OFFICIAL STATEMENT DATED JANUARY 3, 2013

THE DELIVERY OF THE BONDS IS SUBJECT TO THE OPINION OF BOND COUNSEL AS TO THE VALIDITY OF THE BONDS AND OF SPECIAL TAX COUNSEL TO THE EFFECT THAT UNDER EXISTING LAW AND ASSUMING COMPLIANCE WITH COVENANTS IN THE BOND ORDER, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME OF THE OWNERS THEREOF FOR FEDERAL INCOME TAX PURPOSES AND IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE "LEGAL MATTERS" AND "TAX EXEMPTION" HEREIN FOR A DISCUSSION OF SPECIAL TAX COUNSEL'S OPINION, INCLUDING THE ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS.

The District has designated the Bonds as "qualified tax-exempt obligations." See "TAX EXEMPTION--Qualified Tax-Exempt Obligations."

NEW ISSUE **Rating (Standard & Poor's) "AA"**
BOOK-ENTRY ONLY

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1

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

$2,750,000
UNLIMITED TAX REFUNDING BONDS, SERIES 2013

Bonds Dated: January 1, 2013 **Due: August 1, as shown on inside cover**

The $2,750,000 Unlimited Refunding Tax Bonds, Series 2013 (the "Bonds") are obligations solely of Denton County Levee Improvement District No. 1 (the "District") and are not obligations of the State of Texas; Denton or Dallas Counties, Texas; the Cities of Coppell or Lewisville, Texas; or any other political subdivision or agency. See "THE BONDS--Source of and Security for Payment."

Interest on the Bonds will accrue from January 1, 2013, and will be payable February 1, and August 1 of each year, commencing August 1, 2013, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are issuable only in fully registered form in the denominations of $5,000 or integral multiples thereof initially registered solely in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds, until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, the Bonds shall be payable to Cede & Co., which will in turn, remit such amount to DTC participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS–Book-Entry Only System."

Principal of and interest on the Bonds are payable by BOKF, NA dba Bank of Texas, Austin, Texas, or any successor paying agent/registrar (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check mailed on or before the interest payment date to registered owners shown on the records of the Paying Agent/Registrar on the fifteenth day of the month preceding each interest payment date or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the registered owner at the risk and expense of the registered owner. See "THE BONDS–Description."

SEE INSIDE COVER PAGE FOR MATURITY SCHEDULE

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

The Bonds will be delivered when, as and if issued by the District and accepted by the underwriter listed below (the "Underwriter"), subject among other things to the approval of the Initial Bonds by the Attorney General of the State of Texas and by the approval of certain legal matters by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel and Andrews Kurth LLP, Houston, Texas, Special Tax Counsel. Certain legal matters will be passed upon for the Underwriter by Fulbright & Jaworski L.L.P., Houston, Texas, Underwriter's Counsel. Delivery of the Bonds is expected on February 7, 2013 in Austin, Texas.

SAMCO Capital Markets, Inc.

MATURITY SCHEDULE

Bonds Dated: January 1, 2013 **Due: August 1, as shown below**

$2,435,000 Serial Bonds

Maturity	***Amount***	***Interest Rate***	***Initial Yield(a)***	***CUSIP(b)***	***Maturity***	***Amount***	***Interest Rate***	***Initial Yield(a)***	***CUSIP(b)***
2013	$20,000	2.00%	0.85%	248799 EM6	2024(c)	$225,000	3.00%	2.45%	248799 EY0
2014	35,000	2.00%	0.95%	248799 EN4	2025(c)	240,000	3.00%	2.50%	248799 EZ7
2015	30,000	2.00%	1.05%	248799 EP9	2026(c)	245,000	4.00%	2.52%	248799 FA1
2016	35,000	2.00%	1.20%	248799 EQ7	2027(c)	265,000	4.00%	2.60%	248799 FB9
2017	35,000	2.00%	1.40%	248799 ER5	2028(c)	280,000	4.00%	2.67%	248799 FC7
***	***	***	***		2029(c)	290,000	4.00%	2.72%	248799 FD5
2022(c)	210,000	3.00%	2.15%	248799 EW4	2030(c)	310,000	4.00%	2.78%	248799 FE3
2023(c)	215,000	3.00%	2.35%	248799 EX2					

$315,000 Term Bonds

$315,000 Term Bonds, Due August 1, 2021 (d), 2.00% Interest Rate, 2.05% Initial Yield (a)
CUSIP(b) 248799 EV6

(a) Initial yield represents the initial reoffering yield to the public which has been established by the Underwriter for public offerings and which subsequently may be changed. The initial yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from January 1, 2013 is to be added to the price.

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

(c) Bonds maturing on or after August 1, 2022, are subject to redemption prior to maturity at the option of the District, as a whole or from time to time, in part, on August 1, 2021, or on any date thereafter, at par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS--Redemption of Bonds."

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

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District, c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Boulevard, Suite 1380, Houston, Texas 77056-3899 upon payment of duplication costs.

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

SALE AND DISTRIBUTION OF THE BONDS

Prices and Marketability

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

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

Securities Laws

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

Underwriter

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the "Underwriter") pursuant to a bond purchase agreement with the District (the "Bond Purchase Agreement") at a price of $2,912,365.50 (being the par amount of the Bonds, plus a net premium on the Bonds of $185,069.00, less an underwriter's discount of $22,703.50, plus accrued interest on the Bonds to the date of delivery. The obligation of the Underwriter to purchase the Bonds is subject to certain conditions contained in the Bond Purchase Agreement.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the inside cover page hereof. The initial offering price may be changed from time to time by the Underwriter.

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

Municipal Bond Rating

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

The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

SUMMARY

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

- The District -

Issuer/Description	Denton County Levee Improvement District No. 1 (the "District") operates pursuant to Sections 49 and 57 of the Texas Water Code, as amended. The District, with approximately 938.337 acres, is located principally in Denton County, with approximately 61.663 acres in Dallas County. The District is located entirely within the Cities of Coppell and Lewisville, Texas. See "THE DISTRICT."
Authority	The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to levee improvement districts, including particularly Chapters 49 and 57, Texas Water Code, as amended. See "THE DISTRICT-Authority."
Development Within The District	Of the 938.337 acres within the District, approximately 647.15 are developable. The remaining 291.34 acres are devoted to lakes, levees, road rights-of-way, easements and support facilities. The property within the District currently includes 258 acres zoned for light industrial, retail and office uses, 8 acres zoned for general business uses, 27 acres zoned for highway commercial uses, 126 acres zoned for multi-family housing and 228 acres zoned for single-family residential. Acreage estimates provided by the District's prior engineer. Substantially all of the land within the District has been developed with main thoroughfares and trunk lines for utilities. Improvements within the District include certain retail and restaurant establishments, hotels, over 800 single family homes and certain amenities. See "THE DISTRICT–Description of the District" for a description of such development projects and a description of the major landowners and developers in the District and the status of their projects.

- The Bonds -

Authority for Issuance	The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 57, Texas Water Code, as amended; Chapter 1207, Texas Government Code, as amended; and the Bond Order (as hereinafter defined). See "THE BONDS--Authority for Issuance."
Description	$2,750,000 Unlimited Tax Refunding Bonds, Series 2013 (the "Bonds") are dated January 1, 2013, and bear interest from such date at the rates per annum set forth on the inside cover page hereof, which interest is payable August 1, 2013, and each February 1 and August 1 thereafter until the earlier of maturity or redemption. The Bonds mature on August 1 in the years 2013 through 2017, both inclusive, and in the years 2022 through 2030, both inclusive, in the principal

	amounts set forth on the inside cover page hereof. The Bonds maturing August 1, 2021 (the "Term Bonds") are subject to mandatory redemption as described herein under "THE BONDS--Mandatory Redemption. The Bonds maturing on and after August 1, 2022, will be callable at the option of the District at par plus any unpaid accrued interest on any date on or after August 1, 2021. See "THE BONDS–Description" and "–Redemption of Bonds."
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of Denton or Dallas Counties, Texas; the Cities of Coppell or Lewisville, Texas; the State of Texas; or any political subdivision other than the District. See "THE BONDS–Source of and Security for Payment."
Use of Proceeds-- Refunded Bonds	Proceeds of the Bonds will be used to refund $2,820,000 in principal amount of the District's Unlimited Tax Bonds, Series 2006 (the "Refunded Bonds") and to pay the costs of issuance of the Bonds. See "THE BONDS–Use of Proceeds."
Payment Record	The District has never defaulted on the payment of any bond obligation. See "DISTRICT DEBT."
Qualified Tax-Exempt Obligations	The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and represents that the total amount of tax-exempt bonds (including the Bonds) issued by it during the calendar year 2013 is not reasonably expected to exceed $10,000,000. See "TAX EXEMPTION–Qualified Tax-Exempt Obligations."
Book-Entry Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co. and Cede & Co. will make distribution of the amounts so paid to the beneficial owners of the Bonds (see "THE BONDS–Book-Entry Only System").
Legal Opinions	Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas. See "LEGAL MATTERS."
Special Tax Counsel	Andrews Kurth LLP, Houston, Texas.
Underwriter's Counsel	Fulbright & Jaworski L.L.P., Houston, Texas
Financial Advisor	Blitch Associates, Inc., Houston, Texas.
Municipal Bond Rating	The District made application to Standard & Poor's Ratings Group, a Standard & Poor's Financial Services LLC business ("S&P"), which has assigned a rating of "AA" to the Bonds. See "SALE AND DISTRIBUTION OF THE BONDS--Municipal Bond Rating."

INVESTMENT CONSIDERATIONS

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

- Financial Highlights -
(Unaudited)

2012 Taxable Assessed Valuation (100% of Market Value)		$642,099,378	(a)
Direct Debt			
Outstanding Bonds (As of December 1, 2012)		$10,200,000	
Less: The Refunded Bonds		(2,820,000)	
Plus: The Bonds		2,750,000	
Total Direct Debt		$10,130,000	
Estimated Overlapping Debt		40,597,200	(b)
Direct and Estimated Overlapping Debt		$50,727,200	
Direct Debt Ratios:			
Direct Debt to Value		1.58%	
Direct & Estimated Overlapping Debt to Value		7.60%	
2012 Tax Rate per $100 of Assessed Value			
Debt Service		$0.1390	
Maintenance		0.0680	
Total		$0.2070	
	Current	***Total***	
2011 Tax Collection Percentage	99.71%	101.10%	
Five-Year Average (2007/2011) Collection Percentage	98.73%	99.51%	
Average Annual Debt Service Requirements (2013/32)		$718,393	
Maximum Annual Debt Service Requirements (2032)		$765,238	
Tax Rate Required to pay such Requirements at 98% Collection:			
Average (2013/2032)		$0.115	
Maximum (2032)		$0.122	
Fund Balances as of December 17, 2012 (Cash & Investments)			
General Operating Fund		$1,975,495	
Debt Service Fund		$950,409	
Capital Projects Fund		$373,945	

(a) Certified by the Denton Central Appraisal District and the Dallas Central Appraisal Districts (collectively herein, the "Appraisal Districts"). See "TAX PROCEDURES."
(b) See "DISTRICT DEBT–Estimated Overlapping Debt."

