization Method Recognition of economic and demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method Smoothing period Recognition method Corridor	5 years Non-asymptotic None
Inflation	2.50%
Salary Increases	Varies by age and service.
Investment Rate of Return	7.60% (Gross of administrative expenses)
Cost-of-Living Adjustments	No assumption for future cost-of-living adjustments are included in the GASB calculation nor funding valuation.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retiree Table for males and 120% of the Pub-2010 General Retiree Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
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NOTE 17. PENSION PLAN (Continued)

Depletion of Plan Assets/ GASB Discount Rate

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

- 1) The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
- 2) The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years. The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied. In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

- 1) TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
- 2) Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 17. PENSION PLAN (Continued)

Depletion of Plan Assets/ GASB Discount Rate (Continued)

- 3) The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
- 4) An increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes.

Therefore, a discount rate of 7.60% was used. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2023 information for a 10-year time horizon. Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a long-term time horizon. The most recent analysis was performed in March, 2021.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 17. PENSION PLAN (Continued)

Long-Term Expected Rate of Return (Continued)

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	11.50 %	4.95 %
Global Equities	2.50	4.95
International Equities-Developed Markets	5.00	4.95
International Equities-Emerging Markets	6.00	4.95
Investment-Grade Bonds	3.00	2.40
Strategic Credit	9.00	3.39
Direct Lending	16.00	6.95
Distressed Debt	4.00	7.60
REIT Equities	2.00	4.15
Master Limited Partnerships (MLPs)	2.00	5.30
Private Real Estate Partnerships	6.00	5.70
Private Equity	25.00	7.95
Hedge Funds	6.00	2.90
Cash Equivalents	2.00	0.20
	<u>100.00 %</u>	

Sensitivity Analysis

The following presents the net pension liability of the District, calculated using the discount rate of 7.60%, as well as what the District net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	6.60%	7.60%	8.60%
Total Pension Liability	\$ 1,312,099	\$ 1,093,095	\$ 919,516
Fiduciary Net Position	<u>1,083,188</u>	<u>1,083,188</u>	<u>1,083,188</u>
Net Pension Liability/(Asset)	<u>\$ 228,911</u>	<u>\$ 9,907</u>	<u>\$ (163,672)</u>

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 17. PENSION PLAN (Continued)

Changes in Net Pension Liability/(Asset)

Changes in Net Pension Liability/(Asset) for the measurement date December 31, 2022, are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balances of December 31, 2021	\$ 774,206	\$ 807,590	\$ (33,384)
Changes for the year:			
Service Costs	265,274		265,274
Interest on total pension liability	77,883		77,883
Effect of economic/demographic gains or losses	5,692		5,692
Refund of contributions	(21,594)	(21,593)	(1)
Benefit payments	(8,366)	(8,366)	
Administrative Expense		(635)	635
Member contributions		133,587	(133,587)
Net investment income		(73,430)	73,430
Employer contributions		202,289	(202,289)
Other		43,746	(43,746)
Balances of December 31, 2022	<u>\$ 1,093,095</u>	<u>\$ 1,083,188</u>	<u>\$ 9,907</u>

Deferred Inflows/Outflows of Resources

As of the most recent measurement date of December 31, 2022, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 841	\$ 92,277
Changes of assumptions		23,146
Differences between projected and actual earnings		72,047
Contributions subsequent to the measurement date		77,424
Total	<u>\$ 841</u>	<u>\$ 264,894</u>

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 17. PENSION PLAN (Continued)

Deferred Inflows/Outflows of Resources (Continued)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date total \$77,424. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense/(income) as follows:

Year ended December 31:	
2023	\$ 36,359
2024	35,377
2025	34,581
2026	50,846
2027	21,272
Thereafter	8,194

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**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY**

REQUIRED SUPPLEMENTARY INFORMATION

JULY 31, 2023

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JULY 31, 2023**

	Original Budget	Amended and Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 9,977,280	\$ 9,100,520	\$ 9,312,582	\$ 212,062
Water Service	1,205,250	1,382,470	1,341,949	(40,521)
Wastewater Service	699,810	714,720	710,310	(4,410)
Fire Protection Services	945,220	964,840	982,877	18,037
Solid Waste Services	1,318,900	1,318,900	1,306,434	(12,466)
Easement, Permit, and Franchise Revenues	502,100	682,170	795,757	113,587
Sales Tax Revenues	41,240	41,240	51,822	10,582
Investment and Miscellaneous Revenues	71,320	510,240	739,048	228,808
TOTAL REVENUES	<u>\$ 14,761,120</u>	<u>\$ 14,715,100</u>	<u>\$ 15,240,779</u>	<u>\$ 525,679</u>
EXPENDITURES				
Service Operations:				
Personnel	\$ 452,410	\$ 452,410	\$ 434,353	\$ 18,057
Professional Fees	382,000	382,000	321,353	60,647
Contracted Services	2,719,860	2,843,450	2,832,379	11,071
Police Department	3,188,190	3,266,930	3,161,649	105,281
Purchased Water Service	780,100	780,100	787,737	(7,637)
Purchased Wastewater Service	416,880	416,880	421,155	(4,275)
Repairs and Maintenance	1,394,420	1,319,420	456,677	862,743
Other	232,470	232,470	167,600	64,870
Capital Outlay	4,940,200	5,013,650	1,549,084	3,464,566
TOTAL EXPENDITURES	<u>\$ 14,506,530</u>	<u>\$ 14,707,310</u>	<u>\$ 10,131,987</u>	<u>\$ 4,575,323</u>
NET CHANGE IN FUND BALANCE	\$ 254,590	\$ 7,790	\$ 5,108,792	\$ 5,101,002
FUND BALANCE - AUGUST 1, 2022	<u>10,898,771</u>	<u>10,898,771</u>	<u>10,898,771</u>	<u> </u>
FUND BALANCE - JULY 31, 2023	<u>\$ 11,153,361</u>	<u>\$ 10,906,561</u>	<u>\$ 16,007,563</u>	<u>\$ 5,101,002</u>