Denton County Levee Improvement District No. 1
$2,750,000
Unlimited Tax Refunding Bonds, Series 2013

This Official Statement of Denton County Levee Improvement District No. 1 (the "District") is provided to furnish certain information with respect to the sale by the District of its $2,750,000 Unlimited Tax Refunding Bonds, Series 2013 (the “Bonds”).

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas and an Order authorizing the issuance of the Bonds (the "Order") adopted by the Board of Directors of the District (the "Board"), Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 57 of the Texas Water Code, as amended, and Chapter 1207, Texas Government Code, as amended. The Board delegated pricing of the Bonds and certain other matters to a pricing officer who will approve and execute a certificate (the “Pricing Certificate” which will complete the sale of the Bonds (the Order and the Pricing Certificate are jointly referred to as the “Bond Order”). See "THE BONDS."

This Official Statement includes descriptions of the Bonds, the Bond Order and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document, copies of which may be obtained by contacting the District, c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Blvd, Suite 1380, Houston, Texas 77056-3899.

THE BONDS

Description

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

The Bonds will mature on August 1 of the years and in principal amounts, and will bear interest at the rates per annum, set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable on August 1, 2013, and semiannually thereafter on each February 1 and August 1 thereafter until the earlier of maturity or redemption. Principal of and interest on the Bonds will be payable to Cede & Co., as registered owner and nominee of DTC, by the paying agent/registrar, initially BOKF, NA dba Bank of Texas, Austin, Texas (the “Paying Agent/Registrar”). Cede & Co. will make distribution of the principal and interest so paid to the beneficial owners of the Bonds. For so long as DTC shall continue to serve as securities depository for the Bonds, all transfers of beneficial ownership interest will be made by book-entry only and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of the Bonds is to receive, hold or deliver any Bond certificate.

If at any time, DTC ceases to hold the Bonds as securities depository, then principal of the Bonds will be payable to the registered owner at maturity or redemption upon presentation and surrender at the principal payment office of the Paying Agent/Registrar. Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to the registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th day of the month next preceding the interest payment date (the “Record Date”).

The Bonds of each maturity will be issued in fully-registered form only in the principal amount or maturity amount of $5,000 or any integral multiple thereof.

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

Use of Proceeds

Proceeds of the Bonds will be used to refund $2,820,000 in principal amount of the District’s Unlimited Tax Bonds, Series 2006 (the “Refunded Bonds”) and to pay the costs of issuance of the Bonds. The Refunded Bonds will consist of the following:

Maturity	***Amount***	***Interest Rate***	***Maturity***	***Amount***	***Interest Rate***
2013	$20,000	4.000%	2022	$210,000	4.375%
2014	25,000	4.000%	2023	220,000	4.300%
2015	25,000	4.000%	2024	235,000	4.300%
2016	30,000	4.000%	2025	250,000	4.300%
2017	30,000	4.000%	2026	260,000	4.400%
2018	30,000	4.000%	2027	280,000	4.400%
2019	30,000	4.000%	2028	295,000	4.500%
2020	40,000	4.000%	2029	310,000	4.500%
2021	200,000	4.375%	2030	330,000	4.500%

The Refunded Bonds will be called on or about February 8, 2013.

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

Sources:	
Par Amount of Bonds	$2,750,000.00
Reoffering Premium	185,069.00
Issuer Contribution from Debt Service Fund	9,170.00
Accrued Interest	9,170.00
Total Sources	$2,953,409.00
Uses:	
Deposit to Current Refunding Fund	$2,822,397.26
Cost of Issuance	94,375.00
Underwriter's Discount	22,703.50
Deposit to Debt Service Fund	9,170.00
Miscellaneous	4,763.24
Total Uses	$2,953,409.00

Refunded Bonds

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

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

The Bond Order provides that from a portion of the proceeds of the sale of the Bonds to the Underwriter, together with other legally available funds of the District, if any, the District will deposit with the Paying Agent for the Refunded Bonds, the amount necessary to accomplish the discharge and final payment of the Refunded Bonds.

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

Registration and Transfer

The Bonds will be transferable only on the bond register kept by the Paying Agent/Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal aggregate principal of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the principal office of the Paying Agent/Registrar in Austin, Texas. No service charge will be made for any registration, transfer or exchange of Bonds, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith. Neither the District nor the Paying Agent/Registrar is required to issue, transfer or exchange any Bond during the period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning 15 calendar days prior to the date of the first mailing of any notice of redemption and ending at the close of business on the date of such mailing, or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

Redemption of Bonds

The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 1, 2022, in whole or in part in principal amounts of $5,000 or any integral multiple thereof on August 1, 2021, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Bonds of a maturity are to be redeemed, the Paying Agent/Registrar shall select by lot those Bonds to be redeemed.

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

Mandatory Redemption

The Bonds maturing August 1, 2021 (the "Term Bonds") are subject to mandatory redemption in part prior to maturity in the amounts and on the dates set out below, at a price equal to the principal amount to be redeemed plus accrued interest to the redemption date:

Redemption Date	***Principal Amount***
$315,000 Term Bonds Due August 1, 2021	
August 1, 2018	$35,000
August 1, 2019	35,000
August 1, 2020	45,000
August 1, 2021 (maturity)	200,000

Book-Entry Only System

This section describes how ownership of the Bonds are to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, 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 Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is a holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may with to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

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

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

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

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

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

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

Ownership

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

Source of and Security for Payment

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

Replacement of Paying Agent/Registrar

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

Authority for Issuance

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

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

Outstanding Bonds

The District has previously issued its $2,950,000 Unlimited Tax Bonds, Series 2006, $4,570,000 Unlimited Tax Bonds, Series 2010, $1,194,999 Unlimited Tax Refunding Bonds, Series 2010 and $2,060,000 Unlimited Tax Bonds, Series 2012. As of December 1, 2012, $2,820,000 of the Series 2006 Bonds, $4,280,000 of the Series 2010 Bonds, $1,040,000 of the Series 2010 Refunding Bonds and $2,060,000 of the Series 2012 Bonds remain outstanding (collectively, the "Outstanding Bonds"). The District has timely made payments due on the Outstanding Bonds.

Issuance of Additional Debt

The District may issue additional bonds to provide those improvements for which the District was created. Following the issuance of the Bonds, $4,115,000 unlimited tax bonds authorized by the District's voters will remain unissued. The District plans to issue approximately $2,000,000 in debt within the next twelve months to reimburse the original developer within the District for certain drainage improvements made to the District, including detention storage and levee construction.

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

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

Defeasance

The Bond Order provides that the District may defease the provisions thereof and discharge its obligation to the registered owners of any or all of the Bonds to pay principal, interest and redemption premium, if any, thereon in any manner now or hereafter permitted by law, including by depositing with the Registrar, or if authorized by Texas law with any national bank having trust powers and having combined capital and surplus of at least $50 million or with the State Treasurer of the State of Texas either: (i) cash in an amount equal to the principal amount and redemption premium, if any, of such Bonds plus interest thereon to the date of maturity or redemption, or (ii) pursuant to an escrow or trust agreement, cash and/or direct obligations of, or obligations the principal of and interest on which are guaranteed by, or, to the extent permitted by law, secured by the pledge of direct obligations of, the United States of America, in principal amounts and maturities and bearing interest at rates sufficient to provide for the timely payment of the principal amount and redemption premium, if any, of such Bonds plus interest thereon to the date of maturity or redemption; provided, however, that if any of such Bonds are to be redeemed prior to their respective dates of stated maturity, provision must have been made for giving notice of redemption as provided in the Bond Order. Upon such deposit, such Bonds shall no longer be regarded to be outstanding or unpaid. Any surplus amounts not required to accomplish such defeasance shall be returned to the District.

Mutilated, Lost, Stolen or Destroyed Bonds

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

Amendments to the Bond Order

The District may, without the consent of or notice to any registered owners, amend the Bond Order in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the registered owners of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of the Bond Order; provided that, without the consent of the registered owners of all of the Bonds affected, no such amendment, addition or rescission may (a) extend the time or times of payment of the principal of and interest (or accrual of interest) on the Bonds, or reduce the principal amount thereof or the rate of interest thereon or in any other way modify the terms of payment of the principal of or interest on the Bonds, (b) give preference of any Bond over any other Bond, or (c) extend any waiver of default to subsequent defaults. In addition, a state, consistent with federal law, may in the exercise of its police power make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

Registered Owners' Remedies and Effects of Bankruptcy

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

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

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

Bankruptcy Limitation to Registered Owners' Rights

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

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts, and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a registered owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such registered owner's claim against the District.

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to Chapter 1201, Texas Government Code, and Section 49.186 Texas Water Code, the Bonds, whether rated or unrated, are (a) legal investments for banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and (b) legal investments and lawful security for the public funds of the State, and all agencies, subdivisions, and instrumentalities of the State, including all counties, cities, towns, villages, school districts, and other political subdivisions or public agencies of the State of Texas. The Bonds are also eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State of Texas or any political subdivision or public agency of the State of Texas and are lawful and sufficient security for those deposits to the extent of their market value.

Most political subdivisions in the State of Texas are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose a requirement consistent with such act that the Bonds have a rating of not less than "A" or its equivalent to be legal investments for such entity's funds. The District makes no representation that the Bonds will be acceptable to banks, savings and loan associations or public entities for investment purposes or to secure deposits of public funds. The District has made no investigation of other laws, regulations or investment criteria which might apply to or otherwise limit the suitability of the Bonds for investment or collateral purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability of the Bonds for investment or collateral purposes.

THE DISTRICT

Authority

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

Management of the District

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

Name	Title	Term Expires
Richard Ching	Chairman	July 10, 2014
Ben Carruthers	Vice Chairman, Secretary/Treasurer	July 10, 2014
Jim Tyrrell	Asst. Secretary	July 10, 2014

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

Auditor - The District's audited financial statements for the year ended May 31, 2012, were prepared by Roth & Eyring, PLLC, Certified Public Accountants, Stafford, Texas.

Operator - The District's facilities are operated by Riverway Contractors and Management, Dallas, Texas.

Legal Counsel - The District employs Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of Bonds actually issued and sold; and therefore, such fees are contingent on the sale and delivery of the Bond. Such firm also acts as general counsel to the District.

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

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

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

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

Description of the District

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

Based upon the order adopted by the Commissioners Court of Denton County creating the District and acreage calculations provided by the District's prior engineer, the District contains approximately 938.337 acres within the District, approximately 647.15 of which are developable. The remaining 291.34 acres are devoted to lakes, levees, road rights-of-way, easements and support facilities. The property within the District is master planned and is a mixed-use business and residential community. It is zoned to encourage the development of campus office parks and buildings and high-end retail and commercial facilities, as well as single-family and multi-family housing. The property within the District currently includes 258 acres zoned for light industrial, retail or office uses, 8 acres zoned for general business uses, 27 acres zoned for highway commercial uses, 126 acres zoned for multi-family housing and 228 acres zoned for single family use. Three subdivisions, Vista Ridge Estates, The Peninsulas of Coppell and Vistas of Coppell, have been developed with over 800 single-family residences constructed. Acreage estimates are based on information provided by the District's previous engineer.