See accompanying independent auditor's report.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
JULY 31, 2023**

	Year Ended December 31				
	2022	2021	2020	2019	2018
Total Pension Liability					
Service Cost	\$ 265,274	\$ 237,763	\$ 191,929	\$ 83,735	\$ 20,950
Interest on total pension liability	77,883	52,468	30,740	8,481	1,697
Effect of assumption changes or inputs		1,100	35,776		
Effect of economic/demographic (gains) or losses	5,692	36,166	20,086	81,913	(1,681)
Benefit payments/refunds of contributions	<u>(29,956)</u>	<u>(11,573)</u>	<u>(15,346)</u>		
Net change in total pension liability	\$ 318,893	\$ 315,924	\$ 263,185	\$ 174,129	\$ 20,966
Total pension liability, beginning	<u>774,204</u>	<u>458,280</u>	<u>195,095</u>	<u>20,966</u>	<u>-0-</u>
Total pension liability, ending (a)	<u><u>\$ 1,093,097</u></u>	<u><u>\$ 774,204</u></u>	<u><u>\$ 458,280</u></u>	<u><u>\$ 195,095</u></u>	<u><u>\$ 20,966</u></u>
Fiduciary Net Position					
Employer contributions	\$ 202,289	\$ 136,159	\$ 125,551	\$ 89,095	\$ 12,401
Member contributions	133,587	114,006	105,126	74,601	10,384
Investment income net of investment expenses	(73,430)	123,797	20,750	3,726	254
Benefit payments/refunds of contributions	(29,955)	(11,573)	(15,344)		
Administrative Expense	(635)	(437)	(321)	(150)	(19)
Other	<u>43,746</u>	<u>6,880</u>	<u>6,391</u>	<u>5,632</u>	<u>679</u>
Net change in fiduciary net position	\$ 275,602	\$ 368,832	\$ 242,153	\$ 172,904	\$ 23,699
Fiduciary net position, beginning	<u>807,588</u>	<u>438,756</u>	<u>196,603</u>	<u>23,699</u>	<u>-0-</u>
Fiduciary net position, ending (b)	<u><u>\$ 1,083,190</u></u>	<u><u>\$ 807,588</u></u>	<u><u>\$ 438,756</u></u>	<u><u>\$ 196,603</u></u>	<u><u>\$ 23,699</u></u>
Net pension liability/(asset), ending = (a) - (b)	<u><u>\$ 9,907</u></u>	<u><u>\$ (33,384)</u></u>	<u><u>\$ 19,524</u></u>	<u><u>\$ (1,508)</u></u>	<u><u>\$ (2,733)</u></u>
Fiduciary net position as a percentage of total pension liability	99.09%	104.31%	95.74%	100.77%	113.04%
Pensionable covered payroll	\$ 1,908,387	\$ 1,628,663	\$ 1,501,807	\$ 1,065,731	\$ 148,339
Net pension liability/(asset) as a percentage of covered payroll	0.52%	(2.05%)	1.30%	(0.14%)	(1.84%)

See accompanying independent auditor's report.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
SCHEDULE OF DISTRICT CONTRIBUTIONS
JULY 31, 2023**

Fiscal Year Ending July 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽¹⁾	Actual Contribution as a Percentage of Covered Payroll
2019	\$ 44,043	\$ 44,043	\$ - 0 -	\$ 527,461	8.4%
2020	\$ 115,562	\$ 115,562	\$ - 0 -	\$ 1,375,738	8.4%
2021	\$ 131,886	\$ 131,886	\$ - 0 -	\$ 1,577,581	8.4%
2022	\$ 161,913	\$ 161,913	\$ - 0 -	\$ 1,866,123	8.7%
2023	\$ 230,792	\$ 230,792	\$ - 0 -	\$ 2,153,278	10.7%

Valuation Date Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age (level percentage of pay)
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	17.9 years (based on contribution rate calculated in 12/31/2022 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retiree Table for males and 120% of the Pub-2010 General Retiree Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2017: New mortality assumptions were reflected. 2019: New mortality, inflation and other assumptions were reflected. 2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2018, 2019, 2020, 2021 and 2022: No changes in plan provisions were reflected in the schedule.

See accompanying independent auditor's report.

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**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY**

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

JULY 31, 2023

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2023**

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

<input checked="" type="checkbox"/>	Retail Water		Wholesale Water	<input checked="" type="checkbox"/>	Drainage
<input checked="" type="checkbox"/>	Retail Wastewater		Wholesale Wastewater	<input type="checkbox"/>	Irrigation
<input checked="" type="checkbox"/>	Parks/Recreation	<input checked="" type="checkbox"/>	Fire Protection	<input checked="" type="checkbox"/>	Security
<input checked="" type="checkbox"/>	Solid Waste/Garbage	<input checked="" type="checkbox"/>	Flood Control	<input checked="" type="checkbox"/>	Roads
<input checked="" type="checkbox"/>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				

2. RETAIL SERVICE PROVIDERS

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

The following rates are based on the rate order dated January 19, 2023.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$ 28.10	-0-	N	\$ 2.75	0,001 to 3,000
				\$ 3.85	3,001 to 9,000
				\$ 4.80	9,001 to 15,000
				\$ 5.85	15,001 to 25,000
				\$ 8.95	25,001 and up
WASTEWATER: (includes trash)	\$ 51.83	5,000	Y		
	\$ 53.83	5,000 to 10,000	Y		
	\$ 56.83	Over 10,000	Y		

SURCHARGE:

Fire Protection
Services Fee

\$13.95 per residential connection for Savannah and Arrowbrooke
\$16.25 per residential connection for Artesia

TCEQ
Assessments 0.5% of actual water
and sewer bill

District employs winter averaging for wastewater usage?

	<input checked="" type="checkbox"/>
Yes	No

Total monthly charges per 10,000 gallons usage: Water: \$64.25, Wastewater: \$53.83

Note: As of October 15, 2020, residents of Savannah and Arrowbrooke became subject to Mustang SUD's rate order and corresponding rates.

See accompanying independent auditor's report.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2023**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER 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	
≤¾"	5,736	5,646	x 1.0	5,646
1"	20	20	x 2.5	50
1½"	6	6	x 5.0	30
2"	54	54	x 8.0	432
3"	1	1	x 15.0	15
4"	2	2	x 25.0	50
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>5,819</u>	<u>5,729</u>		<u>6,223</u>
Total Wastewater Connections	<u>5,819</u>	<u>5,684</u>	x 1.0	<u>5,684</u>

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

Gallons billed to customers: 583,653,000**

Note: The District purchases all of its water from the Upper Trinity Regional Water District. Certain customers are served by Mustang while other customers are served by the District. See Notes 9, 10, and 11 for further information.

**Estimated at time of audit

See accompanying independent auditor's report.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2023**

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's in which District is located:

Town of Little Elm, Texas
Town of Prosper, Texas
City of Aubrey, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2023**

PERSONNEL	\$ <u>434,353</u>
PROFESSIONAL FEES:	
Auditing	\$ 38,600
Engineering	145,800
Legal	<u>136,953</u>
TOTAL PROFESSIONAL FEES	\$ <u>321,353</u>
PURCHASED WATER SERVICE	\$ <u>787,737</u>
PURCHASED WASTEWATER SERVICE	\$ <u>421,155</u>
CONTRACTED SERVICES:	
Operations and Billing	\$ 475,681
Solid Waste Disposal	1,386,181
Fire Fighting	964,629
Tax Collector	<u>5,888</u>
TOTAL CONTRACTED SERVICES	\$ <u>2,832,379</u>
REPAIRS AND MAINTENANCE	\$ <u>456,677</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 18,786
Insurance	16,215
Computer and Website Costs	54,265
Meetings, Office and Other	<u>17,178</u>
TOTAL ADMINISTRATIVE EXPENDITURES	\$ <u>106,444</u>
CAPITAL OUTLAY	\$ <u>1,549,084</u>
POLICE DEPARTMENT	\$ <u>3,161,649</u>
OTHER EXPENDITURES:	
Laboratory Fees	\$ 2,524
Permit Fees	4,133
Utilities	<u>54,499</u>
TOTAL OTHER EXPENDITURES	\$ <u>61,156</u>
TOTAL EXPENDITURES	\$ <u><u>10,131,987</u></u>

See accompanying independent auditor's report.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
INVESTMENTS
JULY 31, 2023**

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>					
Texas CLASS	XXXX0003	Varies	Daily	\$ 158,368	\$
Texas CLASS	XXXX0006	Varies	Daily	7,821,663	
Texas CLASS	XXXX0012	Varies	Daily	79,331	
Texas CLASS	XXXX0013	Varies	Daily	89,908	
Texas CLASS	XXXX0014	Varies	Daily	59,416	
Texas CLASS	XXXX0019	Varies	Daily	266,317	
Texas CLASS	XXXX0022	Varies	Daily	109,805	
Texas CLASS	XXXX0025	Varies	Daily	365,563	
Texas CLASS	XXXX0026	Varies	Daily	209,032	
LOGIC	XXXX9001	Varies	Daily	4,265,950	
Certificate of Deposit	XXXX4667	3.50%	10/30/23	247,483	6,478
Certificate of Deposit	XXXX0890	3.50%	10/30/23	254,899	6,473
Certificate of Deposit	XXXX7512	4.96%	11/13/23	243,869	2,684
Certificate of Deposit	XXXX4045	5.06%	05/17/24	237,991	2,442
Certificate of Deposit	XXXX8410	5.21%	03/25/24	240,524	1,339
Certificate of Deposit	XXXX8741	5.51%	04/25/24	250,000	
TOTAL GENERAL FUND				\$ 14,900,119	\$ 19,416
<u>DEBT SERVICE FUND</u>					
Texas CLASS	XXXX0001	Varies	Daily	\$ 4,889,114	\$
Texas CLASS	XXXX0002	Varies	Daily	5,635,762	
LOGIC	XXXX9002	Varies	Daily	1,117,213	
LOGIC	XXXX9003	Varies	Daily	1,750,943	
TOTAL DEBT SERVICE FUND				\$ 13,393,032	\$ -0-
<u>CAPITAL PROJECTS FUND</u>					
Texas CLASS	XXXX0007	Varies	Daily	\$ 42,336	\$
Texas CLASS	XXXX0009	Varies	Daily	59,703	
Texas CLASS	XXXX0018	Varies	Daily	200,984	
Texas CLASS	XXXX0020	Varies	Daily	256,993	
Texas CLASS	XXXX0021	Varies	Daily	64,054	
Texas CLASS	XXXX0023	Varies	Daily	54,308	
Texas CLASS	XXXX0024	Varies	Daily	5,890,680	
TOTAL CAPITAL PROJECTS FUND				\$ 6,569,058	\$ -0-
TOTAL				\$ 34,862,209	\$ 19,416

See accompanying independent auditor's report.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2023**