FIRE LANE NO PARKING


APPLE NORRIS & FINK-ATTORNEYS
CREST BUSINESS CENTER


MARKET STREET


NO PARKING

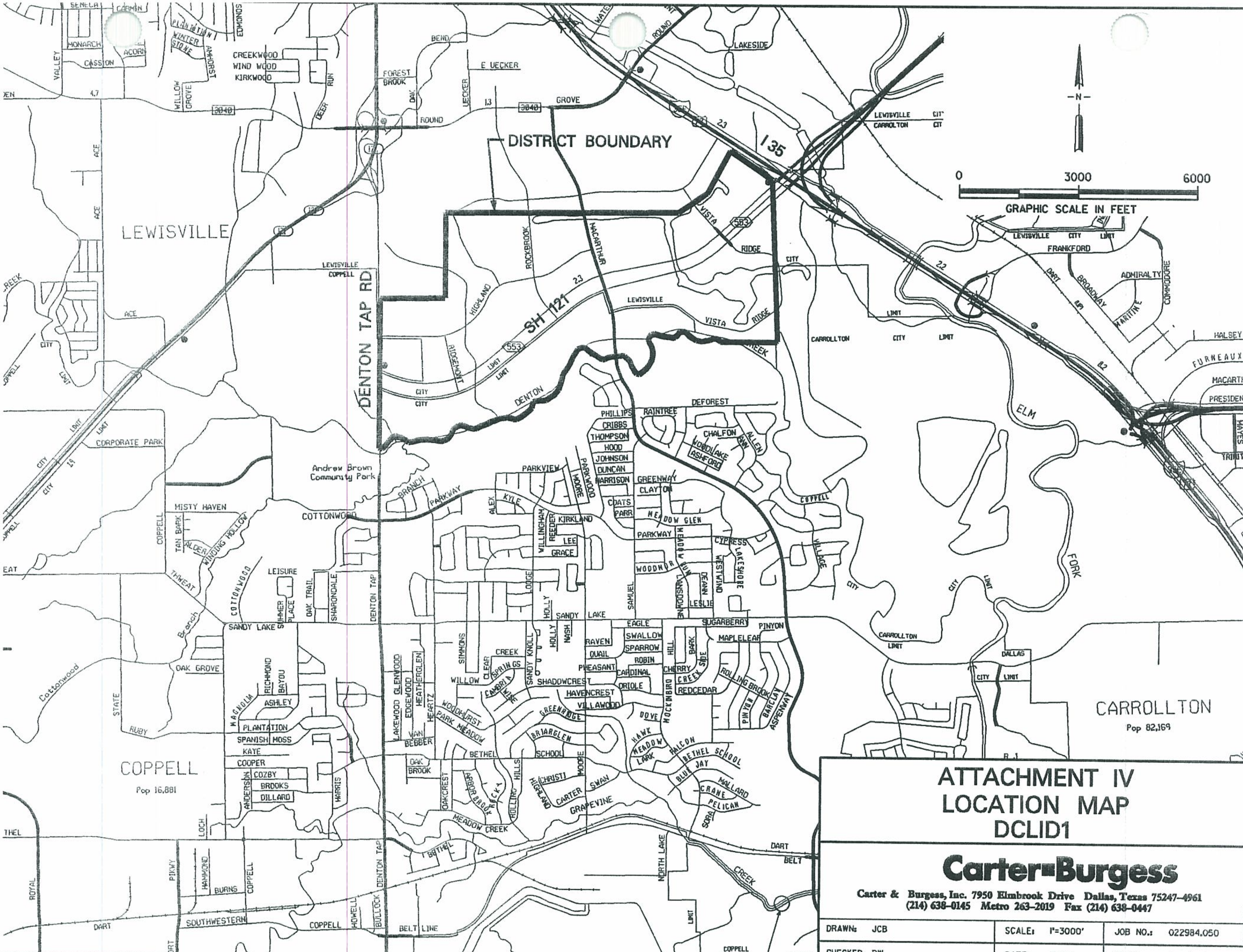

BEST
BUY


COSTCO



Estancia
LUXURY APARTMENT HOMES


Blue Ocean
SUSHI & ASIAN GRILL
SUBWAY
HIBACHI
FLORIST
HAIR FOCUS



ATTACHMENT IV
LOCATION MAP
DCLID1

Carter=Burgess

Carter & Burgess, Inc. 7950 Elmbrook Drive Dallas, Texas 75247-4961
(214) 638-0145 Metro 263-2019 Fax (214) 638-0447

DRAWN: JCB	SCALE: 1"=3000'	JOB NO.: 022984.050
CHECKED: BW	DATE: 10/08	SHEET: 1 of 1

DISTRICT DEBT

Debt Statement

2012 Taxable Assessed Valuation (100% of Market Value)	$642,099,378	(a)
Direct Debt		
Outstanding Bonds (As of December 1, 2012)	$10,200,000	
Less: The Refunded Bonds	(2,820,000)	
Plus: The Bonds	2,750,000	
Total Direct Debt	$10,130,000	
Estimated Overlapping Debt	40,597,200	(b)
Direct and Estimated Overlapping Debt	$50,727,200	
Direct Debt Ratios:		
Direct Debt to Value	1.58%	
Direct & Estimated Overlapping Debt to Value	7.90%	
Average Annual Debt Service Requirements (2012/32)	$718,393	
Maximum Annual Debt Service Requirements (2032)	$765,238	
Fund Balances as of December 17, 2012 (Cash & Investments)		
General Operating Fund	$1,975,495	
Debt Service Fund	$950,409	
Capital Projects Fund	$373,945	

(a) Certified by the Denton Central Appraisal District and the Dallas Central Appraisal Districts (collectively herein, the "Appraisal Districts"). See "TAX PROCEDURES."
(b) See "Estimated Overlapping Debt," below.

Estimated Overlapping Debt

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

Jurisdiction	***Debt As Of December 1, 2012***	***Overlapping Percent***	***Overlapping Amount***
Coppell, City of	$81,875,000	3.734%	$3,057,213
Coppell Independent School District	146,969,595	2.435%	3,578,710
Dallas County	121,605,000	0.110%	133,766
Dallas Co. Community College District	374,265,000	0.110%	411,692
Dallas Co. Hospital District	705,000,000	0.110%	755,500
Denton County	553,915,000	0.845%	4,680,582
Denton Co. Road Utility District No. 1	None	69.917%	0
Lewisville, City of	98,980,000	6.807%	6,737,569
Lewisville Independent School District	1,089,993,367	1.947%	21,222,171
Estimated Overlapping Debt			$40,597,200
The District (includes the Bonds and excludes the Refunded Bonds)			10,130,000
Total Direct & Estimated Overlapping Debt			$50,727,200

Debt Service Schedule

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

Year	*Outstanding Debt Service*	*Less: Bonds Refunded*	*The Bonds Principal*	*The Bonds Interest*	*The Bonds Total D/S*	*Grand Total Debt Service*
2013	$712,855	($143,288)	$20,000	$53,492	$73,492	$643,059
2014	715,355	(147,488)	35,000	91,300	126,300	694,168
2015	717,593	(146,488)	30,000	90,600	120,600	691,705
2016	723,893	(150,488)	35,000	90,000	125,000	698,405
2017	729,661	(149,288)	35,000	89,300	124,300	704,674
2018	734,124	(148,088)	35,000	88,600	123,600	709,636
2019	736,749	(146,888)	35,000	87,900	122,900	712,761
2020	738,341	(155,688)	45,000	87,200	132,200	714,854
2021	739,094	(314,088)	200,000	86,300	286,300	711,306
2022	742,400	(315,338)	210,000	82,300	292,300	719,363
2023	744,763	(316,150)	215,000	76,000	291,000	719,613
2024	746,278	(321,690)	225,000	69,550	294,550	719,138
2025	751,485	(326,585)	240,000	62,800	302,800	727,700
2026	755,673	(325,835)	245,000	55,600	300,600	730,438
2027	753,145	(334,395)	265,000	45,800	310,800	729,550
2028	759,425	(337,075)	280,000	35,200	315,200	737,550
2029	759,200	(338,800)	290,000	24,000	314,000	734,400
2030	762,613	(344,850)	310,000	12,400	322,400	740,163
2031	764,150	0	0	0	0	764,150
2032	765,238	0	0	0	0	765,238
	$14,852,031	($4,462,505)	$2,750,000	$1,228,342	$3,978,342	$14,367,868

Average Annual Debt Service (2013/2032)	$718,393
Maximum Annual Debt Service (2032)	$765,238

Historical Operations of the Debt Service Fund

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

	Fiscal Years Ended May 31,				
	2012	***2011***	***2010***	***2009***	***2008***
Revenues					
Property Taxes	$577,336	$549,927	$619,607	$636,084	$291,403
Penalty & Interest	10,289	5,785	20,722	10,106	5,056
Interest on Deposits	3,881	6,155	17,197	11,225	18,854
Total Revenues	$591,506	$561,867	$657,526	$657,415	$315,313
Expenditures					
Principal	$206,831	$205,000	$105,000	$100,000	$95,000
Interest	350,283	305,574	204,218	210,155	214,844
Cost of Collection	23,883	34,066	24,194	23,723	21,676
Total Expenditures	$580,997	$544,640	$333,412	$333,878	$331,520
Net Revenues	$10,509	$17,227	$324,114	$323,537	($16,207)
Fund Balance - June 1	1,345,083	1,371,210	964,208	640,671	656,878
Proceeds from Sale of Bonds	3,336	(43,354)	82,888		
Fund Balance - May 31	$1,358,928	$1,345,083	$1,371,210	$964,208	$640,671
Cash/Investments - May 31	$1,362,319	$1,347,378	$1,386,376	$971,872	$637,078

Historical Operations of the General Operating Fund

The following statement sets forth in condensed form the historical operations of the District's General Operating Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such information has been prepared based upon information obtained from the District's audited financial statements (except for the six-month period ending November 30, 2012, which was extracted from District's records), reference to which is made for further and complete information.