	<u>Maintenance Taxes</u>		<u>Contract Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -						
AUGUST 1, 2022	\$ 39,054		\$ 10,457		\$ 91,444	
Adjustments to						
Beginning Balance	<u>(6,431)</u>	\$ 32,623	<u>(1,391)</u>	\$ 9,066	<u>(12,647)</u>	\$ 78,797
Original 2022 Tax Levy	\$ 7,947,416		\$ 1,245,026		\$ 10,063,961	
Adjustment to 2022						
Tax Levy	<u>115,640</u>	<u>8,063,056</u>	<u>18,116</u>	<u>1,263,142</u>	<u>146,437</u>	<u>10,210,398</u>
TOTAL TO BE						
ACCOUNTED FOR		\$ 8,095,679		\$ 1,272,208		\$ 10,289,195
TAX COLLECTIONS:						
Prior Years	\$ 20,848		\$ 5,005		\$ 44,084	
Current Year	<u>8,028,933</u>	<u>8,049,781</u>	<u>1,257,796</u>	<u>1,262,801</u>	<u>10,167,187</u>	<u>10,211,271</u>
TAXES RECEIVABLE -						
JULY 31, 2023		<u>\$ 45,898</u>		<u>\$ 9,407</u>		<u>\$ 77,924</u>
TAXES RECEIVABLE BY						
YEAR:						
2022		\$ 34,123		\$ 5,346		\$ 43,211
2021		4,113		862		7,827
2020 and prior		<u>7,662</u>		<u>3,199</u>		<u>26,886</u>
TOTAL		<u>\$ 45,898</u>		<u>\$ 9,407</u>		<u>\$ 77,924</u>

See accompanying independent auditor's report.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2023**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
PROPERTY VALUATIONS:				
Land	\$ 560,542,042	\$ 400,006,024	\$ 378,167,633	\$ 353,949,411
Improvements	1,790,801,669	1,324,341,775	1,165,314,455	1,027,999,553
Personal Property	17,335,847	13,092,664	11,369,537	10,841,221
Exemptions	<u>(263,442,909)</u>	<u>(62,027,365)</u>	<u>(52,674,255)</u>	<u>(44,606,120)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 2,105,236,649</u>	<u>\$ 1,675,413,098</u>	<u>\$ 1,502,177,370</u>	<u>\$ 1,348,184,065</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.485	\$ 0.590	\$ 0.610	\$ 0.720
Maintenance	0.383	0.310	0.290	0.180
Contract	<u>0.060</u>	<u>0.065</u>	<u>0.065</u>	<u>0.065</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.928</u>	<u>\$ 0.965</u>	<u>\$ 0.965</u>	<u>\$ 0.965</u>
ADJUSTED TAX LEVY*	<u>\$ 19,536,596</u>	<u>\$ 16,167,736</u>	<u>\$ 14,496,012</u>	<u>\$ 13,009,977</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.58 %</u>	<u>99.92 %</u>	<u>99.91 %</u>	<u>99.92 %</u>

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

Maintenance Tax – Maximum tax rate in an unlimited amount per \$100 of assessed valuation approved by voters on November 7, 2000.

See accompanying independent auditor's report.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2023**

S E R I E S - 2 0 1 3

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2024	\$ 150,000	\$ 153,325	\$ 303,325
2025	160,000	147,124	307,124
2026	170,000	140,313	310,313
2027	175,000	132,872	307,872
2028	185,000	124,881	309,881
2029	195,000	116,209	311,209
2030	205,000	106,831	311,831
2031	215,000	96,856	311,856
2032	225,000	86,125	311,125
2033	235,000	74,625	309,625
2034	250,000	62,500	312,500
2035	260,000	49,750	309,750
2036	275,000	36,375	311,375
2037	290,000	22,250	312,250
2038	300,000	7,500	307,500
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
	<u>\$ 3,290,000</u>	<u>\$ 1,357,536</u>	<u>\$ 4,647,536</u>

See accompanying independent auditor's report.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2023**

SERIES - 2014 REFUNDING

<u>Due During Fiscal Years Ending July 31</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1/ March 1</u>	<u>Total</u>
2024	\$ 410,000	\$ 137,350	\$ 547,350
2025	425,000	124,294	549,294
2026	450,000	109,513	559,513
2027	470,000	93,119	563,119
2028	490,000	74,800	564,800
2029	515,000	54,700	569,700
2030	540,000	33,600	573,600
2031	570,000	11,400	581,400
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
	<u>\$ 3,870,000</u>	<u>\$ 638,776</u>	<u>\$ 4,508,776</u>

See accompanying independent auditor's report.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2023**

SERIES - 2014 ROAD REFUNDING

<u>Due During Fiscal Years Ending July 31</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1/ March 1</u>	<u>Total</u>
2024	\$ 825,000	\$ 250,163	\$ 1,075,163
2025	860,000	223,813	1,083,813
2026	895,000	194,175	1,089,175
2027	930,000	161,656	1,091,656
2028	970,000	125,400	1,095,400
2029	1,015,000	85,700	1,100,700
2030	1,060,000	44,200	1,104,200
2031	575,000	11,500	586,500
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
	<u>\$ 7,130,000</u>	<u>\$ 1,096,607</u>	<u>\$ 8,226,607</u>

See accompanying independent auditor's report.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2023**

S E R I E S - 2 0 1 4 R O A D

<u>Due During Fiscal Years Ending July 31</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1/ March 1</u>	<u>Total</u>
2024	\$ 300,000	\$ 227,656	\$ 527,656
2025	300,000	218,656	518,656
2026	300,000	209,656	509,656
2027	300,000	200,656	500,656
2028	300,000	191,656	491,656
2029	300,000	182,656	482,656
2030	300,000	173,656	473,656
2031	300,000	164,656	464,656
2032	475,000	152,439	627,439
2033	500,000	136,594	636,594
2034	500,000	120,344	620,344
2035	525,000	103,360	628,360
2036	525,000	85,314	610,314
2037	525,000	66,937	591,937
2038	550,000	48,125	598,125
2039	550,000	28,875	578,875
2040	550,000	9,625	559,625
2041			
2042			
2043			
2044			
2045			
2046			
	<u>\$ 7,100,000</u>	<u>\$ 2,320,861</u>	<u>\$ 9,420,861</u>

See accompanying independent auditor's report.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2023**

S E R I E S - 2 0 1 5

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2024	\$ 300,000	\$ 290,437	\$ 590,437
2025	300,000	283,688	583,688
2026	300,000	276,562	576,562
2027	300,000	268,687	568,687
2028	300,000	260,062	560,062
2029	300,000	251,063	551,063
2030	300,000	242,062	542,062
2031	250,000	233,656	483,656
2032	500,000	221,625	721,625
2033	600,000	203,750	803,750
2034	600,000	183,875	783,875
2035	600,000	163,250	763,250
2036	600,000	142,250	742,250
2037	600,000	121,250	721,250
2038	600,000	99,875	699,875
2039	800,000	74,500	874,500
2040	800,000	45,000	845,000
2041	800,000	15,000	815,000
2042			
2043			
2044			
2045			
2046			
	<u>\$ 8,850,000</u>	<u>\$ 3,376,592</u>	<u>\$ 12,226,592</u>

See accompanying independent auditor's report.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2023**

SERIES - 2016 REFUNDING

<u>Due During Fiscal Years Ending July 31</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1/ March 1</u>	<u>Total</u>
2024	\$ 335,000	\$ 137,313	\$ 472,313
2025	345,000	130,512	475,512
2026	345,000	123,397	468,397
2027	355,000	115,738	470,738
2028	370,000	107,119	477,119
2029	380,000	97,506	477,506
2030	385,000	87,225	472,225
2031	430,000	76,019	506,019
2032	600,000	61,106	661,106
2033	605,000	43,031	648,031
2034	615,000	24,731	639,731
2035	175,000	12,881	187,881
2036	170,000	7,706	177,706
2037	165,000	2,578	167,578
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
	<u>\$ 5,275,000</u>	<u>\$ 1,026,862</u>	<u>\$ 6,301,862</u>

See accompanying independent auditor's report.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2023**

SERIES - 2016 ROAD REFUNDING

<u>Due During Fiscal Years Ending July 31</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1/ March 1</u>	<u>Total</u>
2024	\$ 170,000	\$ 89,813	\$ 259,813
2025	170,000	86,412	256,412
2026	180,000	82,800	262,800
2027	185,000	78,806	263,806
2028	185,000	74,413	259,413
2029	190,000	69,606	259,606
2030	200,000	64,363	264,363
2031	735,000	51,506	786,506
2032	765,000	29,925	794,925
2033	200,000	15,450	215,450
2034	205,000	9,375	214,375
2035	210,000	3,150	213,150
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
	<u>\$ 3,395,000</u>	<u>\$ 655,619</u>	<u>\$ 4,050,619</u>

See accompanying independent auditor's report.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2023**

SERIES - 2016 A

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2024	\$ 600,000	\$ 383,388	\$ 983,388
2025	600,000	370,637	970,637
2026	600,000	356,388	956,388
2027	600,000	339,887	939,887
2028	600,000	321,887	921,887
2029	600,000	303,888	903,888
2030	600,000	285,512	885,512
2031	600,000	266,387	866,387
2032	675,000	245,669	920,669
2033	675,000	222,887	897,887
2034	680,000	199,175	879,175
2035	680,000	174,525	854,525
2036	680,000	149,025	829,025
2037	690,000	123,338	813,338
2038	690,000	96,600	786,600
2039	690,000	69,000	759,000
2040	690,000	41,400	731,400
2041	690,000	13,800	703,800
2042			
2043			
2044			
2045			
2046			
	<u>\$ 11,640,000</u>	<u>\$ 3,963,393</u>	<u>\$ 15,603,393</u>

See accompanying independent auditor's report.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2023**

S E R I E S - 2 0 1 7 R O A D

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2024	\$ 1,210,000	\$ 881,962	\$ 2,091,962
2025	1,245,000	845,137	2,090,137
2026	1,235,000	814,112	2,049,112
2027	1,295,000	787,194	2,082,194
2028	1,340,000	756,713	2,096,713
2029	1,380,000	723,550	2,103,550
2030	1,425,000	686,706	2,111,706
2031	1,475,000	646,832	2,121,832
2032	1,585,000	602,775	2,187,775
2033	1,615,000	554,775	2,169,775
2034	1,620,000	506,250	2,126,250
2035	1,620,000	457,650	2,077,650
2036	1,620,000	408,038	2,028,038
2037	1,620,000	356,401	1,976,401
2038	1,620,000	303,750	1,923,750
2039	1,620,000	251,100	1,871,100
2040	1,620,000	197,438	1,817,438
2041	1,620,000	141,750	1,761,750
2042	1,620,000	85,050	1,705,050
2043	1,620,000	28,350	1,648,350
2044			
2045			
2046			
	<u>\$ 30,005,000</u>	<u>\$ 10,035,533</u>	<u>\$ 40,040,533</u>

See accompanying independent auditor's report.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2023**

S E R I E S - 2 0 1 8			
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2024	\$ 650,000	\$ 562,425	\$ 1,212,425
2025	650,000	529,925	1,179,925
2026	650,000	503,925	1,153,925
2027	650,000	484,425	1,134,425
2028	650,000	464,113	1,114,113
2029	650,000	442,987	1,092,987
2030	650,000	421,456	1,071,456
2031	650,000	399,113	1,049,113
2032	710,000	374,869	1,084,869
2033	775,000	347,469	1,122,469
2034	775,000	318,406	1,093,406
2035	850,000	287,937	1,137,937
2036	850,000	255,000	1,105,000
2037	850,000	221,000	1,071,000
2038	850,000	187,000	1,037,000
2039	850,000	153,000	1,003,000
2040	850,000	119,000	969,000
2041	850,000	85,000	935,000
2042	850,000	51,000	901,000
2043	850,000	17,000	867,000
2044			
2045			
2046			
	\$ 15,110,000	\$ 6,225,050	\$ 21,335,050

See accompanying independent auditor's report.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2023**