	6/1/2012 to 11/30/12 (a)	Year Ended May 31, 2012	2011	2010	2009	2008
Revenues						
Property Taxes	$19,735	$411,248	$409,638	$402,531	$407,611	$544,141
Interest & Other	3,297	6,442	8,247	9,046	67,682	43,893
Total Revenues	$23,032	$417,690	$417,885	$411,577	$475,293	$588,034
Expenditures						
Professional Fees	$53,445	$91,461	$66,167	$54,943	$43,645	$50,297
Contracted Services	12,275	24,750	22,450	20,950	20,975	19,675
Utilities	8,716	14,468	18,997	24,032	28,376	15,657
Repairs & Maintenance	34,685	60,547	109,954	137,250	107,042	89,827
Administrative Expenses	90,342	28,123	28,877	19,153	17,374	18,441
Total Expenditures	$199,464	$219,349	$246,445	$256,328	$217,412	$193,897
Net Revenues	($176,431)	$198,341	$171,440	$155,249	$257,881	$394,137
Other Sources (Uses)						
Capital Outlay				(18,990)	(56,593)	
Fund Balance, June 1		1,875,918	1,704,478	1,568,219	1,366,931	972,794
Fund Balance, May 31		$2,074,259	$1,875,918	$1,704,478	$1,568,219	$1,366,931
Cash/Investments, May 31		$2,192,671	$1,924,257	$1,702,133	$1,557,048	$1,453,906

(a) Unaudited. Note that Property Taxes are largely collected from late December through June, accounting for the low part-year revenues indicated.

TAX PROCEDURES

Authority To Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the District's Outstanding Bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The Board also is authorized to levy and collect annual ad valorem taxes for the administration, operation and maintenance of the District and its properties and for the payment of certain contractual obligations other than bonds if such taxes are authorized by vote of the District's electors at an election. At an election held within the District on April 5, 1986, the voters in the District authorized the levy of a maintenance and operation tax of not to exceed $0.25 per $100 valuation. For the 2012 tax year, a maintenance and operation tax of $0.068 per $100 assessed value was levied within the District.

Exempt Property

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District; however, no effort is expected to be made to levy taxes against tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt real property include property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; non-profit cemeteries; certain household goods, family supplies and personal effects; and certain property owned by qualified charitable, religious, veterans, youth, fraternal, or educational organizations. Goods, wares, ores, and merchandise (other than oil, gas or petroleum products) that are acquired in or imported into the state and forwarded out of state within 175 days thereafter are also exempt. Property owned by a disabled veteran or by the spouse or certain children of a deceased disabled veteran or a veteran who died while on active duty is exempt to between $5,000 and $12,000 depending on the disability rating of the veteran. In addition, state law mandates a complete exemption for the residential homestead of disabled veterans determined to be 100% disabled by the U.S. Department of Veterans Affairs. Additionally, pursuant to a constitutional amendment approved by the voters during the November 8, 2011 statewide election and effective as of January 1, 2012, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled such exemption on the same property to which the disabled veteran's exemption applied.

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

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

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

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

Denton or Dallas Counties may designate all or part of the area within the District as a reinvestment zone, and the District, Denton or Dallas Counties, Lewisville or Coppell Independent School District, and the Cities of Lewisville or Coppell may thereafter enter into tax abatement agreements with owners of real property within the zone. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction, for a period of up to 10 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. None of the area within the District has been designated as a reinvestment zone to date.

Appraisal of Taxable Property

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

Assessment and Levy

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

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

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

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

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

The District is required to publish a notice of, and hold a public hearing on the tax rate proposed to be levied in the current year. The notice must set forth a comparison of the tax rate proposed for the current year to the tax rate set in the preceding year. If the proposed combined debt service, operation and maintenance and contract tax rates imposes a tax more than 1.08 times the amount of tax imposed in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead, disregarding any homestead exemption available to the disabled or persons 65 years of age or older, the qualified voters of the taxing jurisdiction by petition of ten percent of the registered voters in the taxing jurisdiction may require that an election be held to determine whether to reduce the operation and maintenance tax to the rollback tax rate.

Collection

Taxes are due on receipt of the tax bill and become delinquent after January 31 of the following year. However, a person over 65 years of age is entitled by law to pay current taxes on his residence homestead in installments or to defer taxes without penalty during the time he owns and occupies the property as his residence homestead. The date of the delinquency of a tax bill may be postponed if the tax bill is mailed after January 10. Delinquent taxes are subject to a 6% penalty for the first month of delinquency, 1% for each month thereafter to June 30 and 12% total if any taxes are unpaid on July 1. Delinquent taxes also accrue interest at the rate of 1% per month during the period they remain outstanding. In addition, if the District engages an attorney for collection of delinquent taxes, the Board may impose a further penalty not to exceed 20% on all taxes, penalty and interest unpaid on July 1.

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

TAX DATA

General

All taxable property within the District is subject to the assessment, levy and collection by the District of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Outstanding Bonds, the Bonds, and any future tax-supported bonds which may be issued from time to time as may be authorized. Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds.

Tax Collection History

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

Tax Year	*Taxable Valuation*	*D/S Tax Rate*	*M&O Tax Rate*	*Total Tax Rate*	*Tax Levy*	*Percent Current*	*Percent Total*	*Yr End Sep 30*
1995	$17,632,199	-	$0.25000	$0.25000	$44,177	99.68%	102.79%	1996
1996	27,582,540	-	0.25000	0.25000	68,956	99.69%	99.75%	1997
1997	47,041,511	-	0.21309	0.21309	100,241	97.56%	97.71%	1998
1998	88,751,730	-	0.11390	0.11390	101,088	95.82%	97.37%	1999
1999	135,336,319	$0.06281	0.07417	0.13698	185,428	95.92%	97.83%	2000
2000	188,651,875	0.06281	0.06690	0.12971	239,227	98.08%	101.52%	2001
2001	218,165,613	0.06750	0.06750	0.13500	290,850	95.80%	97.25%	2002
2002	258,941,397	0.05850	0.07650	0.13500	350,177	95.78%	101.84%	2003
2003	307,981,637	0.05000	0.08500	0.13500	416,362	98.10%	101.56%	2004
2004	322,767,273	0.04700	0.08800	0.13500	435,931	97.41%	100.00%	2005
2005	379,005,541	0.08200	0.07300	0.15500	589,913	98.75%	100.07%	2006
2006	438,581,677	0.06300	0.09200	0.15500	681,964	99.10%	100.22%	2007
2007	555,625,956	0.05400	0.10100	0.15500	865,144	98.89%	99.45%	2008
2008	614,051,275	0.10200	0.06300	0.16500	1,021,287	99.47%	100.31%	2009
2009	641,465,932	0.10000	0.06500	0.16500	1,059,532	96.08%	96.56%	2010
2010	592,405,615	0.09370	0.06980	0.16350	968,822	99.52%	100.14%	2011
2011	602,676,848	0.09550	0.06800	0.16350	985,377	99.71%	101.10%	2012
2012	642,099,378	0.13900	0.06800	0.20700	1,343,041	In	Process	2013

Principal Taxpayers

Name of Taxpayer	*Type of Property*	*2012 Assd Value*	*% Total 2012 A/V*	*2011 Assd Value*	*% Total 2011 A/V*
TIC Lago Vista LP Et Al	Apartments	$58,500,000	9.11%	$55,936,000	9.28%
WLA Vista Ridge V, LP	Apartments	29,682,132	4.62%	23,539,614	3.91%
Vista 121 Business Center	Office Building	26,232,397	4.09%	(a)	
JP Morgan Chase Bank	Personal Property	23,268,483	3.62%	14,252,855	2.36%
IIT Dallas–Vista Point LP	Land & Improv	21,044,753	3.28%	23,080,000	3.83%
Estancia Dallas LLC	Apartments	21,042,000	3.28%	18,597,100	3.09%
Costco Wholesale Corp	Retail Store	20,917,746	3.26%	19,607,491	3.25%
Lewisville-Peak LP	Office Building	19,455,711	3.03%	18,987,380	3.15%
Lake Vista Pointe, L.P.	Office Building	19,060,800	2.97%	13,561,000	2.25%
Jackson Shaw Vista Point	Land & Improv	17,023,471	2.65%	17,613,008	2.92%
Housing For Seniors Of	Land & Improv	(a)		13,508,657	2.24%
Total–Top Ten Taxpayers		$256,277,493	39.90%	$218,683,105	36.29%

(a) Not among top ten for this year.

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, a tax lien attaches to property to secure the payment of all taxes, penalty, and interest for the year, on January 1 of that year. The tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions, certain taxing jurisdictions are authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administrative, and/or general revenue purposes.

Taxing Entities	*2012 Tax Rates*	
Denton County	$0.282687	
Denton County Road Utility District No. 1	0.010000	
Lewisville, City of	0.440210	
Lewisville Independent School District	1.453000	
Overlapping Taxes	$2.186077	
The District	0.207000	
Total Direct & Overlapping Taxes	$2.393077	(a)

(a) Applicable to the northern portion of the District in which most single-family housing is being or has been constructed. There is a also a southern portion of the District within Denton County which does not lie within Denton County Road Utility District No. 1 and therefore has a direct and overlapping tax rate of $2.383077. In addition, the smaller southernmost portion of the District, in which existing single-family housing has been constructed, lies variously within the City of Coppell, Coppell Independent School District and Dallas County and has total direct and overlapping tax rates of up to $2.949672. See "DISTRICT DEBT–Estimated Overlapping Debt."

Analysis of Tax Base

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

	2012 Amount	*2012 %*	*2011 Amount*	*2011 %*
Land	$194,601,714	27.67%	$198,762,479	29.40%
Improvements	443,495,701	63.05%	414,392,908	61.30%
Personal Property	65,291,988	9.28%	62,871,883	9.30%
Subtotal	$703,389,403		$676,027,270	
Less: Exemptions	(72,980,308)		(73,350,422)	
Totals	$630,409,095		$602,676,848	

	2010 Amount	*2009 %*	*2009 Amount*	*2009 %*
Land	$198,658,487	29.82%	$200,017,195	27.93%
Improvements	404,361,087	60.69%	421,631,658	58.87%
Personal Property	63,201,025	9.49%	94,590,680	13.21%
Subtotal	$666,221,199		$716,239,533	
Less: Exemptions	(73,815,584)		(74,773,601)	
Totals	$592,405,615		$641,465,932	

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

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of assessed valuation which would be required to meet certain debt service requirements if no growth in the District's tax base occurs beyond the 2012 Taxable Valuation of $642,099,378. The calculations assume collection of 98% of taxes levied and the sale of no additional bonds (other than the Bonds) by the District.

Average Annual Debt Service Requirements (2013/2032)	$718,393
Tax Rate of $0.115 on the 2012 Taxable Valuation produces	$723,646
Maximum Annual Debt Service Requirements (2032)	$765,238
Tax Rate of $0.122 on the 2012 Taxable Valuation produces	$767,694

LEVEE SYSTEM

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

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

INVESTMENT CONSIDERATIONS

General

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

Maximum Impact on District Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2012 Taxable Valuation is $642,099,378. See “TAX DATA.” After issuance of the Bonds, the maximum annual debt service requirement (2032) is $765,238 and the average annual debt service requirements (2013/2032) is $718,393. Assuming no increase or decrease from the 2012 Taxable Valuation and no use of funds other than tax collections, tax rates of $0.122 and $0.115 per $100 assessed valuation at a 98% collection rate against the 2012 Assessed Valuation, respectively, would be necessary to pay such debt service requirements. The Board has levied a tax rate of $0.139 for debt service purposes and a tax rate of $0.0680 for maintenance and operation purposes for 2012. See "DISTRICT DEBT–Debt Service Schedule" and "TAX DATA–Tax Rate Calculations."

Overlapping Tax Rates

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

Tax Collection Limitations

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

Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the registered owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Order does not specifically provide for remedies to a registered owner in the event of a District default, nor does it provide for the appointment of a trustee 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. Although the registered owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the registered owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. For example, a Chapter IX bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the registered owners.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of registered owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of registered owner's remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivisions.

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

Proposed Tax Legislation and "Fiscal Cliff"

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

Future Debt

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

The District plans to issue approximately $2,000,000 in debt within the next twelve months to reimburse the original developer within the District for certain drainage improvements made to the District, including detention storage and levee construction. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Continuing Compliance with Certain Covenants

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

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a transcript of certain certified proceedings held incident to the authorization and issuance 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 Bonds are valid and legally binding obligations of the District, payable from the proceeds of an annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property in the District. The District will also furnish the legal opinion of Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are legal, valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with all general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. Issuance of the Bonds is also subject to the legal opinion of Special Tax Counsel to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions as described below under "TAX EXEMPTION". Such opinions will express no opinions with respect to the sufficiency and security for or the marketability of the Bonds.

In addition to serving as Bond Counsel, Sanford Kuhl Hagan Kugle Parker Kahn LLP also acts as general counsel to the District on matters other than the issuance of bonds.

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

Legal Review

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

No-Litigation Certificate

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

No Material Adverse Change

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

TAX EXEMPTION

The delivery of the Bonds is subject to an opinion of Andrews Kurth LLP, Houston, Texas, Special Tax Counsel, to the effect that assuming continuing compliance by the District with the provisions of the Bond Order subsequent to the issuance of the Bonds pursuant to Section 103 of the Internal Revenue Code as amended (the "Code") and existing regulations, published rulings, and court decisions, interest on the Bonds (a) is excludable from the gross income of the owners thereof for federal income tax purposes, and (b) will not be subject to the alternative minimum tax imposed upon individuals or, except to the extent described below, corporations. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

Interest on the Bonds owned by a corporation [other than an "S" corporation or a qualified mutual fund, real estate investment trust (REIT), financial asset securitization investment trust (FASIT), or real estate mortgage investment conduit (REMIC)], will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by Section 55 of the Code is computed.

In rendering such opinion, Special Tax Counsel will rely upon representations of the District made in a certificate pertaining to the use, expenditure, and investment of the proceeds of the Bonds and certain other funds and, as described below, will assume continuing compliance with certain provisions of the Bond Order. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof for federal income tax purposes from the date of the issuance of the Bonds.

Special Tax Counsel will not express any opinion with respect to any other federal, state or local tax consequence under present law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the Untied States, individual recipients of Social Security or Railroad Retirement benefits, "S" corporations with "subchapter C" earnings and profits, owners of an interest in a FASIT, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry (or who have paid or incurred certain expenses allocable to) tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Special Tax Counsel's opinion is not a guarantee of a result, but represents its legal judgement based upon its review of existing statues, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Special Tax Counsel, and Special Tax Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the District as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Proposed Tax Legislation and "Fiscal Cliff"

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

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial public offering price of certain of the Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount, allocable to the holding period of such Discount Bond by the initial purchaser, will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes on the same terms and conditions as those for other interest on the Bonds described above under "TAX EXEMPTION." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest at the yield to maturity on such Discount Bond, and generally will be allocated to an original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year.

However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation's alternative minimum tax imposed by Section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, "S" corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such 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 Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain of the Bonds (the "Premium Bonds") may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Discount Bond. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Bond. Generally, no corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. Purchasers of Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning Premium Bonds.

Qualified Tax-Exempt Obligations

Section 265 of the Code provides, in general, that interest expense incurred to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner thereof. In addition, interest expense incurred by certain owners that are "financial institutions" within the meaning of such section and which is allocable to tax-exempt obligations acquired after August 7, 1986, is completely disallowed as a deduction for taxable years beginning after December 31, 1986. Section 265(b) of the Code provides an exception to this rule for interest expense incurred by financial institutions and allocable to tax-exempt obligations (other than private activity bonds) which are designated by an issuer, such as the District, as "qualified tax-exempt obligations." An issue may be designated as "qualified tax-exempt obligations" only where the amount of such issue, when added to all other tax-exempt obligations (other than private activity bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed $10,000,000.

The District has, pursuant to the Bond Order, designated the Bonds as "qualified tax-exempt obligations" and certified its expectation that the above-described $10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions that purchase the Bonds will not be subject to the 100 percent (100%) disallowance of interest expense allocable to interest on the Bonds under Section 265(b) of the Code. However, 20 percent (20%) of the interest expense incurred by a financial institution which is allocable to the interest on the Bonds would not be deductible pursuant to Section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "SUMMARY–Financial Highlights;" "DISTRICT DEBT–Estimated Overlapping Debt," "–Historical Operations of the Debt Service Fund" and "–Historical Operations of the General Operating Fund;" "TAX DATA–Tax Collection History," "–Principal Taxpayers," "–Estimated Overlapping Taxes," "–Analysis of Tax Base,"and "–Tax Rate Calculations" and "APPENDIX A–Financial Statements of the District."

Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

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

Material Event Notices

The District shall notify the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, 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 holders of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District; (13) the consummation of a merger, consolidation, or acquisition involving the District or the System or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of trustee, if material. 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 Oder makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data or financial statements in accordance with its agreement described above under "Annual Reports."

For the purposes of the event numbered (12) in the preceding paragraph, the event is considered to occur when any of the follow occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

The District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

PREPARATION OF OFFICIAL STATEMENT

General

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

Consultants

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

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

The financial statements contained in “APPENDIX A–Financial Statements of the District” have been included in reliance upon the accompanying report of the District’s Auditor.

Updating The Official Statement

If, subsequent to the date of the Official Statement, the District learns, or is notified by the Underwriter, of any adverse event which causes the Official Statement to be materially misleading, unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds to the Underwriter) until all of the Bonds have been sold to ultimate customers.

Official Statement “Deemed Final”

For purposes of compliance with the Rule, this document, as the same may be supplemented or corrected by the District from time-to-time, may be treated as an Official Statement with respect to the Bonds described herein “deemed final” by the District as of the date hereof (or of any such supplement or correction) except for the omission of certain information referred to in the succeeding paragraph.

The Official Statement, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a “Final Official Statement” of the District with respect to the Bonds, as that term is defined in the Rule.

Certification of Official Statement

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

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

ATTEST:
/s/ Ben Carruthers
Vice Chairman/Secretary, Board of Directors
Denton County Levee Improvement District No. 1

APPENDIX A–Financial Statements of the District

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DENTON COUNTY

LEVEE IMPROVEMENT DISTRICT NO. 1

DENTON AND DALLAS COUNTIES, TEXAS

ANNUAL AUDIT REPORT

MAY 31, 2012

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Roth & Eyring, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

4915 S. Main • Suite 114 • Stafford, Texas 77477 • 281-277-9595 • Fax 281-277-9484

September 7, 2012

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Denton County Levee Improvement District No. 1 as of May 31, 2012, and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the management of Denton County Levee Improvement District No. 1. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Denton County Levee Improvement District No. 1 as of May 31, 2012, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 2 to 6 and Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 19 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Denton County Levee Improvement District No. 1's financial statements as a whole. The supplementary information on Pages 20 to 37 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 financial statements. Except for the portion marked "unaudited," this supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the 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 financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by our firm.

Roth & Eyring, PLLC

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Denton County Levee Improvement District No. 1 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended May 31, 2012.

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

Financial Analysis of the District as a Whole

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

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

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

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

Summary of Net Assets

	2012	2011*	Change
Current and other assets	$ 4,030,557	$ 5,479,567	$ (1,449,010)
Capital assets	21,090,101	19,509,362	1,580,739
Total assets	25,120,658	24,988,929	131,729
Long-term liabilities	11,823,218	11,550,981	272,237
Other liabilities	458,069	397,056	61,013
Total liabilities	12,281,287	11,948,037	333,250
Net assets:			
Invested in capital assets, net of related debt	9,049,171	7,742,844	1,306,327
Restricted	1,697,583	2,975,036	(1,277,453)
Unrestricted	2,092,617	1,894,399	198,218
Total net assets	$ 12,839,371	$ 12,612,279	$ 227,092

Summary of Changes in Net Assets

	2012	2011*	Change
Revenues:			
Property taxes, including related penalty and interest	$ 1,003,407	$ 965,766	$ 37,641
Other revenues	11,092	17,396	(6,304)
Total revenues	1,014,499	983,162	31,337
Expenses:			
Service operations	426,227	347,744	78,483
Debt service	361,180	329,852	31,328
Total expenses	787,407	677,596	109,811
Change in net assets	227,092	305,566	(78,474)
Net assets, beginning of year	12,612,279	12,306,713	305,566
Net assets, end of year	$ 12,839,371	$ 12,612,279	$ 227,092

*Restated. See Note 9 of the notes to the financial statements.

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended May 31, 2012, were $3,876,240, a decrease of $1,061,912 from the prior year.

The General Fund balance increased by $198,341, in accordance with the District's financial plan to increase the fund balance to pay for anticipated repairs and maintenance.

The Debt Service Fund balance increased by $13,845, in accordance with the District's financial plan.

The Capital Projects Fund balance decreased by $1,274,098, as authorized expenditures exceeded interest earned on deposits and investments and proceeds from the sale of the Series 2012 bonds.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. There were some significant differences between the budgetary amounts and the actual amounts. Actual property tax revenues and professional fees expenditures were higher than budgeted and actual repairs and maintenance expenditures were lower than budgeted. The budgetary fund balance as of May 31, 2012, was expected to be $1,992,718 and the actual end of year fund balance was $2,074,259.

Capital Asset and Debt Administration

Capital Assets

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

	Capital Assets (Net of Accumulated Depreciation)		
	2012	2011	Change
Land	$ 10,431,585	$ 10,431,585	$ 0
Levees and flood control	9,471,741	7,823,769	1,647,972
Drainage facilities	1,186,775	1,254,008	(67,233)
Totals	$ 21,090,101	$ 19,509,362	$ 1,580,739

Changes to capital assets during the fiscal year ended May 31, 2012, are summarized as follows:

Additions:	
Erosion control facilities	$ 1,647,942
Decreases:	
Depreciation	(67,233)
Net change to capital assets	$ 1,580,709

Debt

Changes in the bonded debt position of the District during the fiscal year ended May 31, 2012, are summarized as follows:

Bonded debt payable, beginning of year	$ 8,539,999
Bonds sold	2,060,000
Bonds paid	(206,831)
Bonded debt payable, end of year	$ 10,393,168

At May 31, 2012, the District had $4,115,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the drainage system within the District.

The District's bonds have an underlying rating of AA by Standard & Poor's. The Series 2006 bonds are insured by Ambac Assurance Corporation. Ambac Assurance Corporation's rating by Standard & Poor's was withdrawn during the fiscal year ending May 31, 2011. There was no change in the bond ratings during the fiscal year ended May 31, 2012.