S E R I E S - 2 0 1 9

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2024	\$ 300,000	\$ 168,769	\$ 468,769
2025	300,000	159,769	459,769
2026	300,000	150,769	450,769
2027	300,000	143,269	443,269
2028	300,000	137,269	437,269
2029	300,000	131,269	431,269
2030	320,000	124,869	444,869
2031	325,000	117,813	442,813
2032	325,000	110,500	435,500
2033	325,000	102,781	427,781
2034	325,000	94,656	419,656
2035	325,000	86,531	411,531
2036	325,000	78,405	403,405
2037	325,000	70,078	395,078
2038	325,000	61,344	386,344
2039	325,000	52,405	377,405
2040	325,000	43,469	368,469
2041	325,000	34,125	359,125
2042	325,000	24,375	349,375
2043	325,000	14,625	339,625
2044	325,000	4,875	329,875
2045			
2046			
	<u>\$ 6,670,000</u>	<u>\$ 1,911,965</u>	<u>\$ 8,581,965</u>

See accompanying independent auditor's report.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2023**

S E R I E S - 2 0 1 9 R O A D

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2024	\$ 575,000	\$ 309,531	\$ 884,531
2025	575,000	292,281	867,281
2026	575,000	275,031	850,031
2027	575,000	260,656	835,656
2028	575,000	249,156	824,156
2029	575,000	237,656	812,656
2030	575,000	226,156	801,156
2031	575,000	214,297	789,297
2032	575,000	201,719	776,719
2033	575,000	188,063	763,063
2034	575,000	173,688	748,688
2035	600,000	159,000	759,000
2036	600,000	144,000	744,000
2037	600,000	128,625	728,625
2038	600,000	112,875	712,875
2039	600,000	96,750	696,750
2040	600,000	80,250	680,250
2041	600,000	63,000	663,000
2042	600,000	45,000	645,000
2043	600,000	27,000	627,000
2044	600,000	9,000	609,000
2045			
2046			
	<u>\$ 12,325,000</u>	<u>\$ 3,493,734</u>	<u>\$ 15,818,734</u>

See accompanying independent auditor's report.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2023**

S E R I E S - 2 0 2 1

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2024	\$ 450,000	\$ 270,500	\$ 720,500
2025	450,000	261,500	711,500
2026	450,000	252,500	702,500
2027	450,000	243,500	693,500
2028	470,000	234,300	704,300
2029	475,000	224,850	699,850
2030	475,000	215,350	690,350
2031	525,000	205,350	730,350
2032	550,000	194,600	744,600
2033	550,000	183,600	733,600
2034	550,000	172,600	722,600
2035	550,000	161,463	711,463
2036	575,000	149,644	724,644
2037	575,000	136,994	711,994
2038	575,000	123,769	698,769
2039	575,000	110,112	685,112
2040	575,000	96,169	671,169
2041	575,000	81,937	656,937
2042	575,000	67,563	642,563
2043	575,000	52,900	627,900
2044	575,000	37,950	612,950
2045	575,000	22,856	597,856
2046	575,000	7,618	582,618
	<u>\$ 12,270,000</u>	<u>\$ 3,507,625</u>	<u>\$ 15,777,625</u>

See accompanying independent auditor's report.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2023**

**ANNUAL REQUIREMENTS
FOR ALL SERIES**

Due During Fiscal Years Ending July 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2024	\$ 6,275,000	\$ 3,862,632	\$ 10,137,632
2025	6,380,000	3,673,748	10,053,748
2026	6,450,000	3,489,141	9,939,141
2027	6,585,000	3,310,465	9,895,465
2028	6,735,000	3,121,769	9,856,769
2029	6,875,000	2,921,640	9,796,640
2030	7,035,000	2,711,986	9,746,986
2031	7,225,000	2,495,385	9,720,385
2032	6,985,000	2,281,352	9,266,352
2033	6,655,000	2,073,025	8,728,025
2034	6,695,000	1,865,600	8,560,600
2035	6,395,000	1,659,497	8,054,497
2036	6,220,000	1,455,757	7,675,757
2037	6,240,000	1,249,451	7,489,451
2038	6,110,000	1,040,838	7,150,838
2039	6,010,000	835,742	6,845,742
2040	6,010,000	632,351	6,642,351
2041	5,460,000	434,612	5,894,612
2042	3,970,000	272,988	4,242,988
2043	3,970,000	139,875	4,109,875
2044	1,500,000	51,825	1,551,825
2045	575,000	22,856	597,856
2046	575,000	7,618	582,618
	<u>\$ 126,930,000</u>	<u>\$ 39,610,153</u>	<u>\$ 166,540,153</u>

See accompanying independent auditor's report.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2023**

Description	Original Bonds Issued	Bonds Outstanding August 1, 2022
Denton County Fresh Water Supply District No. 10 Unlimited Tax Bonds - Series 2013	\$ 4,380,000	\$ 3,435,000
Denton County Fresh Water Supply District No. 10 Unlimited Tax Refunding Bonds - Series 2014	6,380,000	4,265,000
Denton County Fresh Water Supply District No. 10 Unlimited Tax Road Refunding Bonds - Series 2014	11,840,000	7,925,000
Denton County Fresh Water Supply District No. 10 Unlimited Tax Road Bonds - Series 2014	9,500,000	7,400,000
Denton County Fresh Water Supply District No. 10 Unlimited Tax Bonds - Series 2015	11,000,000	9,150,000
Denton County Fresh Water Supply District No. 10 Unlimited Tax Refunding Bonds - Series 2016	6,415,000	5,600,000
Denton County Fresh Water Supply District No. 10 Unlimited Tax Road Refunding Bonds - Series 2016	3,640,000	3,560,000
Denton County Fresh Water Supply District No. 10 Unlimited Tax Bonds - Series 2016A	15,240,000	12,240,000
Denton County Fresh Water Supply District No. 10 Unlimited Tax Road Bonds - Series 2017	34,500,000	31,180,000
Denton County Fresh Water Supply District No. 10 Unlimited Tax Bonds - Series 2018	17,060,000	15,760,000

See accompanying independent auditor's report.

Current Year Transactions					
Bonds Sold	Retirements		Bonds Outstanding July 31, 2023		
	Principal	Interest			
\$	\$ 145,000	\$ 159,044	\$ 3,290,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	395,000	149,425	3,870,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	795,000	274,463	7,130,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	300,000	236,656	7,100,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	300,000	296,813	8,850,000	BOKF, NA Dallas, Texas	
	325,000	143,913	5,275,000	BOKF, NA Dallas, Texas	
	165,000	93,162	3,395,000	BOKF, NA Dallas, Texas	
	600,000	398,387	11,640,000	BOKF, NA Dallas, Texas	
	1,175,000	917,737	30,005,000	BOKF, NA Dallas, Texas	
	650,000	594,925	15,110,000	BOKF, NA Dallas, Texas	

See accompanying independent auditor's report.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2023**

Description	Original Bonds Issued	Bonds Outstanding August 1, 2022
Denton County Fresh Water Supply District No. 10 Unlimited Tax Bonds - Series 2019	\$ 7,270,000	\$ 6,970,000
Denton County Fresh Water Supply District No. 10 Unlimited Tax Road Bonds - Series 2019	13,470,000	12,900,000
Denton County Fresh Water Supply District No. 10 Unlimited Tax Bonds - Series 2021	<u>12,270,000</u>	<u>12,270,000</u>
TOTAL	<u>\$ 152,965,000</u>	<u>\$ 132,655,000</u>

Bond Authority:	Utility Bonds	Road Bonds
Amount Authorized by Voters	\$ 139,500,000	\$ 82,100,000
Amount Issued	<u>78,645,000</u>	<u>82,100,000</u>
Remaining to be Issued	<u>\$ 60,855,000</u>	<u>\$ - 0 -</u>

Debt Service Fund cash and investment balances as of July 31, 2023: \$ 13,484,338

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 7,240,876

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

Note: The District is also authorized to issue unlimited tax refunding bonds in an amount of one and one-half of the principal amount of water, wastewater and drainage debt bonds previously issued by the District.

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding July 31, 2023	
	Principal	Interest		
\$	\$ 300,000	\$ 177,769	\$ 6,670,000	BOKF, NA Dallas, Texas
	575,000	326,781	12,325,000	BOKF, NA Dallas, Texas
		328,472	12,270,000	BOKF, NA Dallas, Texas
<u>\$ - 0 -</u>	<u>\$ 5,725,000</u>	<u>\$ 4,097,547</u>	<u>\$ 126,930,000</u>	

See accompanying independent auditor's report.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS**

	Amounts		
	2023	2022	2021
REVENUES			
Property Taxes	\$ 9,312,582	\$ 6,267,711	\$ 5,320,488
Water Service	1,341,949	1,493,988	1,787,650
Wastewater Service	710,310	698,456	1,001,385
Fire Protection Service	982,877	918,468	877,604
Solid Waste Services	1,306,434	1,264,516	1,145,084
Easement, Permit, and Franchise Revenues	795,757	661,570	554,966
Penalty and Interest	25,984	10,745	12,752
Sales Tax Revenues	51,822	44,002	40,668
Grant Revenues			
Investment and Miscellaneous Revenues	713,064	307,154	59,617
TOTAL REVENUES	\$ 15,240,779	\$ 11,666,610	\$ 10,800,214
EXPENDITURES			
Personnel	\$ 434,353	\$ 374,906	\$ 325,161
Professional Fees	321,353	392,912	379,661
Contracted Services	2,832,379	2,478,283	2,254,623
Purchased Water Service	787,737	742,173	901,317
Purchased Wastewater Service	421,155	394,133	520,697
Police Department	3,161,649	2,677,516	2,318,336
Repairs and Maintenance	456,677	660,304	537,384
Other	167,600	186,765	136,946
Capital Outlay/Developer Reimbursement	1,549,084	645,444	1,883,492
TOTAL EXPENDITURES	\$ 10,131,987	\$ 8,552,436	\$ 9,257,617
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 5,108,792	\$ 3,114,174	\$ 1,542,597
OTHER FINANCING SOURCES (USES)			
Transfers In	\$	\$	\$
Developer Advances			
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 5,108,792	\$ 3,114,174	\$ 1,542,597
BEGINNING FUND BALANCE	10,898,771	7,784,597	6,242,000
ENDING FUND BALANCE	\$ 16,007,563	\$ 10,898,771	\$ 7,784,597

See accompanying independent auditor's report.

		Percentage of Total Revenues									
		2023		2022		2021		2020		2019	
2020	2019	2023	2022	2021	2020	2019	2023	2022	2021	2020	2019
\$ 3,305,195	\$ 2,676,714	61.1	53.7	49.2	31.4	30.5	%	%	%	%	%
2,662,796	2,348,287	8.8	12.8	16.6	25.4	26.8					
1,762,173	2,096,666	4.7	6.0	9.3	16.8	23.9					
556,186	420,263	6.4	7.9	8.1	5.3	4.8					
691,667	126,034	8.6	10.8	10.6	6.6	1.4					
665,449	729,353	5.2	5.7	5.1	6.3	8.3					
9,915	44,889	0.2	0.1	0.1	0.1	0.5					
29,861	18,750	0.3	0.4	0.4	0.3	0.2					
475,000					4.5						
<u>344,128</u>	<u>314,886</u>	<u>4.7</u>	<u>2.6</u>	<u>0.6</u>	<u>3.3</u>	<u>3.6</u>					
<u>\$ 10,502,370</u>	<u>\$ 8,775,842</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	%	%	%	%	%
\$	\$	2.8	3.2	3.0			%	%	%	%	%
379,599	398,825	2.1	3.4	3.5	3.6	4.5					
2,670,724	2,320,532	18.6	21.2	20.9	25.4	26.4					
1,527,333	1,471,652	5.2	6.4	8.3	14.5	16.8					
982,453	850,837	2.8	3.4	4.8	9.4	9.7					
2,236,794	1,714,738	20.7	23.0	21.5	21.3	19.5					
510,592	622,901	3.0	5.7	5.0	4.9	7.1					
160,744	247,844	1.1	1.6	1.3	1.5	2.8					
<u>2,243,005</u>	<u>4,899,539</u>	<u>10.2</u>	<u>5.5</u>	<u>17.4</u>	<u>21.4</u>	<u>55.8</u>					
<u>\$ 10,711,244</u>	<u>\$ 12,526,868</u>	<u>66.5</u>	<u>73.4</u>	<u>85.7</u>	<u>102.0</u>	<u>142.6</u>	%	%	%	%	%
<u>\$ (208,874)</u>	<u>\$ (3,751,026)</u>	<u>33.5</u>	<u>26.6</u>	<u>14.3</u>	<u>(2.0)</u>	<u>(42.6)</u>	%	%	%	%	%
\$ 98,569	\$ 1,514,648										
	3,685										
<u>\$ 98,569</u>	<u>\$ 1,518,333</u>										
\$ (110,305)	\$ (2,232,693)										
<u>6,352,305</u>	<u>8,584,998</u>										
<u>\$ 6,242,000</u>	<u>\$ 6,352,305</u>										