As further described in Note 5 of the notes to the financial statements, developers within the District have constructed facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality. At May 31, 2012, the estimated amount due to developers was $1,799,881.

OTHER RELEVANT FACTORS

Property Tax Base

The District's tax base increased approximately $9,000,000 for the 2011 tax year (approximately 1.5%).

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET

MAY 31, 2012

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Assets
ASSETS						
Cash, including interest-bearing accounts, Note 7	$1,963,671	$1,290,640	$ 238,953	$ 3,493,264	$	$ 3,493,264
Temporary investments, at cost, Note 7	229,000	71,679	173,591	474,270		474,270
Receivables:						
Property taxes	18,358	27,037		45,395		45,395
Accrued penalty and interest on property taxes				0	16,703	16,703
Maintenance taxes collected not yet transferred from other fund	2,307			2,307	(2,307)	2,307
Due from other fund			66,317	66,317	(66,317)	0
Deposits	925			925		925
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	19,903,326	19,903,326
Depreciable capital assets				0	1,186,775	1,186,775
Total assets	$2,214,261	$1,389,356	$ 478,861	$ 4,082,478	21,038,180	25,120,658
LIABILITIES						
Accounts payable	$ 55,327	$ 1,084	$ 11,161	$ 67,572		67,572
Construction contract payable			24,647	24,647		24,647
Accrued interest payable				0	148,138	148,138
Maintenance taxes collected not yet transferred to other fund		2,307		2,307	(2,307)	2,307
Due to other fund	66,317			66,317	(66,317)	0
Deferred property tax revenue	18,358	27,037		45,395	(45,395)	0
Long-term liabilities, Note 5:						
Due within one year				0	217,712	217,712
Due in more than one year				0	11,823,218	11,823,218
Total liabilities	140,002	30,428	35,808	206,238	12,075,049	12,281,287
FUND BALANCES / NET ASSETS						
Fund balances:						
Nonspendable deposits	925			925	(925)	0
Assigned to:						
Debt service		1,358,928		1,358,928	(1,358,928)	0
Capital projects			443,053	443,053	(443,053)	0
Unassigned	2,073,334			2,073,334	(2,073,334)	0
Total fund balances	2,074,259	1,358,928	443,053	3,876,240	(3,876,240)	0
Total liabilities and fund balances	$2,214,261	$1,389,356	$ 478,861	$ 4,082,478		
Net assets:						
Invested in capital assets, net of related debt					9,049,171	9,049,171
Restricted for debt service					1,254,530	1,254,530
Restricted for capital projects					443,053	443,053
Unrestricted					2,092,617	2,092,617
Total net assets					$ 12,839,371	$ 12,839,371

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1

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

FOR THE YEAR ENDED MAY 31, 2012

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	$ 411,248	$ 577,336	$	$ 988,584	$ (212)	$ 988,372
Penalty and interest		10,289		10,289	4,746	15,035
Accrued interest on bonds received at date of sale		3,336		3,336	(3,336)	0
Interest on deposits and investments	6,442	3,881	769	11,092		11,092
Total revenues	417,690	594,842	769	1,013,301	1,198	1,014,499
EXPENDITURES / EXPENSES						
Service operations:						
Professional fees	91,461	1,749		93,210		93,210
Contracted services	24,750	19,307		44,057		44,057
Utilities	14,468			14,468		14,468
Repairs and maintenance	60,547			60,547		60,547
Administrative expenditures	28,123	2,827		30,950		30,950
Depreciation				0	67,233	67,233
Capital outlay / non-capital outlay			3,210,351	3,210,351	(3,210,351)	0
Debt service:						
Principal retirement		206,831		206,831	(206,831)	0
Bond issuance expenditures			115,762	115,762		115,762
Interest and fees		350,283		350,283	10,897	361,180
Total expenditures / expenses	219,349	580,997	3,326,113	4,126,459	(3,339,052)	787,407
Excess (deficiency) of revenues over expenditures	198,341	13,845	(3,325,344)	(3,113,158)	3,340,250	227,092
OTHER FINANCING SOURCES (USES)						
Bonds issued, Note 5		8,754	2,051,246	2,060,000	(2,060,000)	0
Bond issuance discount, Note 5		(8,754)		(8,754)	8,754	0
Total other financing sources (uses)	0	0	2,051,246	2,051,246	(2,051,246)	0
Net change in fund balances / net assets	198,341	13,845	(1,274,098)	(1,061,912)	1,289,004	227,092
Beginning of year, restated, Note 9	1,875,918	1,345,083	1,717,151	4,938,152	7,674,127	12,612,279
End of year	$ 2,074,259	$ 1,358,928	$ 443,053	$ 3,876,240	$ 8,963,131	$ 12,839,371

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2012

NOTE 1: REPORTING ENTITY

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

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

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

Basic Financial Statements

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

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

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

Interfund Activity

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

Receivables

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

Capital Assets

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

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

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

Long-term Liabilities

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

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

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

Reconciliation of year end fund balances to net assets:

Total fund balances, end of year		$ 3,876,240
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		21,090,101
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	$ (10,393,168)	
Less: Deferred charge on refunding (to be amortized as interest expense)	27,139	
Less: Issuance discount, net of premium (to be amortized as interest expense)	128,197	
Plus: Accreted interest payable	(3,217)	
Due to developer	(1,799,881)	(12,040,930)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	16,703	
Uncollected property taxes	45,395	62,098
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		(148,138)
Net assets, end of year		$ 12,839,371

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Total net change in fund balances		$ (1,061,912)
The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay	$ 3,210,351	
Depreciation	(67,233)	3,143,118
The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net assets. The effect of these differences in the treatment of long-term debt:		
Bonds issued	(2,060,000)	
Principal reduction	206,831	(1,853,169)
The funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:		
Refunding charges	(7,215)	
Issuance premium, net of amortization	23,762	16,547
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:		
Accrued penalty and interest on property taxes receivable	4,746	
Uncollected property taxes	(212)	4,534
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:		
Accreted interest	(169)	
Accrued interest	(21,857)	(22,026)
Change in net assets		$ 227,092

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4: CAPITAL ASSETS

Capital asset activity for the fiscal year ended May 31, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 10,431,585	$	$	$ 10,431,585
Levees and flood control	7,823,769	1,647,972		9,471,741
Total capital assets not being depreciated	18,255,354	1,647,972	0	19,903,326
Depreciable capital assets:				
Drainage system	4,312,492	0	0	4,312,492
Total depreciable capital assets	4,312,492	0	0	4,312,492
Less accumulated depreciation for:				
Drainage system	(3,058,484)	(67,233)	0	(3,125,717)
Total accumulated depreciation	(3,058,484)	(67,233)	0	(3,125,717)
Total depreciable capital assets, net	1,254,008	(67,233)	0	1,186,775
Total capital assets, net	$ 19,509,362	$ 1,580,739	$ 0	$ 21,090,101
Changes to capital assets:				
Capital outlay		$ 3,210,351	$	
Decrease in liability to developer		(1,562,379)		
Less depreciation expense for the fiscal year		(67,233)		
Net increases / decreases to capital assets		$ 1,580,739	$ 0	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended May 31, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable	$ 8,539,999	$ 2,060,000	$ 206,831	$ 10,393,168	$ 193,168
Add interest accreted	3,048	1,082	913	3,217	3,217
Less deferred amounts:					
For issuance discounts	(175,306)	(8,754)	(12,248)	(171,812)	(12,872)
For issuance premiums	70,871		27,256	43,615	43,615
For refunding	(34,354)		(7,215)	(27,139)	(9,416)
Total bonds payable	8,404,258	2,052,328	215,537	10,241,049	217,712
Due to developer (see below)	3,362,260	0	1,562,379	1,799,881	----------
Total long-term liabilities	$ 11,766,518	$ 2,052,328	$ 1,777,916	$ 12,040,930	$ 217,712

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Developer Construction Commitments and Liabilities

Developers within the District have constructed facilities within the District's boundaries. The District has agreed to reimburse the developers for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality. The estimated amount due to developers at May 31, 2012, was $1,799,881. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

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

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

As of May 31, 2012, the debt service requirements on the bonds payable were as follows:

Fiscal Year	Principal	Interest*	Total
2013	$ 193,168	$ 403,634	$ 596,802
2014	350,000	359,105	709,105
2015	360,000	351,474	711,474
2016	370,000	343,244	713,244
2017	385,000	334,278	719,278
2018 - 2022	2,150,000	1,494,337	3,644,337
2023 - 2027	2,615,000	1,075,967	3,690,967
2028 - 2032	3,235,000	497,079	3,732,079
2033	735,000	15,119	750,119
	$ 10,393,168	$ 4,874,237	$ 15,267,405

*Interest on the Refunding Series 2010 Capital Appreciation Bonds which mature August 1, 2012 will be paid upon maturity.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The bond issues payable at May 31, 2012, were as follows:

	Refunding Series 2006	Series 2010
Amounts outstanding, May 31, 2012	$2,845,000	$4,380,000
Interest rates	4.00% to 5.625%	2.50% to 4.25%
Maturity dates, serially beginning/ending	August 1, 2012/2030	August 1, 2012/2032
Interest payment dates	August1/February 1	August1/February 1
Callable dates	August 1, 2012*	August 1, 2018*

	Refunding Series 2010	Series 2012
Amounts outstanding, May 31, 2012	$1,108,168	$2,060,000
Interest rates	1.90% to 3.80%	1.25% to 3.25%
Maturity dates, serially beginning/ending	August 1, 2012/2020	August 1, 2012/2032
Interest payment dates	August1/February 1	August1/February 1
Callable dates	August 1, 2018*	February 1, 2020*

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

NOTE 6: PROPERTY TAXES

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

The Bond Order requires that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

On September 28, 2011, the District levied the following ad valorem taxes for the 2011 tax year on the adjusted taxable valuation of $601,562,376:

	Rate	Amount
Debt service	$ 0.0955	$ 574,492
Maintenance	0.0680	409,062
	$ 0.1635	$ 983,554

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

2011 tax year total property tax levy	$ 983,554
Appraisal district adjustments to prior year taxes	4,818
Statement of Activities property tax revenues	$ 988,372

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

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

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

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was $3,493,264 and the bank balance was $3,497,222. Of the bank balance, $285,108 was covered by federal insurance and $3,212,114 was covered by the market value of collateral held by the District's custodial bank in the District's name. The market value of collateral was reported to the District by the depository.

At the balance sheet date the carrying value and market value of the investments in TexPool was $474,270.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Debt Service Fund

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

Cash	$ 1,290,640
Temporary investments	71,679
	$ 1,362,319

Capital Projects Fund

For construction of capital assets:

Cash	$ 238,953
Temporary investments	173,591
	$ 412,544

NOTE 8: RISK MANAGEMENT

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

At May 31, 2012, the District had physical damage and boiler and machinery coverage of $10,300,000, comprehensive general liability and pollution coverage with a per occurrence limit of $1,000,000 and $3,000,000 general aggregate, pollution and environmental damage liability coverage (tank policy) of $500,000 and $1,000,000 general aggregate, consultant's crime coverage of $10,000 and a tax assessor-collector bond of $10,000.

NOTE 9: CHANGE IN ACCOUNTING PRINCIPLE

In March of 2012, the GASB issued Statement No. 65 which changed the method of accounting for bond issuance costs. Prior to Statement No. 65, bond issuance costs were recorded as a deferred charge and amortized over the life of the bond issue. Statement No. 65 requires bond issuance costs to be recorded as an expense of the period incurred. Statement No. 65 also requires that the financial statements of prior periods be restated for all periods presented and the beginning of year net position to be restated for the current period. Accordingly, the beginning of year net position of the District has been reduced by $428,613, the amount of deferred charges as of that date.

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED MAY 31, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	$ 400,000	$ 400,000	$ 411,248	$ 11,248
Interest on deposits and investments	7,500	7,500	6,442	(1,058)
TOTAL REVENUES	407,500	407,500	417,690	10,190
EXPENDITURES				
Service operations:				
Professional fees	69,500	69,500	91,461	21,961
Contracted services	24,600	24,600	24,750	150
Utilities	23,000	23,000	14,468	(8,532)
Repairs and maintenance	137,000	137,000	60,547	(76,453)
Administrative expenditures	36,600	36,600	28,123	(8,477)
Capital outlay	0	0	0	0
TOTAL EXPENDITURES	290,700	290,700	219,349	(71,351)
EXCESS REVENUES (EXPENSES)	116,800	116,800	198,341	81,541
FUND BALANCE, BEGINNING OF YEAR	1,875,918	1,875,918	1,875,918	0
FUND BALANCE, END OF YEAR	$ 1,992,718	$ 1,992,718	$ 2,074,259	$ 81,541

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

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1

SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

MAY 31, 2012

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

[X] TSI-1. Services and Rates

[X] TSI-2. General Fund Expenditures

[X] TSI-3. Temporary Investments

[X] TSI-4. Taxes Levied and Receivable

[X] TSI-5. Long-Term Debt Service Requirements by Years

[X] TSI-6. Changes in General Long-Term Bonded Debt

[X] TSI-7. Comparative Schedule of Revenues and Expenditures - General Fund and Debt Service Fund - Five Year

[X] TSI-8. Board Members, Key Personnel and Consultants

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1

SCHEDULE OF SERVICES AND RATES

MAY 31, 2012

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

__ Retail Water	__ Wholesale Water	__ Drainage
__ Retail Wastewater	__ Wholesale Wastewater	__ Irrigation
__ Parks/Recreation	__ Fire Protection	__ Security
__ Solid Waste/Garbage	X Flood Control	__ Roads

__ Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
__ Other

2. Retail Service Providers

   a. Retail Rates for a 5/8" meter (or equivalent): X Not Applicable

   b. Water and Wastewater Retail Connections: X Not Applicable

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

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

   Does the District have Debt Service standby fees? Yes __ No X

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

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

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

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1

EXPENDITURES

FOR THE YEAR ENDED MAY 31, 2012

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
CURRENT				
Professional fees:				
Auditing	$ 4,500	$	$	$ 4,500
Legal	47,607	1,749		49,356
Engineering	39,354			39,354
	91,461	1,749	0	93,210
Contracted services:				
Bookkeeping	7,950			7,950
Operation and billing	16,800			16,800
Tax assessor-collector		12,101		12,101
Central appraisal district		7,206		7,206
	24,750	19,307	0	44,057
Utilities	14,468	0	0	14,468
Repairs and maintenance	60,547	0	0	60,547
Administrative expenditures:				
Director's fees	2,700			2,700
Office supplies and postage	1,276			1,276
Insurance	22,778	100		22,878
Other	1,369	2,727		4,096
	28,123	2,827	0	30,950
CAPITAL OUTLAY				
Authorized expenditures	0	0	3,210,351	3,210,351
DEBT SERVICE				
Principal retirement	0	206,831	0	206,831
Bond issuance expenditures	0	0	115,762	115,762
Interest and fees:				
Interest		348,783		
Paying agent fees		1,500		1,500
	0	350,283	0	350,283
TOTAL EXPENDITURES	$ 219,349	$ 580,997	$ 3,326,113	$ 4,126,459

See accompanying independent auditors' report.

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1

ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED MAY 31, 2012

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash receipts from revenues excluding maintenance taxes	$ 6,442	$ 594,842	$ 769	$ 602,053
Maintenance tax receipts		411,248		411,248
Maintenance tax transfers	408,199			408,199
Proceeds from sale of bonds	66,317		1,984,929	2,051,246
Overpayments by taxpayers		6,361		6,361
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED	480,958	1,012,451	1,985,698	3,479,107
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	212,544	23,320		235,864
Capital outlay			3,178,222	3,178,222
Debt service		557,114		557,114
Reimbursement of interfund payable			115,762	115,762
Maintenance tax transfers		408,199		408,199
Refund of taxpayer overpayments		8,877		8,877
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED	212,544	997,510	3,293,984	4,504,038
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	268,414	14,941	(1,308,286)	(1,024,931)
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	1,924,257	1,347,378	1,720,830	4,992,465
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	$ 2,192,671	$ 1,362,319	$ 412,544	$ 3,967,534

See accompanying independent auditors' report.

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1

SCHEDULE OF TEMPORARY INVESTMENTS

MAY 31, 2012

	Interest Rate	Maturity Date	Year End Balance	Accrued Interest Receivable
GENERAL FUND				
TexPool				
No. 2674300002	Market	On demand	$ 229,000	$ 0
DEBT SERVICE FUND				
TexPool				
No. 2674300003	Market	On demand	$ 71,679	$ 0
CAPITAL PROJECTS FUND				
TexPool				
No. 2674300001	Market	On demand	$ 173,591	$ 0
Total – All Funds			$ 474,270	$ 0

See accompanying independent auditors' report.

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED MAY 31, 2012

	Maintenance Taxes	Debt Service Taxes
RECEIVABLE, BEGINNING OF YEAR	$ 18,481	$ 27,126
Additions and corrections to prior year taxes	2,063	2,755
Adjusted receivable, beginning of year	20,544	29,881
2011 ADJUSTED TAX ROLL	409,062	574,492
Total to be accounted for	429,606	604,373
Tax collections: Current tax year	(406,858)	(571,397)
Prior tax years	(4,390)	(5,939)
RECEIVABLE, END OF YEAR	$ 18,358	$ 27,037
RECEIVABLE, BY YEARS		
2006	$ 60	$ 41
2007	650	348
2008	288	466
2009	13,989	21,521
2010	1,167	1,566
2011	2,204	3,095
RECEIVABLE, END OF YEAR	$ 18,358	$ 27,037

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED MAY 31, 2012

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	2011	2010	2009	2008
Land	$ 198,762,479	$ 198,658,487	$ 200,017,195	$ 200,955,246
Improvements	414,507,710	404,473,593	421,631,658	425,946,626
Personal property	61,593,793	63,201,625	94,590,680	61,798,584
Less exemptions	(73,301,606)	(73,838,085)	(74,773,601)	(74,649,181)
TOTAL PROPERTY VALUATIONS	$ 601,562,376	$ 592,495,620	$ 641,465,932	$ 614,051,275
TAX RATES PER $100 VALUATION				
Debt service tax rates	$ 0.09550	$ 0.09370	$ 0.13000	$ 0.13000
Maintenance tax rates*	0.06800	0.06980	0.06500	0.03500
TOTAL TAX RATES PER $100 VALUATION	$ 0.16350	$ 0.16350	$ 0.19500	$ 0.16500
TAX ROLLS	$ 983,554	$ 968,730	$ 1,058,419	$ 1,013,185
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	99.5 %	99.7 %	96.6 %	99.9 %

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

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1

LONG-TERM BONDED DEBT SERVICE REQUIREMENTS, BY YEARS

MAY 31, 2012

	Series 2006		
Due During Fiscal Years Ending May 31	Principal Due August 1	Interest Due August 1, February 1	Total
2013	$ 25,000	$ 123,991	$ 148,991
2014	20,000	122,887	142,887
2015	25,000	121,987	146,987
2016	25,000	120,988	145,988
2017	30,000	119,888	149,888
2018	30,000	118,687	148,687
2019	30,000	117,487	147,487
2020	30,000	116,288	146,288
2021	40,000	114,888	154,888
2022	200,000	109,712	309,712
2023	210,000	100,743	310,743
2024	220,000	91,420	311,420
2025	235,000	81,638	316,638
2026	250,000	71,210	321,210
2027	260,000	60,115	320,115
2028	280,000	48,235	328,235
2029	295,000	35,437	330,437
2030	310,000	21,825	331,825
2031	330,000	7,425	337,425
TOTALS	$ 2,845,000	$ 1,704,851	$ 4,549,851

See accompanying independent auditors' report.

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1

GENERAL LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

MAY 31, 2012

	Series 2010		
Due During Fiscal Years Ending May 31	Principal Due August 1	Interest Due August 1, February 1	Total
2013	$ 100,000	$ 159,775	$ 259,775
2014	110,000	157,150	267,150
2015	110,000	154,400	264,400
2016	120,000	151,675	271,675
2017	125,000	148,841	273,841
2018	130,000	145,650	275,650
2019	145,000	141,769	286,769
2020	150,000	137,250	287,250
2021	155,000	132,387	287,387
2022	165,000	127,084	292,084
2023	170,000	121,325	291,325
2024	180,000	115,088	295,088
2025	185,000	108,357	293,357
2026	195,000	101,231	296,231
2027	205,000	93,474	298,474
2028	210,000	85,175	295,175
2029	220,000	76,576	296,576
2030	230,000	67,432	297,432
2031	240,000	57,587	297,587
2032	600,000	39,737	639,737
2033	635,000	13,494	648,494
TOTALS	$ 4,380,000	$ 2,335,457	$ 6,715,457

See accompanying independent auditors' report.

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1

GENERAL LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

MAY 31, 2012

	Refunding Series 2010		
Due During Fiscal Years Ending May 31	Principal Due August 1	Interest Due August 1, February 1*	Total
2013	$ 68,168	$ 79,836	$ 148,004
2014	120,000	31,655	151,655
2015	120,000	28,955	148,955
2016	125,000	25,730	150,730
2017	125,000	21,980	146,980
2018	130,000	17,830	147,830
2019	135,000	13,193	148,193
2020	140,000	8,170	148,170
2021	145,000	2,755	147,755
TOTALS	$ 1,108,168	$ 230,104	$ 1,338,272

*Interest on the Refunding Series 2010 Capital Appreciation Bonds which mature August 1, 2012 will be paid upon maturity.

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1

GENERAL LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

MAY 31, 2012

	Series 2012		
Due During Fiscal Years Ending May 31	Principal Due August 1	Interest Due August 1, February 1	Total
2013	$	$ 40,032	$ 40,032
2014	100,000	47,413	147,413
2015	105,000	46,132	151,132
2016	100,000	44,851	144,851
2017	105,000	43,569	148,569
2018	110,000	42,225	152,225
2019	105,000	40,488	145,488
2020	110,000	38,337	148,337
2021	105,000	36,187	141,187
2022	95,000	33,950	128,950
2023	100,000	31,512	131,512
2024	100,000	29,012	129,012
2025	100,000	26,387	126,387
2026	100,000	23,637	123,637
2027	105,000	20,818	125,818
2028	100,000	17,875	117,875
2029	105,000	14,800	119,800
2030	105,000	11,650	116,650
2031	105,000	8,369	113,369
2032	105,000	4,956	109,956
2033	100,000	1,625	101,625
TOTALS	$ 2,060,000	$ 603,825	$ 2,663,825

See accompanying independent auditors' report.

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1

GENERAL LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

MAY 31, 2012

Due During Fiscal Years Ending May 31	Annual Requirements for All Series: Total Principal Due	Total Interest Due*	Total
2013	$ 193,168	$ 403,634	$ 596,802
2014	350,000	359,105	709,105
2015	360,000	351,474	711,474
2016	370,000	343,244	713,244
2017	385,000	334,278	719,278
2018	400,000	324,392	724,392
2019	415,000	312,937	727,937
2020	430,000	300,045	730,045
2021	445,000	286,217	731,217
2022	460,000	270,746	730,746
2023	480,000	253,580	733,580
2024	500,000	235,520	735,520
2025	520,000	216,382	736,382
2026	545,000	196,078	741,078
2027	570,000	174,407	744,407
2028	590,000	151,285	741,285
2029	620,000	126,813	746,813
2030	645,000	100,907	745,907
2031	675,000	73,381	748,381
2032	705,000	44,693	749,693
2033	735,000	15,119	750,119
TOTALS	$ 10,393,168	$ 4,874,237	$ 15,267,405

*Interest on the Refunding Series 2010 Capital Appreciation Bonds which mature August 1, 2012 will be paid upon maturity.

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1

ANALYSIS OF CHANGES IN GENERAL LONG-TERM BONDED DEBT

FOR THE YEAR ENDED MAY 31, 2012

	(1)	(2)
Bond Series:	2006	2010
Interest Rate:	4.00% to 5.625%	2.50% to 4.25%
Dates Interest Payable:	August 1/ February 1	August 1/ February 1
Maturity Dates:	August 1, 2012/2030	August 1, 2012/2032
Bonds Outstanding at Beginning of Current Year	$ 2,870,000	$ 4,475,000
Less Retirements	(25,000)	(95,000)
Bonds Outstanding at End of Current Year	$ 2,845,000	$ 4,380,000
Current Year Interest Paid	$ 125,397	$ 162,212

Bond Descriptions and Original Amount of Issue

(1) Denton County Levee Improvement District No. 1 Unlimited Tax Bonds, Series 2006 ($2,950,000)

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

Paying Agent/Registrar

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

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

Net Debt Service Fund deposits and investments balances as of May 31, 2012:	$1,358,928
Average annual debt service payment for remaining term of all debt:	727,019

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1

ANALYSIS OF CHANGES IN GENERAL LONG-TERM DEBT (Continued)

FOR THE YEAR ENDED MAY 31, 2012

	(3)	(4)	Totals
Bond Series:	Refunding 2010	2012	
Interest Rate:	1.90% to 3.80%	1.25% to 3.25%	
Dates Interest Payable:	August 1/ February 1	August 1/ February 1	
Maturity Dates:	August 1, 2012/2020	August 1, 2012/2032	
Bonds Outstanding at Beginning of Current Year	$ 1,194,999	$ 0	$ 8,539,999
Add Bonds Sold		2,060,000	2,060,000
Less Retirements	(86,831)	0	(206,831)
Bonds Outstanding at End of Current Year	$ 1,108,168	$ 2,060,000	$ 10,393,168
Current Year Interest Paid	$ 61,174	$ 0	$ 348,783

Bond Descriptions and Original Amount of Issue

(3) Denton County Levee Improvement District No. 1 Unlimited Tax Refunding Bonds, Series 2010 ($1,194,999)

(4) Denton County Levee Improvement District No. 1 Unlimited Tax Bonds, Series 2012 ($2,060,000)

Paying Agent/Registrar

(3) (4) Wells Fargo Bank, N.A., Houston, Texas

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, GENERAL FUND

FOR YEARS ENDED MAY 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2012	2011	2010	2009	2008	2012	2011	2010	2009	2008
REVENUES										
Property taxes	$ 411,248	$ 409,638	$ 402,531	$ 407,611	$ 544,141	98.5 %	98.0 %	97.8 %	85.7 %	92.5 %
Interest on deposits and investments	6,442	8,247	9,046	25,497	38,893	1.5	2.0	2.2	5.4	6.6
Other revenues	0	0	0	42,185	5,000	0.0	0.0	0.0	8.9	0.9
TOTAL REVENUES	417,690	417,885	411,577	475,293	588,034	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Professional fees	91,461	66,167	54,943	43,645	50,297	21.9	15.8	13.3	9.2	8.6
Contracted services	24,750	22,450	20,950	20,975	19,675	5.9	5.4	5.1	4.4	3.3
Utilities	14,468	18,997	24,032	28,376	15,657	3.5	4.5	5.8	6.0	2.7
Repairs and maintenance	60,547	109,954	137,250	107,042	89,827	14.5	26.4	33.4	22.4	15.3
Administrative expenditures	28,123	28,877	19,153	17,374	18,441	6.7	6.9	4.7	3.7	3.1
Capital outlay	0	0	18,990	56,593	0	0.0	0.0	4.6	11.9	0.0
TOTAL EXPENDITURES	219,349	246,445	275,318	274,005	193,897	52.5	59.0	66.9	57.6	33.0
EXCESS REVENUES (EXPENDITURES)	$ 198,341	$ 171,440	$ 136,259	$ 201,288	$ 394,137	47.5 %	41.0 %	33.1 %	42.4 %	67.0 %

See accompanying independent auditors' report.

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, DEBT SERVICE FUND

FOR YEARS ENDED MAY 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2012	2011	2010	2009	2008	2012	2011	2010	2009	2008
REVENUES										
Property taxes	$ 577,336	$ 549,927	$ 619,607	$ 636,084	$ 291,403	97.0 %	97.4 %	94.2 %	96.8 %	92.4 %
Penalty and interest	10,289	5,785	20,722	10,106	5,056	1.7	1.0	3.2	1.5	1.6
Accrued interest on bonds received at date of sale	3,336	2,934	11,052	0	0	0.6	0.5	1.7	0.0	0.0
Interest on deposits and investments	3,881	6,155	6,145	11,225	18,854	0.7	1.1	0.9	1.7	6.0
TOTAL REVENUES	594,842	564,801	657,526	657,415	315,313	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Professional fees	1,749	10,229	1,358	2,015	1,282	0.3	1.8	0.2	0.3	0.4
Contracted services	19,307	20,269	20,499	17,978	17,276	3.2	3.6	3.1	2.7	5.5
Other expenditures	2,827	3,568	2,337	3,730	3,118	0.5	0.6	0.4	0.6	1.0
Debt service:										
Principal retirement	206,831	205,000	105,000	100,000	95,000	34.8	36.3	16.0	15.2	30.1
Refunding contribution	0	46,288	0	0	0	0.0	8.2	0.0	0.0	0.0
Interest and fees	350,283	305,574	204,218	210,155	214,844	58.9	54.1	31.0	32.0	68.1
TOTAL EXPENDITURES	580,997	590,928	333,412	333,878	331,520	97.7	104.6	50.7	50.8	105.1
EXCESS REVENUES	$ 13,845	$ (26,127)	$ 324,114	$ 323,537	$ (16,207)	2.3 %	(4.6) %	49.3 %	49.2 %	(5.1) %

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

MAY 31, 2012

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

District Business Telephone No.: 713-850-9000

Submission date of the most recent District Registration Form: January 17, 2012

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

BOARD MEMBERS

Name and Address	Term of Office (Elected/ Appointed)	Fees of Office Paid	Expense Reimb.	Title at Year End
Richard Ching c/o Sanford Kuhl Hagan Kugle Parker Kahn, LLP 1980 Post Oak Blvd., Suite 1380 Houston, Texas 77056	Appointed 7/20/10- 7/09/12	$ 900	$ 0	Chairman
Ben Carruthers c/o Sanford Kuhl Hagan Kugle Parker Kahn, LLP 1980 Post Oak Blvd., Suite 1380 Houston, Texas 77056	Appointed 7/20/10- 7/09/12	900	72	Vice Chair./ Sec./Treas./ Inv. Officer
Jim Tyrrell c/o Sanford Kuhl Hagan Kugle Parker Kahn, LLP 1980 Post Oak Blvd., Suite 1380 Houston, Texas 77056	Appointed 7/20/10- 7/09/12	900	0	Assistant Secretary

DENTON COUNTY LEVEE IMPROVEMENT DISTRICT NO. 1

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

MAY 31, 2012

CONSULTANTS

Name and Address	Date Hired	Fees and Expense Reimbursements	Title at Year End
Sanford Kuhl Hagan Kugle Parker Kahn, LLP 1980 Post Oak Blvd. Suite 1380 Houston, Texas 77056	1/21/10	$ 47,607 44,968 Bonds	Attorney
Linebarger, Heard, Goggan, Blair, Graham, Pena & Sampson, L.L.P. P.O. Box 3064 Houston, Texas 77002	7/16/96	1,749	Delinquent Tax Attorney
Myrtle Cruz, Inc. 1621 Milam, Third Floor Houston, Texas 77002	6/11/86	8,867 7,200 Bonds	Bookkeeper
Riverway Contractors and Management P.O. Box 7855 Dallas, Texas 75209	6/30/87	1,032,441	Operator
Jacobs Engineering Group, Inc. 7950 Elmbrook, Suite 250 Dallas, Texas 75247	Replaced 12/19/11	71,318	Engineer
Halff Associates, Inc. 1201 N. Bowser Road Richardson, Texas 75081	12/19/11	39,354	Engineer
Bob Leared 11111 Katy Freeway, Suite 725 Houston, Texas 77043	7/02/85	14,441 1,500 Bonds	Tax Assessor-Collector
Denton Central Appraisal District P.O. Box 2816 Denton, Texas 76202	Legislative Action	5,799	Central Appraisal District
Dallas Central Appraisal District 2949 North Stemmons Freeway Dallas, Texas 75247	Legislative Action	1,407	Central Appraisal District
Blitch Associates, Inc. 11111 Katy Freeway, Suite 820 Houston, Texas 77079-2118	9/16/97	38,445 Bonds	Financial Advisor
Roth & Eyring, PLLC 4915 S. Main, Suite 114 Stafford, Texas 77477	Prior to 1992	4,500 750 Bonds	Independent Auditors

See accompanying independent auditors' report.

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