See accompanying independent auditor's report.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2023	2022	2021
REVENUES			
Property Taxes	\$ 10,211,271	\$ 9,866,505	\$ 9,158,058
Investment and Miscellaneous Revenues	<u>501,893</u>	<u>70,928</u>	<u>36,580</u>
TOTAL REVENUES	<u>\$ 10,713,164</u>	<u>\$ 9,937,433</u>	<u>\$ 9,194,638</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 117,680	\$ 99,996	\$ 90,076
Debt Service Principal	5,725,000	5,480,000	4,515,000
Debt Service Interest and Fees	<u>4,097,547</u>	<u>4,092,744</u>	<u>4,240,469</u>
TOTAL EXPENDITURES	<u>\$ 9,940,227</u>	<u>\$ 9,672,740</u>	<u>\$ 8,845,545</u>
NET CHANGE IN FUND BALANCE	\$ 772,937	\$ 264,693	\$ 349,093
BEGINNING FUND BALANCE	<u>12,710,901</u>	<u>12,446,208</u>	<u>12,097,115</u>
ENDING FUND BALANCE	<u>\$ 13,483,838</u>	<u>\$ 12,710,901</u>	<u>\$ 12,446,208</u>
TOTAL ACTIVE WATER CONNECTIONS	<u>5,729</u>	<u>5,735</u>	<u>4,395</u>
TOTAL ACTIVE WASTEWATER CONNECTIONS	<u>5,684</u>	<u>5,666</u>	<u>4,382</u>

Note: Certain customers located in the District are served by Mustang while other customers are served by the District. See Notes 9, 10, and 11 for further information.

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2020	2019	2023	2022	2021	2020	2019
\$ 9,716,378	\$ 8,313,988	95.3 %	99.3 %	99.6 %	98.5 %	98.2 %
<u>148,286</u>	<u>149,534</u>	<u>4.7</u>	<u>0.7</u>	<u>0.4</u>	<u>1.5</u>	<u>1.8</u>
\$ <u>9,864,664</u>	\$ <u>8,463,522</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 84,195	\$ 8,497	1.1 %	1.0 %	1.0 %	0.9 %	0.1 %
3,870,000	2,750,000	53.4	55.1	49.1	39.2	32.5
<u>3,845,812</u>	<u>3,291,020</u>	<u>38.2</u>	<u>41.2</u>	<u>46.1</u>	<u>39.0</u>	<u>38.9</u>
\$ <u>7,800,007</u>	\$ <u>6,049,517</u>	<u>92.7 %</u>	<u>97.3 %</u>	<u>96.2 %</u>	<u>79.1 %</u>	<u>71.5 %</u>
\$ 2,064,657	\$ 2,414,005	<u>7.3 %</u>	<u>2.7 %</u>	<u>3.8 %</u>	<u>20.9 %</u>	<u>28.5 %</u>
<u>10,032,458</u>	<u>7,618,453</u>					
\$ <u>12,097,115</u>	\$ <u>10,032,458</u>					
<u>4,324</u>	<u>4,251</u>					
<u>4,253</u>	<u>4,183</u>					

See accompanying independent auditor's report.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2023**

District Mailing Address - Elm Ridge Water Control and Improvement
District of Denton County
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
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>July 31, 2023</u>	Expense Reimbursements for the year ended <u>July 31, 2023</u>	<u>Title</u>
Amy Myers	05/20 05/24 (Elected)	\$ 4,800	\$ 102	President
Jon TenBroeck	05/20 05/24 (Elected)	\$ 3,900	\$ 76	Vice President
Maggie Hernandez	05/20 05/24 (Appointed)	\$ 3,075	\$ 70	Secretary
Mike Perry	05/22 05/26 (Elected)	\$ 2,925	\$ 520	Assistant Secretary
Scott Bollig	05/22 05/26 (Elected)	\$ 2,550	\$ 76	Director

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: September 27, 2023

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

See accompanying independent auditor's report.

**ELM RIDGE WATER CONTROL AND IMPROVEMENT
DISTRICT OF DENTON COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2023**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended July 31, 2023</u>	<u>Title</u>
Crawford and Jordan LLP	09/18/00	\$ 56,882	Prior General Counsel
Allen Boone Humphries Robinson LLP	12/15/22	\$ 77,421	General Counsel
McCall Gibson Swedlund Barfoot PLLC	07/16/09	\$ 38,000 \$ 7,100	Audit Related AUP and Other
McCall Parkhurst & Horton LLP	09/18/00	\$ 2,650	Bond Counsel
Masterson Advisors LLC	04/30/18	\$ -0-	Financial Advisor
City of Celina, Texas	06/17/21	\$ 560,800	Operator (Artesia) and District Engineer

See accompanying independent auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

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

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN