

**OFFICIAL NOTICE OF SALE, OFFICIAL BID FORM
AND
PRELIMINARY OFFICIAL STATEMENT**

\$2,400,000*

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
UTILITY SYSTEM JUNIOR LIEN REVENUE NOTES, SERIES 2024**

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

<p>The Authority will designate the Notes as “QUALIFIED TAX-EXEMPT OBLIGATIONS”</p>
--

**Bids due
Monday, March 18, 2024
at
11:00 A.M., Central Time**

*Preliminary, subject to change based on bid structures. See "THE NOTES - MATURITY SCHEDULE" and "THE NOTES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES" in the Official Notice of Sale relating to the Notes.

(this page intentionally left blank)

This Official Notice of Sale does not alone constitute an invitation for bids but is merely notice of sale of the Notes defined and described herein. The invitation for bids on the Notes is being made by means of this Official Notice of Sale, the Official Bid Form and the Preliminary Official Statement.

OFFICIAL NOTICE OF SALE

The Issuer will designate the Notes as “Qualified Tax-Exempt Obligations” for financial institutions.

\$2,400,000*

LAKE CITIES MUNICIPAL UTILITY AUTHORITY

UTILITY SYSTEM JUNIOR LIEN REVENUE NOTES, SERIES 2024

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

NOTES OFFERED FOR SALE AT COMPETITIVE BID: The Board of Directors (the “Board”) of the Lake Cities Municipal Utility Authority (the “Authority” or the “Issuer”) is offering for sale at competitive bid \$2,400,000* Utility System Junior Lien Revenue Notes, Series 2024 (the “Notes”).

BIDS BY INTERNET: Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 11:00 A.M., Central Time, on March 18, 2024. Bidders submitting a bid by internet **shall not be required to submit signed Official Bid Forms prior to the award.** Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of PARITY and should, as a courtesy, register with PARITY by 9:00 A.M., Central Time, on March 18, 2024 indicating their intent to submit a bid by internet.

In the event of a malfunction in the electronic bidding process, bidders may submit their bids by email to mmcliney@samcocapital.com. If there is a malfunction of the electronic bidding process and a bidder submits a bid via email please call 210-832-9760 to notify the Financial Advisor (defined below) of the incoming bid. Any bid received after the scheduled time for their receipt will not be accepted.

The official time for the receipt of bids shall be the time maintained by PARITY. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale, Official Bid Form and the Preliminary Official Statement. To the extent that any instructions or directions set forth in PARITY conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about the PARITY System, potential bidders may contact PARITY, c/o Ipreo Holdings LLC, 1359 Broadway, New York, New York 10018, 212-849-5021.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Notes on the terms provided in this Official Notice of Sale, and shall be binding upon the bidder as if made by a signed sealed bid delivered to the Authority. The Authority shall not be responsible for any malfunction or mistake made by, or as a result of the use of PARITY, the use of such facilities being at the sole risk of the prospective bidder.

OPENING OF BIDS: The bids for the Notes will be publicly opened and reviewed at the San Antonio offices of SAMCO Capital Markets, Inc. (the “Financial Advisor”), 1020 NE Loop 410, Suite 640, San Antonio, Texas, 78209, at 11:00 A.M., Central Time, on Monday, March 18, 2024.

AWARD AND SALE OF THE NOTES: The Board of Directors of the Authority will take action to reject the bids or accept the bid and award the Notes to the low qualified bidder (the “Winning Bidder”), as described in the section entitled “CONDITIONS OF SALE – Basis for Award” herein by adopting a resolution authorizing the issuance and awarding the sale of the Notes (the “Resolution”) at a scheduled meeting to commence at 7:00 P.M. Central Time on Monday, March 18, 2024.

[The remainder of this page intentionally left blank]

*Preliminary, subject to change based on bid structures. See “THE NOTES - MATURITY SCHEDULE” and “THE NOTES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES” in the Official Notice of Sale relating to the Notes.

THE NOTES

DESCRIPTION OF CERTAIN TERMS OF THE NOTES: The Notes will be dated April 1, 2024 (the “Dated Date”) with interest to accrue from the Dated Date and be payable initially October 1, 2024 and each April 1 and October 1 thereafter until stated maturity. The Notes will be issued as fully registered Notes in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository (the “Securities Depository”). Book-entry interests in the Notes will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Notes (“Beneficial Owners”) will not receive physical delivery of Notes representing their interest in the Notes purchased. So long as DTC or its nominee is the registered owner of the Notes, the principal of and interest on the Notes will be payable by BOKF, NA, Dallas, Texas, as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Notes. (See “BOOK-ENTRY-ONLY SYSTEM” in the Official Statement.) The Notes will be stated to mature on April 1 in each of the following years in the following amounts:

MATURITY SCHEDULE (Due April 1)

<u>Stated Maturity</u>	<u>Principal Amount*</u>
2025	\$ 765,000
2026	800,000
2027	835,000

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: The Authority reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Notes, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Notes shall not exceed \$2,400,000*. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Notice of Sale may be amended at the sole discretion of the Authority to reflect such increase or decrease. The Authority will attempt to maintain total per Note underwriting spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

REDEMPTION: The Notes are not subject to redemption prior to their stated maturity.

SECURITY FOR PAYMENT: The Notes are special obligations of the Issuer payable from and equally and ratably secured solely from a junior and inferior lien on and pledge of the Pledged Revenues, being (primarily) the Net Revenues derived from the operation of the Issuer’s Utility System (the “System”), that is junior and inferior to the lien thereon and pledge thereof securing the repayment of the currently outstanding Prior Lien Obligations, but senior and superior to the lien thereon and pledge thereof securing the repayment of any Subordinate Lien Obligations hereafter issued by the Authority. In the Resolution, the Issuer has reserved the right to issue Additional Prior Lien Obligations, Additional Junior Lien Obligations, and Subordinate Lien Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise; provided, however, that the Authority will covenant in the Resolution authorizing the issuance of the Notes that it will not issue any Additional Prior Lien Obligations while the Notes remain outstanding. The Resolution does not create a lien or mortgage on the System, except the Pledged Revenues, and any judgement against the Authority may not be enforced by levy and execution against any property owned by the Authority. The Authority has not covenanted or obligated itself to pay the Notes from monies raised or to be raised from taxation. (See “THE NOTES – Source of and Security for Payment” herein).

OTHER TERMS AND COVENANTS: Other terms of the Resolution and the various covenants of the Authority contained in the Resolution are described in the Official Statement, to which reference is made for all purposes.

SUCCESSOR PAYING AGENT/REGISTRAR: The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Resolution, the Authority covenants to provide a Paying Agent/Registrar at all times while the Notes are outstanding, and any Paying Agent/Registrar selected by the Authority shall be a commercial bank or trust company organized under the laws of the United States and any state and duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Notes. The Paying Agent/Registrar will maintain the Security Register containing the names and addresses of the registered owners of the Notes.

In the Resolution, the Authority retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Authority, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Authority, shall be qualified as described in the Preliminary Official Statement. Upon a change in the Paying Agent/Registrar for the Notes, the Authority agrees to promptly cause written notice thereof to be sent to each registered owner of the Notes by United States mail, first-class, postage prepaid.

*Preliminary, subject to change.

CONDITIONS OF SALE

TYPES OF BIDS AND INTEREST RATES: The Notes will be sold in one block on an “All or None” basis, and at a price of not less than their par value, plus accrued interest on the Notes from the Dated Date of the Notes to the date of Initial Delivery (defined herein) of the Notes. **No bid producing a cash price on the Notes that results in a dollar price less than 101% of their par value will be considered; provided, however, that any bid is subject to adjustment as described under the caption “THE NOTES - ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS”.** Bidders are invited to name the rate(s) of interest to be borne by the Notes, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest for the Notes (calculated in the manner required by Chapter 1204, as amended, Texas Government Code) must not exceed 15%. **The highest rate bid may not exceed the lowest rate bid by more than 300 basis points (or 3% in rate).** **No limitation is imposed upon bidders as to the number of rates or changes which may be used.** All Notes of one stated maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

BASIS OF AWARD: The sale of the Notes will be awarded to the bidder making a bid that conforms to the specifications herein (the “Winning Bidder” or “Purchaser”) and which produces the lowest Net Effective Interest Cost (defined herein) rate to the Authority. The “Net Effective Interest Cost” rate is that rate which, when used to compute the total present value as of the Dated Date of all debt service payments on the Notes on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Notes plus the premium bid, (but not to the extent that would preclude the establishment of issue price of the Notes under applicable federal regulations). In the event of a bidder’s error in interest cost rate calculations, the interest rates, and premium, set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the Authority with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Notes (the “Code”), relating to the excludability of interest on the Notes from the gross income of their owners, the Purchaser will be required to complete, execute, and deliver to the Authority (on or before the date of initial delivery of the Notes) a certification as to their initial offering prices of the Notes (the “Issue Price Certificate”) substantially in the form and to the effect attached hereto or accompanying this Official Notice of Sale. (See “CONDITIONS OF SALE - ESTABLISHMENT OF ISSUE PRICE” herein.)

ESTABLISHMENT OF ISSUE PRICE:

(a) The Winning Bidder shall assist the Authority in establishing the issue price of the Notes and shall execute and deliver to the Authority at least five (5) business days before the Delivery Date an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public, together with the supporting pricing wires or equivalent communications, such issue price certificate substantially in the form attached hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Winning Bidder, the Authority, and Norton Rose Fulbright US LLP, the Authority’s Bond Counsel (but not to the extent that would preclude the establishment of issue price of the Notes under applicable federal regulations). All actions to be taken by the Authority under this Official Notice of Sale to establish the issue price of the Notes may be taken on behalf of the Authority by the Authority’s Financial Advisor and any notice or report to be provided to the Authority may be provided to the Authority’s Financial Advisor.

(b) The Authority intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Notes) will apply to the initial sale of the Notes (the “competitive sale requirements”) because:

- (1) the Authority shall disseminate this Official Notice of Sale to potential underwriters (defined below) in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the Authority may receive bids from at least three underwriters of municipal Notes who have established industry reputations for underwriting new issuances of municipal Notes; and
- (4) the Authority anticipates awarding the sale of the Notes to the bidder who submits a firm offer to purchase the Notes at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale.

Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of the Notes, as specified in the bid.

(c) In the event that the competitive sale requirements are not satisfied, the Authority shall so advise the Winning Bidder. In such event, the Authority intends to treat the initial offering price to the public (defined below) as of the sale date (defined below) of each maturity of the Notes as the issue price of that maturity (the “hold-the-offering-price rule”). The Authority shall promptly advise the Winning Bidder, at or before the time of award of the Notes, if the competitive sale requirements were not satisfied, in which case the hold-the-offering-price rule shall apply to the Notes. Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied and the hold-the-offering-price rule applies. In the event that the competitive sale requirements are not satisfied, resulting in the application of the hold-the-price rule, the issue price certificate shall be modified as necessary in the reasonable judgment of Bond Counsel and the Authority.

(d) By submitting a bid, the Winning Bidder shall (i) confirm that the underwriters have offered or will offer the Notes to the public on or before the date of award at the offering price or prices (the “initial offering price”), or at the corresponding yield

or yields, set forth in the bid submitted by the Winning Bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Notes, that the underwriters will neither offer nor sell unsold Notes of any maturity to which the hold-the-offering-price rule applies to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Notes to the public at a price that is no higher than the initial offering price to the public.

The Winning Bidder will advise the Authority promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Notes to the public at a price that is no higher than the initial offering price to the public.

(e) The Authority acknowledges that, in making the representations set forth above, the Winning Bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Notes to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a retail or other third-party distribution agreement that was employed in connection with the initial sale of the Notes to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, as set forth in the third-party distribution agreement and the related pricing wires. The Authority further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering price rule, if applicable to the Notes, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail or other third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Notes.

(f) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail or other third-party distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Winning Bidder and as set forth in the related pricing wires, (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a retail or other third-party distribution agreement to be employed in connection with the initial sale of the Notes to the public to require each broker-dealer that is a party to such third-party distribution agreement to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Winning Bidder or the underwriter and as set forth in the related pricing wires.

(g) Sales of any Notes to any person that is a related party (defined below) to an underwriter shall not constitute sales to the public for purposes of this Official Notice of Sale. Further, for purposes of this section of the Official Notice of Sale entitled "ESTABLISHMENT OF ISSUE PRICE":

- (1) "public" means any person other than an underwriter or a related party,
- (2) "underwriter" means (A) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Notes to the public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Notes to the public),
- (3) a purchaser of any of the Notes is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (4) "sale date" means the date that the Notes are awarded by the Authority to the Winning Bidder.

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: See “THE NOTES – Adjustment of Principal Amounts and Maturity Schedule for the Notes” for a description of the Authority’s reservation of the right to increase or decrease the principal (maturity) amount of any maturity of the Notes, including the elimination of a maturity or maturities.

GOOD FAITH DEPOSIT: A bank cashier’s check payable to the order of “Lake Cities Municipal Utility Authority” in the amount of \$48,000, which is 2% of the par value of the Notes (the “Good Faith Deposit”), is required. The Good Faith Deposit will be retained uncashed by the Authority until the Notes are delivered, and at that time it will be returned to the Purchaser uncashed on the date of delivery of the Notes; however, should the Purchaser fail or refuse to take up and pay for the Notes, said Good Faith Deposit is to be cashed by the Authority and the proceeds accepted as full and complete liquidated damages, except as provided under the caption “ADDITIONAL CONDITIONS OF AWARD – Statutory Representations and Covenants”. See “ADDITIONAL CONDITIONS OF AWARD - Texas Attorney General Standing Letter”. The above mentioned Good Faith Deposit may accompany the bid, or it may be submitted separately; however, if submitted separately, it shall be made available to the Authority prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn which will authorize its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. No interest will be paid or allowed on any Good Faith Deposit. The checks accompanying all other bids will be returned immediately after the bids are opened and the award of the sale of the Notes has been made.

ADDITIONAL CONDITION OF AWARD

DISCLOSURE OF INTERESTED PARTY FORM: It is the obligation of the Authority to receive information from Winning Bidder if bidder is not a publicly traded business entity (a “Privately Held Bidder”). Pursuant to Texas Government Code Section 2252.908 (the “Interested Party Disclosure Act”), the Authority may not award the Notes to a Winning Bidder which is a Privately Held Bidder unless such party submits a Certificate of Interested Parties Form 1295 (the “Disclosure Form”) to the Authority as prescribed by the Texas Ethics Commission (“TEC”). In the event that a Privately Held Bidder’s bid for the Notes is the best bid received, the Authority, acting through its financial advisor, will promptly notify the winning Privately Held Bidder. That notification will serve as the Authority’s conditional verbal acceptance of the bid, and will obligate the winning Privately Held Bidder to establish (unless such winning Privately Held Bidder has previously so established) an account with the TEC, and promptly file a completed Disclosure Form, as described below, in order to allow the Authority to complete the award.

Process for completing the Disclosure Form. For purposes of illustration, the Disclosure Form is attached hereto, and reference should be made to such form for the following information needed to complete it: (a) item 2 - name of the governmental entity (Lake Cities Municipal Utility Authority) and (b) item 3 - the identification number assigned to this contract by the Authority (LCMUA 2024 – Bid Form) and description of the goods or services (Purchase of the Lake Cities Municipal Utility Authority Utility System Junior Lien Revenue Notes, Series 2024). The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the “Disclosure Rules”) require a non-publicly traded business entity contracting with the Authority to complete the Disclosure Form electronically at <https://www.ethics.state.tx.us/filinginfo/1295>, print, sign, and deliver, in physical form, the certified Disclosure Form that is generated by the TEC’s “electronic portal” to the Authority. The executed Disclosure Form must be sent by email to the Authority’s financial advisor at mmcliney@samcocapital.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award. Upon receipt of the final written award, the Disclosure Form with original signatures must be submitted by mail to Stephanie Leibe, c/o Norton Rose Fulbright US LLP, 98 San Jacinto Boulevard, Suite 1100, Austin, Texas 78701-4255, along with a PDF executed version sent to stephanie.leibe@nortonrosefulbright.com.

Preparations for completion, and the significance of, the reported information. In accordance with the Interested Party Disclosure Act, the information reported by the winning Privately Held Bidder must be declared by an authorized agent of the Privately Held Winning Bidder. No exceptions may be made to that requirement. The Interested Party Disclosure Act and the Disclosure Form provides that such acknowledgment is made “under penalty of perjury.” Consequently, a winning Privately Held Bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form. Time will be of the essence in submitting the form to the Authority, and no final award will be made by the Authority regarding the sale of the Certificates until a completed Disclosure Form is received. If applicable, the Authority reserves the right to reject any bid that does not satisfy the requirement of a completed Disclosure Form, as described herein. Neither the Authority nor its consultants have the ability to verify the information included in a Disclosure Form, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to (1) the bidder’s obligation to submit the Disclosure Form or (2) the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Certificates should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form, if required, promptly upon notification from the Authority that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC’s website at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm.

Statutory Representations and Covenants. By submitting a bid, each bidder makes the following representations and, if its bid is accepted, covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as heretofore amended (the “Government Code”). As used therein, “affiliate” means an entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. If a bidder’s bid is accepted, then liability for breach of any such representation or covenant during the term of the contract for purchase and sale of the Notes created thereby (the “Purchase Contract”) shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of the bid or this Official Notice of Sale, notwithstanding anything herein or therein to the contrary.

Not a Sanctioned Company. Each bidder hereby verifies that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code. The foregoing representation excludes each bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

No Boycott of Israel. Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, if its bid is accepted, will not boycott Israel during the term of the Purchase Contract. As used in the foregoing verification, “boycott Israel” has the meaning provided in Section 2271.001, Government Code.

No Discrimination Against Firearm Entities. Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and, if its bid is accepted, will not discriminate against a firearm entity or firearm trade association during the term of the Purchase Contract. As used in the foregoing verification, “discriminate against a firearm entity or firearm trade association” has the meaning provided in Section 2274.001(3), Government Code.

No Boycott of Energy Companies. Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, if its bid is accepted, will not boycott energy companies during the term of the Purchase Contract. As used in the foregoing verification, “boycott energy companies” has the meaning provided in Section 2276.001(1), Government Code.

Texas Attorney General Standing Letter. The winning bidder represents that it has, as of the date bids are due on the Notes and as of Closing, on file with the Texas Attorney General a standing letter addressing the representations and verifications hereinbefore described in this Notice of Sale in the form attached as Exhibit B to the Updated Recommendations for Compliance with the Texas BPA Verification and Representation Requirements (December 1, 2023) of the Municipal Advisory Council of Texas or any other form accepted by the Texas Attorney General (a “Standing Letter”). In addition, if subsequent to the filing of its Standing Letter, the winning bidder or the parent company, a wholly- or majority-owned subsidiary or another affiliate of such winning bidder receives or has received a letter from the Texas Comptroller of Public Accounts or the Texas Attorney General seeking (a) confirmation or verification of the these representations and verifications or (b) written verification that such bidder is a member of the Net Zero Banking Alliance, Net Zero Insurance Alliance, Net Zero Asset Owner Alliance, or Net Zero Asset Managers or of the representations and certifications contained in the winning bidder's Standing Letter (each a “Request Letter”), the winning bidder shall promptly notify the Authority and Bond Counsel (if it has not already done so) and provide to the Authority or Bond Counsel, two business days prior to Closing and additionally upon request by the Authority or Bond Counsel, written verification to the effect that its Standing Letter described in the preceding sentence remains in effect and may be relied upon by the Authority and the Texas Attorney General (the “Bringdown Verification”). The Bringdown Verification shall also confirm that the winning bidder (or the parent company, a wholly- or majority-owned subsidiary or other affiliate of the winning bidder that received the Request Letter) intends to timely respond or has timely responded to the Request Letter. The Bringdown Verification may be in the form of an e-mail. The Authority reserves the right, in its sole discretion, to reject any bid from a bidder that does not satisfy the foregoing requirements as of the deadline for bids for the Notes. Liability for breach of any such verification during the term of this contract for purchase shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of this contract for purchase, notwithstanding anything in this contract for purchase to the contrary.

IMPACT OF BIDDING SYNDICATE ON AWARD: For purposes of contracting for the sale of the Notes, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Notes. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the Authority is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

OFFICIAL STATEMENT

To assist the Purchaser in complying with Rule 15c2-12, as amended (the “Rule”), of the United States Securities and Exchange Commission (“SEC”), the Authority and the Purchaser contract and agree, by the submission and acceptance of the winning bid, as follows:

COMPLIANCE WITH RULE: The Authority has approved and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Notes, but does not presently intend to prepare any other document or version thereof for such purpose, except as described below. Accordingly, the Authority deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of the Rule, except for information relating to the offering prices, interest rates, final debt service schedule, selling compensation, identity of the Purchaser and other similar information, terms and provisions to be specified in the competitive bidding process. The Purchaser shall be responsible for promptly informing the Authority of the initial offering yields of the Notes.

The Authority agrees to provide, or cause to be provided, to the Purchaser, the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a “designated electronic format” (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the Municipal Securities Rulemaking Board (“MSRB”). The Authority consents to the distribution of such documents in a “designated electronic format.” Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the applicable MSRB rules.

The Authority will complete and authorize distribution of the Official Statement identifying the Purchaser and containing information omitted from the Preliminary Official Statement. The Authority does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Purchaser on or after the sale date, the Authority intends the same to be final as of such date, within the meaning of Section 15c2-12(b)(3) of the Rule. Notwithstanding the foregoing, the Authority makes no representation concerning the absence of material misstatements or omissions from the Official Statement, except only as and to the extent under “CERTIFICATION OF THE OFFICIAL STATEMENT” as described below. To the best knowledge and belief of the Authority, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Notes.

FINAL OFFICIAL STATEMENT: In addition to delivering the Official Statement in a “designated electronic format”, the Authority will furnish to the Purchaser, within seven (7) days after the sale date, an aggregate maximum of fifty (50) copies of the Official Statement, together with information regarding interest rates and other terms relating to the reoffering of the Notes, in accordance with Section 15c2-12(b)(3) of the Rule. The Purchaser may arrange, at its own expense, to have the Official Statement reproduced and printed if it requires more than 100 copies and may also arrange, at its own expense and responsibility, for completion and perfection of the first or cover page of the Official Statement so as to reflect interest rates and other terms and information related to the reoffering of the Notes. The Purchaser will be responsible for providing information concerning the Authority and the Notes to subsequent purchasers of the Notes, and the Authority will undertake no responsibility for providing such information other than to make the Official Statement available to the Purchaser as provided herein. The Authority's obligation to supplement the Official Statement to correct key representations determined to be materially misleading, after the date of the Official Statement, shall terminate upon initial delivery of the Notes to the Purchaser, unless the Purchaser notifies, in writing, the Authority that less than all of the Notes have been sold to ultimate customers on or before such date, in which case the obligation will extend for an additional period of time (but not more than 90 days after the sale date) until all of the Notes have been sold to ultimate customers.

CHANGES TO OFFICIAL STATEMENT: If, subsequent to the date of the Official Statement, the Authority learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Purchaser of any adverse event which causes the Official Statement to be materially misleading, and unless the Purchaser elects to terminate its obligation to purchase the Notes, as described below under "DELIVERY AND ACCOMPANYING DOCUMENTS - Conditions to Delivery", the Authority will promptly prepare and supply to the Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Purchaser and in a “designated electronic format”; provided, however, that the obligation of the Authority to do so will terminate when the Authority delivers the Notes to the Purchaser, unless the Purchaser notifies the Authority on or before such date that less than all of the Notes have been sold to ultimate customers, in which case the Authority's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the Authority delivers the Notes) until all of the Notes have been sold to ultimate customers.

MUNICIPAL BOND INSURANCE: In the event the Notes are qualified for municipal bond insurance, and the Purchaser desires to purchase such insurance, the cost therefor will be paid by the Purchaser. The Authority shall pay the rating agency fee for S&P. Any other fees to be paid to rating agencies as a result of said insurance will be paid by the Purchaser. It will be the responsibility of the Purchaser to disclose the existence of insurance, its terms and the effect thereof with respect to the reoffering of the Notes. Any downgrade by rating agencies of the bond insurance provider shall not relieve the Purchaser of its obligation under the heading. See “BOND INSURANCE” and “BOND INSURANCE GENERAL RISKS” in the Preliminary Official Statement.

CERTIFICATION OF THE OFFICIAL STATEMENT: At the time of payment for and delivery of the hereinafter defined Initial Notes (the “Delivery Date”), the Purchaser will be furnished a certificate, executed by proper officials of the Authority, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the Authority contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Notes, on the date of such Official Statement, on the date of sale of said Notes and the acceptance of the best bid therefor, and on the date of the initial delivery thereof, were and are true and correct in all material respects; (b) insofar as the Authority and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the Authority, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the Authority believes to be reliable and the Authority has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the Authority since the date of the last financial statements of the Authority appearing in the Official Statement. The Official Statement and Official Notice of Sale will be approved as to form and content and the use thereof in the offering of the Notes will be authorized, ratified and approved by the Board of the Authority on the date of sale, and the Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Notes, a certified copy of such approval, duly executed by the proper officials of the Authority.

CONTINUING DISCLOSURE AGREEMENT: The Authority will agree in the Resolution to provide certain periodic information and notices of certain events in accordance with the Rule, as described in the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION". The Purchaser's obligation to accept and pay for the Notes is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Resolution containing the agreement described under such heading.

COMPLIANCE WITH PRIOR UNDERTAKINGS: In the past five years, the Authority has complied with its continuing disclosure agreements made in accordance with SEC Rule 15c2-12.

DELIVERY AND ACCOMPANYING DOCUMENTS

INITIAL DELIVERY OF INITIAL NOTE: The initial delivery of the Notes to the Purchasers on the “Delivery Date” (identified below), will be accomplished by the issuance of either (i) a single fully registered Note in the total principal amount of \$2,400,000* payable in stated installments to the Purchaser and numbered T-1, or (ii) as one (1) fully registered Note for each year of stated maturity in the applicable principal amount and denomination, to be numbered consecutively from R-1 and upward (in either case, the “Initial Note(s)”), signed by manual or facsimile signature of the Board President and the Board Secretary approved by the Attorney General of Texas, and registered and manually signed by an authorized representative of the Comptroller of Public Accounts of the State of Texas. Initial Delivery (defined below) of the Notes will be at the corporate trust office of the Paying Agent/Registrar. Upon delivery of the Initial Note(s), they shall be immediately canceled and one Note for each stated maturity will be registered in the name of Cede & Co. and deposited with DTC in connection with DTC’s Book-Entry-Only System. Payment for the Initial Note(s) must be made in immediately available funds for unconditional credit to the Authority, or as otherwise directed by the Authority. The Purchaser will be given six (6) business days' notice of the time fixed for delivery of the Notes. It is anticipated that Initial Delivery of the Initial Notes can be made on or about April 11, 2024, but if for any reason the Authority is unable to make delivery by April 11, 2024, then the Authority shall immediately contact the Purchaser and offer to allow the Purchaser to extend for an additional thirty (30) days its

obligation to take up and pay for the Notes. If the Purchaser does not so elect within six (6) business days thereafter, then the Good Faith Deposit will be returned, and both the Authority and the Purchaser shall be relieved of further obligation. In no event shall the Authority be liable for any damages by reason of its failure to deliver the Notes, provided such failure is due to circumstances beyond the Authority's reasonable control.

EXCHANGE OF INITIAL NOTES FOR DEFINITIVE NOTES: Upon payment for the Initial Note(s) at the time of such delivery, the Initial Note(s) are to be canceled by the Paying Agent/Registrar and registered definitive Notes delivered in lieu thereof, in multiples of \$5,000 for each stated maturity, in accordance with written instructions received from the Purchaser and/or members of the Purchaser's syndicate. Such Notes shall be registered by the Paying Agent/Registrar. It shall be the duty of the Purchaser and/or members of the Purchaser's syndicate to furnish to the Paying Agent/Registrar, at least five days prior to the delivery of the Initial Note(s), final written instructions identifying the names and addresses of the registered owners, the stated maturities, interest rates, and denominations. The Paying Agent/Registrar will not be required to accept changes in such written instructions after the five day period, and if such written instructions are not received by the Paying Agent/Registrar five days prior to the delivery, the cancellation of the Initial Note(s) and delivery of registered definitive Notes may be delayed until the fifth day next following the receipt of such written instructions by the Paying Agent/Registrar.

CUSIP NUMBERS: It is anticipated that CUSIP identification numbers will be printed on the Notes, but neither the failure to print such number on any Note nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Notes in accordance with the terms of the Official Bid Form and this Official Notice of Sale. All expenses in relation to the printing of CUSIP numbers on the Notes shall be paid by the Authority; however, the CUSIP Service Bureau's charge for the assignment of the numbers shall be paid by the Purchaser.

CONDITIONS TO DELIVERY: The obligation to take up and pay for the Notes is subject to the following conditions: the issuance of an approving opinion of the Attorney General of Texas, the Purchaser's acknowledgment of the receipt of the Initial Note, the Purchaser's receipt of the legal opinions of Bond Counsel and the no-litigation certificate, and the non-occurrence of the events described below under the caption "No Material Adverse Change", all as described below. In addition, if the Authority fails to comply with its obligations described under "OFFICIAL STATEMENT" above, the Purchaser may terminate its contract to purchase the Notes by delivering written notice to the Authority within five (5) days thereafter.

NO MATERIAL ADVERSE CHANGE: The obligation of the Purchaser to take up and pay for the Notes, and of the Authority to deliver the Initial Note(s), are subject to the condition that, up to the time of delivery of and receipt of payment for the Initial Note(s), there shall have been no material adverse change in the affairs of the Authority subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of delivery.

LEGAL OPINIONS: The Notes are offered when, as and if issued, subject to the approval of certain legal matters by the Attorney General of the State of Texas and Bond Counsel (see discussion "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" in the Preliminary Official Statement).

CHANGE IN TAX-EXEMPT STATUS: At any time before the Notes are tendered for initial delivery to the Purchaser, the Purchaser may withdraw its bid if the interest on obligations such as the Notes shall be declared to be includable in the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, either by U.S. Treasury regulations, by ruling or administrative guidance of the Internal Revenue Service, by a decision of any federal court, or by the terms of any federal income tax legislation enacted subsequent to the date of this Official Notice of Sale.

QUALIFIED TAX-EXEMPT OBLIGATIONS: The Authority will designate the Notes as "Qualified Tax-Exempt Obligations" for financial institutions (see discussion under "TAX MATTERS – Qualified Tax-Exempt Obligations" in the Preliminary Official Statement).

GENERAL CONSIDERATIONS

FUTURE REGISTRATION: The Notes may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Note may be assigned by the execution of an assignment form on the Notes or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Note or Notes will be delivered by the Paying Agent/Registrar in lieu of the Notes being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk, and expense. To the extent possible, new Notes issued in an exchange or transfer of Notes will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Notes to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or its duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Notes registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and interest rate as the Notes surrendered for exchange or transfer.

RECORD DATE: The record date ("Record Date") for determining the party to whom the semiannual interest on the Notes is payable on any interest payment date is the fifteenth day of the month next preceding such interest payment date.

RATING: A municipal bond rating application has been made to S&P Global Ratings ("S&P"). The outcome of the results will be made available to the Purchasers as soon as possible. (See "OTHER PERTINENT INFORMATION – Ratings" in the Preliminary Official Statement). An explanation of the significance of such a rating may be obtained from S&P. The rating of the Notes by S&P reflects only the view of S&P at the time the rating is given, and the Authority makes no representations as to the appropriateness of the

rating. If the Purchaser chooses to submit a bid utilizing Note insurance, the enhanced long-term rating on the Notes will be dependent upon the rating of the provider of such policy. See “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS” in the Preliminary Official Statement. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Notes.

SALE OF ADDITIONAL NOTES: The Authority currently has no definitive plans to issue additional obligations in the next 12 months.

REGISTRATION AND QUALIFICATION OF NOTES FOR SALE: No registration statement relating to the Notes has been filed with the SEC under the Securities Act of 1933, as amended (the “Act”), in reliance upon exemptions provided in such Act. The Notes have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. Any representation to the contrary is a criminal offense. The Notes have not been registered or qualified under the Securities Act of Texas in reliance upon exemptions contained therein, nor have the Notes been registered or qualified under the securities acts of any other jurisdiction. The Authority assumes no responsibility for registration or qualification of the Notes under the securities laws of any jurisdiction in which the Notes may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Notes shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Notes under the securities laws of any jurisdiction which so requires. The Authority agrees to cooperate, at the Purchaser's written request and expense and within reasonable limits, in registering or qualifying the Notes, or in obtaining an exemption from registration or qualification in any state where such action is necessary, but will in no instance execute a general consent to service of process in any state that the Notes are offered for sale.

ADDITIONAL COPIES: Subject to the limitations described herein, an electronic copy of this Official Notice of Sale, the Official Bid Form, and the Official Statement may be obtained from www.samcocapital.com.

The Board of the Authority has approved the form and content of the Official Notice of Sale, the Official Bid Form, and the Official Statement and authorized the use thereof in its initial offering of the Notes. On the date of the sale, the Notes will, in the Resolution authorizing the issuance of the Notes, reconfirm its approval of the form and content of the Official Statement, and any addenda, supplement, or amendment thereto, and authorize its further use in the reoffering of the Notes by the Purchaser.

/s/

President, Board of Directors
LAKE CITIES MUNICIPAL UTILITY AUTHORITY

ATTEST:

/s/

Secretary, Board of Directors
LAKE CITIES MUNICIPAL UTILITY AUTHORITY

March 11, 2024

(this page intentionally left blank)

OFFICIAL BID FORM

Honorable Board President and Board
Lake Cities Municipal Utility Authority
501 N Shady Shores Drive
Lake Dallas, Texas 75065

March 18, 2024

Dear Ladies and Gentlemen:

Subject to the terms of your Official Notice of Sale and Preliminary Official Statement dated March 11, 2024, which terms are incorporated by reference to this proposal, we hereby submit the following bid for \$2,400,000* Lake Cities Municipal Utility Authority Utility System Junior Lien Revenue Notes, Series 2024, dated April 1, 2024 (the "Notes").

For said legally issued Notes, we will pay you \$_____ (a dollar price not less than 101% of par value) plus accrued interest from their date to the date of delivery to us, for Notes maturing April 1 and bearing interest per annum as follows:

Year of Stated Maturity April 1	Principal Amount at Stated Maturity	Coupon %
2025	\$ 765,000	
2026	800,000	
2027	835,000	

Our calculation (which is not part of this bid) of the Net _____%
Effective Interest Cost from the above is:

We are (are not) having the Notes of the following maturities _____ insured by _____ at a premium of \$_____. The premium will be paid by the Winning Bidder. Any fees due to Rating Agencies, other than S&P Global Ratings ("S&P"), as a result of said insurance will be paid by the Winning Bidder. The Authority will pay the fee due to S&P.

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: As a condition to our submittal of this bid for the Notes, we acknowledge the following: The Authority reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Notes, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Notes shall not exceed \$2,400,000*. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Official Notice of Sale may be amended at the sole discretion of the Authority to reflect such increase or decrease. The Authority will attempt to maintain total per Note underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

The Initial Note(s) shall be registered in the name of _____, which will, upon payment for the Notes, be cancelled by the Paying Agent/Registrar. The Notes will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the Book-Entry-Only System.

Cashier's Check of the _____ Bank, _____, Texas, in the amount of \$48,000, which represents our Good Faith Deposit (is attached hereto) or (has been made available to you prior to the opening of this Bid), and is submitted in accordance with the terms as set forth in the Official Notice of Sale, said check is to be returned to the Purchaser.

We agree to accept delivery of the Notes utilizing the Book-Entry-Only System through DTC and make payment for the Initial Notes in immediately available funds at the Corporate Trust Division, BOKF, NA, Dallas, Texas, not later than 11:00 A.M., Central Time, on Thursday, April 11, 2024, or thereafter on the date the Notes are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale. It will be the obligation of the Purchaser of the Notes to complete and file the DTC Eligibility Questionnaire. The undersigned agrees to the provisions of the Official Notice of Sale under the heading "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" and, as evidence thereof, agrees to complete, execute, and deliver to the Authority, by the Delivery Date, a certificate relating to the "issue price" of the Notes in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to Bond Counsel for the Authority. (See "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" in the Official Notice of Sale.)

**Preliminary; subject to change.*

Through submittal of this executed Official Bid Form, the undersigned verifies that, except to the extent otherwise required by applicable Texas or Federal law, it (1) does not and will not "boycott Israel", (2) is not a company on the Texas Comptroller's list concerning "foreign

terrorist organizations” prepared and maintained thereby under applicable Texas law, (3) does not and will not “discriminate against a firearm entity or firearm trade association”, (4) does not and will not “boycott energy companies” and (5) it has, as of the date of this official bid form and as of Closing on file with the Texas Attorney General a standing letter addressing the representations and verifications in (1) through (4), all as more fully provided in the Official Notice of Sale under the heading “ADDITIONAL CONDITION OF AWARD”.

For purposes of contracting for the sale of the Notes, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Notes. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the Authority is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

Upon notification of conditional verbal acceptance, the undersigned will, if required by applicable Texas law as described in the Official Notice of Sale under the heading “ADDITIONAL CONDITION OF AWARD – Disclosure of Interested Party Form”, complete an electronic form of the Certificate of Interested Parties Form 1295 (the “Disclosure Form”) through the Texas Ethics Commission’s (the “TEC”) electronic portal and the resulting certified Disclosure Form that is generated by the TEC’s electronic portal will be printed, signed, and sent by email to the Authority’s financial advisor at mmcliney@samcocapital.com and Bond Counsel at stephanie.leibe@nortonrosefulbright.com. The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the Authority from providing final written award of the enclosed bid.

Upon acceptance of this bid by the Authority, the accepted bid and Official Notice of Sale will together comprise a binding contract between the winning bidder and the Authority in accordance with their terms. The acceptance of the bid creates a binding contract with a term that extends until the Notes are taken up and paid for by the Bidder or any earlier termination of this contract in accordance with the terms of the Official Notice of Sale.

By: _____
Authorized Representative

Telephone Number

E-mail Address

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by Lake Cities Municipal Utility Authority, subject to and in accordance with the Official Notice of Sale and Official Bid Form, this 18th day of March, 2024.

ATTEST:

President, Board of Directors
Lake Cities Municipal Utility Authority

Secretary, Board of Directors
Lake Cities Municipal Utility Authority

(this page intentionally left blank)

\$2,400,000*
LAKE CITIES MUNICIPAL UTILITY AUTHORITY
UTILITY SYSTEM JUNIOR LIEN REVENUE NOTES, SERIES 2024

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of _____, _____, _____ ("_____"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Obligations") of the Lake Cities Municipal Utility Authority (the "Issuer").

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Obligations to the Public by _____ are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Obligations used by _____ in formulating its bid to purchase the Obligations. Attached as Schedule B is a true and correct copy of the bid provided by _____ to purchase the Obligations.

(b) _____ was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by _____ constituted a firm offer to purchase the Obligations.

2. Defined Terms.

(a) Maturity means Obligations with the same credit and payment terms. Obligations with different maturity dates, or Obligations with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) Public means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) Sale Date means the first day on which there is a binding contract in writing for the sale of a Maturity of the Obligations. The Sale Date of the Obligations is March 18, 2024.

(d) Underwriter means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Obligations to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Obligations to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Obligations to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents _____ interpretation of any laws, including specifically sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Obligations and with respect to compliance with the federal income tax rules affecting the Obligations, and by Norton Rose Fulbright US LLP in connection with rendering its opinion that the interest on the Obligations is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Obligations.

By: _____

Name: _____

Title: _____

Dated: _____

(this page intentionally left blank)

SCHEDULE A

EXPECTED OFFERING PRICES

(this page intentionally left blank)

SCHEDULE B

COPY OF UNDERWRITER'S BID

(this page intentionally left blank)

PRELIMINARY OFFICIAL STATEMENT

March 11, 2024

In the opinion of Bond Counsel (identified below), assuming continuing compliance by the Issuer after the date of initial delivery of the Notes (defined below) with certain covenants contained in the Resolution (defined below) and subject to the matters described under "TAX MATTERS" herein, interest on the Notes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Notes, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. (See "TAX MATTERS" herein.)

The Issuer will designate the Notes as "Qualified Tax-Exempt Obligations" for financial institutions.

\$2,400,000*

LAKE CITIES MUNICIPAL UTILITY AUTHORITY

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

UTILITY SYSTEM JUNIOR LIEN REVENUE NOTES, SERIES 2024

Dated Date: April 1, 2024

Due: April 1, as shown on inside cover

The \$2,400,000* Lake Cities Municipal Utility Authority Utility System Junior Lien Revenue Notes, Series 2024 (the "Notes"), are being issued pursuant to the laws of the State of Texas (the "State"), including Article XVI, Section 59 Texas Constitution, Section 49.153, Texas Water Code, Chapter 1201, Texas Government Code, and a resolution (the "Resolution") to be adopted by the Board of Directors of the Lake Cities Municipal Utility Authority (the "Authority" or the "Issuer") on March 18, 2024. (See "THE NOTES – Authority for Issuance" herein.)

The Notes are special obligations of the Issuer payable both as to principal and interest solely from and equally and ratably secured, together with any Additional Junior Lien Obligations (as defined in the Resolution) hereafter issued by the Authority, by a lien on and pledge of the Pledged Revenues (hereinafter defined), being (primarily) the Net Revenue (defined herein) derived from the operation of the Authority's waterworks and sewer system (the "System"), which lien and pledge is immediately junior and inferior to the first and prior lien thereon and pledge thereof securing the repayment of the currently outstanding Prior Lien Obligations (hereinafter defined), but senior and superior to the lien thereon and pledge thereof securing the repayment of any Subordinate Lien Obligation hereafter issued by the Authority. In the Resolution, the Authority has reserved the right to issue Additional Prior Lien Obligations, Additional Junior Lien Obligations, and Subordinate Lien Obligations (each as defined in the Resolution) without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. (See "THE NOTES – Source of and Security for Payment" herein.) Capitalized, but undefined, terms used herein have the meanings described thereto in the Resolution.

The Notes shall not be a charge upon any other income or revenues of the Issuer and shall never constitute an indebtedness or pledge of the general credit or taxing power of the Issuer. The Resolution does not create any lien or mortgage on the System and any judgment against the Issuer may not be enforced by levy and execution against the property owned by the Issuer. The Resolution does not create or constitute a legal or equitable pledge, charge, lien, mortgage or encumbrance upon any property of the Issuer or the System, except the Pledged Revenues. As additional security, there has been established a Reserve Fund which shall be funded in an amount at least equal to the Average Annual Debt Service Requirements (as defined in the Resolution) of the Notes and any Additional Junior Lien Obligations hereinafter issued by the Issuer; however, the Issuer's obligation to fund the Reserve Fund is initially suspended and shall remain so suspended for so long as certain annual debt service coverage ratios are maintained at or above minimum levels. (See "THE Notes – Security for Payment" herein.)

Interest on the Notes will accrue from April 1, 2024 (the "Dated Date") and is payable initially October 1, 2024 and each April 1 and October 1 thereafter until stated maturity, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Notes will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof within a stated maturity, and when issued, will be registered 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 Notes until DTC resigns or is discharged. The Notes initially will be available to purchasers in book-entry form only. Purchasers of the Notes ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Notes purchased. So long as Cede & Co., as the paying agent to DTC, is the registered owner of the Notes, principal of and interest on the Notes will be payable by the Paying Agent/Registrar to DTC, which will be solely responsible for making such payment to the Beneficial Owners of the Notes. The initial Paying Agent/Registrar for the Notes shall be BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar").

Proceeds from the sale of the Notes will be used for the purpose of (i) acquiring, purchasing, constructing, improving, extending, renovating, enlarging, or equipping the Issuer's utility systems, and (ii) paying the costs and expenses incurred in connection with issuance the Notes. (See "THE NOTES – Use of Note Proceeds" herein.)

The Authority has made application to municipal bond insurance companies to have the payment of the principal of and interest on the Notes insured by a municipal bond insurance policy and will consider the purchase of such insurance after an analysis of the bids from such companies has been made. The Purchaser (hereinafter defined) will be responsible for paying the insurance premium. See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)

SEE FOLLOWING PAGE FOR STATED MATURITIES, PRINCIPAL AMOUNTS,
INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS AND REDEMPTION PROVISIONS FOR THE NOTES

The Notes are offered for delivery when, as and if issued and received by the initial purchaser thereof (the "Purchaser") and subject to the approving opinion of the Attorney General of the State and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or attached to, the Notes. It is expected that the Notes will be available for initial delivery through DTC on or about April 11, 2024.

BIDS DUE MONDAY, MARCH 18, 2024 11:00 A.M. CENTRAL TIME

*Preliminary, subject to change

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

\$2,400,000*
LAKE CITIES MUNICIPAL UTILITY AUTHORITY
 (A political subdivision of the State of Texas located in Denton County, Texas)
UTILITY SYSTEM JUNIOR LIEN REVENUE NOTES, SERIES 2024

CUSIP Prefix No. 507797⁽¹⁾

MATURITY SCHEDULE*

Stated Maturity April 1	Principal Amount*	Interest Rate (%)	Initial Yield (%)	CUSIP Suffix ^(a)
2025	\$ 765,000			
2026	800,000			
2027	835,000			

(Interest to accrue from the Dated Date)

 *Preliminary, subject to change.

Redemption. The Notes will **not** be subject to redemption prior to their stated maturity.

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc., on behalf of the American Bankers Association and are solely for the convenience of the owners and potential owners of the Notes. No assurance can be given that the CUSIP number for a particular maturity of the Notes will remain the same after the date of initial delivery of the Notes. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Authority, the Financial Advisor, or the Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

ELECTED AND APPOINTED OFFICIALS

LAKE CITIES MUNICIPAL UTILITY AUTHORITY 501 N SHADY SHORES DRIVE LAKE DALLAS, TEXAS 75065

BOARD OF DIRECTORS:

Name	Place	Term of Office
Tom Rufer President	2	May 2022 – May 2026
Cecil Carter Vice President	3	May 2020 – May 2024
Jennifer Gordon Secretary	4	May 2020 – May 2024
Ray Jones Director	1	August 2022 – May 2026
Joe Flowers Director	5	May 2020 – May 2024

ADMINISTRATIVE OFFICIALS

Name	Position	Length of Service (Years)
Mike Fairfield	General Manager	17 years
Kate Boatler	Assistant General Manager	12 years
Becky Vickers	Human Resources	34 years
Mark DiCiaccio	Operations Manager	12 years
Devin Shields	Development Coordinator	4 years

CONSULTANTS AND ADVISORS

Bond Counsel..... Norton Rose Fulbright US LLP
Austin, Texas

Certified Public Accountant BrooksWatson & Co., PLLC
Houston, Texas

Financial Advisor..... SAMCO Capital Markets, Inc.
San Antonio, Texas

For Additional Information Please Contact

Ms. Kate Boatler
Assistant General Manager
Lake Cities Municipal Utility Authority
501 N Shady Shores Road
Lake Dallas, Texas 75065
Telephone: (940) 497-2999
kboatler@lcmua.org

Mr. Mark McLiney
Mr. Andrew Friedman
SAMCO Capital Markets, Inc.
1020 NE Loop 410, Suite 640
San Antonio, Texas 78209
Telephone: (210) 832-9760
mmcliney@samcocapital.com
afriedman@samcocapital.com

USE OF INFORMATION IN THE PRELIMINARY OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended, and in effect on the date of this Preliminary Official Statement (the “Rule”), this document constitutes an “official statement” of the Authority with respect to the Notes that has been “deemed final” by the Authority as of its date except for the omission of no more than the information permitted by the Rule.

The information set forth or included in this Official Statement has been provided by the Authority and from other sources believed by the Authority and the Purchaser to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the Issuer described herein since the date hereof. The Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation 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 Authority. 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. Any information or expression 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 an implication that there has been no change in the affairs of the Authority or other matters described herein since the date hereof.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the Issuer’s undertaking to provide certain information on a continuing basis.

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

The Purchaser has provided the following sentence for inclusion in this Official Statement. The Purchaser has reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Purchaser does not guarantee the accuracy or completeness of such information.

THE NOTES ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE NOTES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE NOTES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

None of the Authority, its Financial Advisor, or the Purchaser make any representation or warranty with respect to the information contained in this Official Statement regarding the Depository Trust Company or its book-entry-only system, or the Note insurer, if any, and its municipal Bond insurance policy described herein under the heading “BOND INSURANCE”, as such information has been provided by DTC and the Note insurer, respectively.

The agreements of the Authority and others related to the Notes are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Notes is to be construed as constituting an agreement with the Purchaser. Investors should read the entire Official Statement, including all appendices attached hereto, to obtain information essential to making an informed investment decision.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities or passed upon the adequacy or accuracy of this document and any representation to the contrary is a criminal offense.

THE NOTES ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE INVESTORS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, INCLUDING PARTICULARLY THE SECTION OF THE OFFICIAL STATEMENT ENTITLED “INVESTMENT CONSIDERATIONS”.

TABLE OF CONTENTS

COVER PAGE	1	BOND INSURANCE.....	15
ELECTED AND APPOINTED OFFICIALS.....	3	BOND INSURANCE GENERAL RISKS	16
USE OF INFORMATION IN THE		CLAIMS PAYING ABILITIES	16
OFFICIAL STATEMENT.....	4	INVESTMENT POLICIES	16
SELECTED DATA FROM THE		TAX MATTERS	17
OFFICIAL STATEMENT.....	5	CONTINUING DISCLOSURE OF INFORMATION	19
INTRODUCTORY STATEMENT	7	LEGAL MATTERS.....	21
THE NOTES.....	7	FORWARD LOOKING STATEMENTS	21
REGISTRATION, TRANSFER AND EXCHANGE.....	12	OTHER PERTINENT INFORMATION.....	22
BOOK-ENTRY-ONLY	13		
THE AUTHORITY AND THE SYSTEM	14		
ENVIRONMENTAL REGULATIONS	15		

Financial Information of the Lake Cities Municipal Utility Authority	Appendix A
General Information Regarding the Lake Cities Municipal Utility Authority and Hays County, Texas	Appendix B
Form of Opinion of Bond Counsel	Appendix C
Excerpts from the Authority’s Audited Financial Statements for the Fiscal Year Ended August 31, 2023.....	Appendix D
Selected Provisions from the Resolution.....	Appendix E

SELECTED DATA FROM THE PRELIMINARY OFFICIAL STATEMENT

The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Notes to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer	Lake Cities Municipal Utility Authority (the “Authority”) is a political subdivision created by House Bill 1008 on April 30, 1963 during the 58th Session of the Texas Legislature; further amended from time to time including Bill 3804 in 1999 during the 76th Legislative Session (representing a validation of the Authority’s creation and a restatement of prior legislation) collectively, (the “Act”). The Authority has all the rights, powers, privileges, authority, functions, and duties provided by the general law of the state, including Chapter 49 and 51 of the Texas Water Code. Additional rights, powers, privileges authority, functions and duties are also provided by Chapters 54 and 55 of the Texas Water Code. The Authority supplies water under CCN number 10166 and wastewater under CCD number 20060. The Board of Directors (the “Board”) of the Authority, is comprised of five members, each serving a four-year term. Elections are held bi-annually. The Board selects a General Manager who is responsible for managing day-to-day operations and bringing issues to the Board in an efficient and timely manner.
The Notes	The Notes are being issued pursuant to the laws of the State of Texas, including Article XVI, Section 59 of the Texas Constitution, Section 49.153, as amended, Texas Water Code, Chapter 1201, as amended, Texas Government Code, and a resolution (the “Resolution”) to be adopted by the Board on March 18, 2024. (See “THE NOTES – Authority for Issuance” herein.)
No Redemption	The Notes are not subject to redemption prior to stated maturity.
Paying Agent/Registrar	The initial Paying Agent/Registrar will be BOKF, NA, Dallas, Texas.
Security for Payment	The Notes are special obligations of the Issuer payable both as to principal and interest solely from and equally and ratably secured, together with any Additional Junior Lien Obligations (as defined in the Resolution) hereafter issued by the Authority, by a lien on and pledge of the Pledged Revenues (hereinafter defined), being (primarily) the Net Revenue (defined herein) derived from the operation of the Authority’s waterworks and sewer system (the “System”), which lien and pledge is immediately junior and inferior to the first and prior lien thereon and pledge thereof securing the repayment of the currently outstanding Prior Lien Obligations (hereinafter defined), but senior and superior to the lien thereon and pledge thereof securing the repayment of any Subordinate Lien Obligation hereafter issued by the Authority. In the Resolution, the Authority has reserved the right to issue Additional Junior Lien Obligations, and Subordinate Lien Obligations (each as defined in the Resolution) without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. The Notes shall not be a charge upon any other income or revenues of the Issuer and shall never constitute an indebtedness or pledge of the general credit or taxing power of the Issuer. The Resolution does not create any lien or mortgage on the System and any judgment against the Issuer may not be enforced by levy and execution against the property owned by the Issuer. The Resolution does not create or constitute a legal or equitable pledge, charge, lien, mortgage or encumbrance upon any property of the Issuer or the System, except the Pledged Revenues. As additional security, there has been established a Reserve Fund which shall be funded in an amount at least equal to the Average Annual Debt Service Requirements (as defined in the Resolution) of the Notes and any Additional Junior Lien Obligations hereinafter issued by the Issuer. (See “THE NOTES – Source of and Security for Payment” herein.)
Book-Entry-Only System	The Authority intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York relating to the method and timing of payment and the method and transfer relating to the Notes. (See “BOOK-ENTRY-ONLY SYSTEM” herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Notes will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing statutes, regulations, published rulings, and court decisions, subject to matters discussed herein under “TAX MATTERS”. (See “TAX MATTERS” and “Appendix C - Form of Opinion of Bond Counsel” herein.)
Qualified Tax-Exempt Obligations	The Authority will designate the Notes as “Qualified Tax-Exempt Obligations” for financial institutions. (See “TAX MATTERS - Qualified Tax-Exempt Obligations” herein.)
Use of Note Proceeds	Proceeds from the sale of the Notes will be used for the purpose of (i) acquiring, purchasing, constructing, improving, extending, renovating, enlarging, or equipping the Issuer’s utility systems, and (ii) paying the costs and expenses incurred in connection with issuance the Notes. (See “THE NOTES – Use of Note Proceeds” herein.)

Ratings	A municipal bond rating application has been made to S&P Global Ratings ("S&P"). The outcome of the results will be made available as soon as possible. (See "OTHER PERTINENT INFORMATION - Ratings" herein.)
Bond Insurance	The Authority has made application to municipal bond insurance companies to have the payment of the principal of and interest on the Notes insured by a municipal bond insurance policy. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)
Payment Record	The Authority has never defaulted on the payment of its bonded indebtedness.
Future Note issues	The Authority has no plans to issue any other debt issues in the next 12 months.
Delivery	When issued, anticipated to occur on or about April 11, 2024.
Legality	Delivery of the Notes is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Bond Counsel, Austin, Texas.

(The remainder of this page intentionally left blank.)

PRELIMINARY OFFICIAL STATEMENT
relating to
\$2,400,000*
LAKE CITIES MUNICIPAL UTILITY AUTHORITY
(A political subdivision of the State of Texas located in Denton County, Texas)
UTILITY SYSTEM JUNIOR LIEN REVENUE NOTES, SERIES 2024

INTRODUCTORY STATEMENT

This Official Statement, including the appendices hereto, provides certain information in connection with the issuance by the Lake Cities Municipal Utility Authority (the “Authority” or “Issuer”) of its \$2,400,000* Utility System Junior Lien Revenue Notes, Series 2024 (the “Notes”) identified on page 2 hereof.

The Authority is a political subdivision of the State of Texas and the Notes are being issued pursuant to the laws of the State of Texas (the “State”), including Article XVI, Section 59 of the Texas Constitution, Section 49.153, as amended, Texas Water Code, Chapter 1201, as amended, Texas Government Code, and a resolution (the “Resolution”) to be adopted by the Board of Directors (the “Board”) of the Authority on March 18, 2024, being the date of sale of the Notes. (See “THE NOTES –Authority for Issuance” herein.)

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Resolution. Included in this Official Statement are descriptions of the Notes and certain information about the Authority and its finances. ***ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.*** A copy of such documents may be obtained upon request from the Authority or its Financial Advisor, SAMCO Capital Markets, Inc., 1020 NE Loop 410, Suite 640, San Antonio, Texas 78209, via electronic mail or upon payment of reasonable copying, handling, and delivery charges.

All financial and other information presented in this Official Statement has been provided by the Authority from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in financial position or other affairs of the Authority. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Final Official Statement pertaining to the Notes will be filed by the Purchaser with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) system. See “CONTINUING DISCLOSURE OF INFORMATION” herein for a description of the Authority’s undertaking to provide certain information on a continuing basis. Capitalized terms used, but not defined herein, shall have the meanings ascribed thereto in the Resolution.

THE NOTES

General Description

Interest on the Notes will accrue from April 1, 2024 (the “Dated Date”) and is payable initially October 1, 2024 and each April 1 and October 1 thereafter until stated maturity, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Notes will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof within a stated maturity, and when issued, will be registered 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 Notes until DTC resigns or is discharged. The Notes initially will be available to purchasers in book-entry form only. Purchasers of the Notes (“Beneficial Owners”) will not receive physical delivery of certificates representing their interest in the Notes purchased. So long as Cede & Co., as the paying agent to DTC, is the registered owner of the Notes, principal of and interest on the Notes will be payable by the Paying Agent/Registrar to DTC, which will be solely responsible for making such payment to the Beneficial Owners of the Notes. The initial Paying Agent/Registrar for the Notes shall be BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”). (See “BOOK-ENTRY-ONLY SYSTEM” herein.)

If the specified date for any payment of principal of or interest on the Notes is a Saturday, Sunday, or legal holiday or equivalent for banking institutions generally in the city in which Designated Payment Transfer Office of the Paying Agent/Registrar is located, such payment may be made on the next succeeding day 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 payment.

Use of Note Proceeds

Proceeds from the sale of the Notes will be used for the purpose of (i) acquiring, purchasing, constructing, improving, extending, renovating, enlarging, or equipping the Issuer’s utility systems, and (ii) paying the costs and expenses incurred in connection with issuance the Notes. (See “THE NOTES – Use of Note Proceeds” herein.)

Sources and Uses of Funds

The proceeds from the sale of the Notes will be applied approximately as follows:

Sources	
Par Amount of the Notes	\$ _____
Accrued Interest on the Notes	_____
[Net] Reoffering Premium/Discount on the Notes	_____
Total Sources of Funds	=====
Uses	
Project Fund Deposit	\$ _____
Purchasers' Discount	_____
Note Fund Deposit	_____
Costs of Issuance	_____
Total Uses	=====

Authority for Issuance

The Notes are being issued pursuant to the laws of the State of Texas, including Article XVI, Section 59 of the Texas Constitution, Section 49.153, as amended, Texas Water Code, Chapter 1201, as amended, Texas Government Code, and a resolution (the "Resolution") to be adopted by the Board of Directors of the Lake Cities Municipal Utility Authority (the "Authority" or the "Issuer") on March 18, 2024, being the date of sale of the Notes.

Source of and Security for Payment

The Notes are special obligations of the Issuer payable from a junior and inferior lien on and pledge of the Pledged Revenues (defined herein), being (primarily) Net Revenues (defined herein) derived from the operation of the Issuer's waterworks and sewer system (the "System"). The Resolution defines "Pledged Revenues" to mean (1) Net Revenues (defined in the Resolution to include Gross Revenues of the System, with respect to any period, after deducting the System's Maintenance and Operating Expenses during such period), plus (2) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations, or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter are pledged by the Authority to the payment of the Bonds Similarly Secured, and excluding those revenues excluded from Gross Revenues. See "SELECTED PROVISIONS OF THE RESOLUTION" attached hereto as Appendix A.

Although authorized by State law to levy and collect ad valorem taxes for operation and maintenance purposes and for the payment of certain tax-supported obligations, the Authority has not conducted an election to authorize such levy and collection. Therefore, the Notes are not secured by any collection of ad valorem tax revenue within the Authority, nor should investors expect that ad valorem tax revenues will be available at any time in the future to supplement operational revenues available for paying operation and maintenance costs of the Authority.

In the Resolution, the Authority has reserved the right to issue Additional Junior Lien Obligations and Subordinate Lien Obligations and to issue Special Project Bonds which will be payable from and secured by the proceeds of a contract or contracts with persons, corporations, municipal corporations, political subdivisions or other entities.

The Bonds shall not be a charge upon any other income or revenues of the Issuer and shall never constitute an indebtedness or pledge of the general credit or taxing power of the Issuer. The Resolution does not create any lien or mortgage on the System and any judgment against the Issuer may not be enforced by levy and execution against the property owned by the Issuer. The Resolution does not create or constitute a legal or equitable pledge, charge, lien, mortgage or encumbrance upon any property of the Issuer or the System, except the Pledged Revenues. As additional security, there has been established a Reserve Fund which shall be funded in an amount at least equal to the Average Annual Debt Service Requirements of the Notes and any Additional Junior Lien Obligations hereinafter issued by the Issuer.

Perfection of Security for the Notes

Chapter 1208, Texas Government Code, as amended, applies to the issuance of the Notes and the pledge of the Net Revenues to secure the Notes, and such pledge is therefore, valid, effective and perfected. Should Texas law be amended while the Notes are outstanding and unpaid, the result of such amendment being that the pledge of the Net Revenues is to be subject to the filing requirements of Chapter 9, Texas Business and Commerce Code, in order to preserve to the registered owners of the Notes a security interest in such pledge, the Authority has agreed in the Resolution to take such measures as it determines reasonable and necessary to enable a filing of a security interest in said pledge to occur.

Redemption

The Notes are not subject to redemption prior to their stated maturity.

Flow of Funds

The Authority hereby covenants and agrees that deposits into the Revenue Fund shall be pledged and appropriated to the extent require for the following uses and in the order of priority shown:

- First: To the payment of all necessary and reasonable Maintenance and Operating Expenses as defined in the Resolution or required by statute to be a first charge on and claim against the Gross Revenues of the System, provided, however, that the Authority has reserved the right to levy and collect a maintenance and operations ad valorem tax to be utilized to pay Maintenance and Operating Expenses if this maintenance and operations ad valorem tax is approved by the qualified voters of the Authority at an election held and conducted in accordance with the provisions of the Texas Water Code and other applicable law.
- Second: To the payment of the amounts required to be deposited into the funds created and established for the payment, security, and benefit of any Prior Lien Obligations now outstanding or hereafter issued as the same become due and payable.
- Third: To the payment of the amounts required to be deposited into the Reserve Fund to establish and maintain the the reserve requirement in accordance with any other resolution relating to the issuance of Previously Issued Prior Lien Obligations.
- Fourth: To the payment of the amounts required to be deposited into the Note Fund created and established for the payment, security, and benefit of any Bonds Similarly Secured (including the Notes) now outstanding or hereafter issued as the same become due and payable.
- Fifth: To the payment of the amounts required to be deposited into the Reserve Fund to establish and maintain the Required Reserve (hereinafter defined) in accordance with the provisions of this Resolution or any other resolution relating to the issuance of Bonds Similarly Secured.
- Sixth: To the payment of the amounts required to be deposited into the funds created and established for the payment, security, and benefit of any Subordinate Lien Obligations hereafter issued as the same become due and payable.

Any Net Revenues remaining in the Revenue Fund after satisfying the foregoing payments or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other Authority purpose now or hereinafter permitted by law.

Note Fund

For purposes of providing funds to pay the principal of and interest on the Bonds Similarly Secured (including the Notes) as the same become due and payable, the Authority has agreed to maintain, establish and create, a separate and special Fund known as the "Lake Cities Municipal Utility Authority Utility System Junior Lien Revenue Notes Interest and Sinking Fund" (the "Note Fund"). The Authority has covenanted that there shall be deposited into the Note Fund prior to each principal and interest payment date from the available Pledged Revenues an amount equal to one hundred percent (100%) of the amount required to fully pay the interest on and the principal of the Bonds Similarly Secured then falling due and payable, such deposits to pay maturing principal and accrued interest on the Bonds Similarly Secured to be made in substantially equal monthly installments on or before the 1st day of each month, beginning on or before the first day of the month next following the delivery of the Notes to the Purchaser. If the Pledged Revenues in any month are insufficient to make the required payments into the Note Fund, then the amount of any deficiency in such payment shall be added to the amount otherwise required to be paid into the Note Fund in the next month.

Reserve Fund

The Resolution creates and establishes, and provides for the maintenance of, a Reserve Fund for the payment of the principal of and interest on the Bonds Similarly Secured (which includes the Notes) when money in the Note Fund is insufficient on any payment date. The amount to be accumulated and maintained as a reserve amount (the "Required Reserve") in the Reserve Fund shall be equal to the Average Annual Debt Service Requirement of the Bonds Similarly Secured then outstanding (calculated on a Fiscal Year basis as of the date the last series of Outstanding Bonds Similarly Secured was delivered). Following the delivery of the Notes, the Required Reserve, being the initial amount required to be on deposit in the Reserve Fund, is calculated to equal \$_____. Beginning on or before the 1st day of the month next following the month the Notes are delivered to the Purchaser and on or before the 1st day of each following month until the Required Reserve has been fully accumulated, there shall be deposited into the Reserve Fund from the Net Revenues of the System an amount equal to at least 1/60th of the Required Reserve. After the Required Reserve has been accumulated, monthly deposits to the Reserve Fund may be terminated; provided, however, should a deficiency thereafter exist (other than as a result of the issuance of Additional Parity Bonds) in the Required Reserve, the Authority shall resume monthly deposits to the Reserve Fund calculated to cure the deficiency by making monthly deposits to the Reserve Fund in amounts of not less than 1/60th of the deficiency and continuing

such deposits until the deficiency is cured. In the Resolution, the Authority has the right to fund the Required Reserve by securing an insurance policy, surety policy, or other similar credit facility.

To the extent permitted by law, the Authority expressly reserves the right at any time to fund all or any part of the Reserve Fund to be held in the Reserve Fund by entering into a Credit Agreement with or purchasing a Credit Facility from a Credit Provider that will unconditionally obligate the Credit Provider to pay all, or any part thereof, of the Required Reserve in the event funds on deposit in the Note Fund are not sufficient to pay the debt service requirements on the Bonds Similarly Secured. Such Credit Agreement or Credit Facility, authorized pursuant to Chapter 1371 will be submitted to the Attorney General of the State of Texas for review and approval. All resolutions adopted after the date hereof authorizing the issuance of Additional Junior Lien Obligations shall contain a provision to this effect.

The requirements set forth above to fund the Reserve Fund in the amount of the Required Reserve shall be suspended for such time as the Pledged Revenues for each Fiscal Year are equal to at least 110% of the Average Annual Debt Service Requirements. In the event that the Pledged Revenues for any two consecutive Fiscal Years are less than 110% (unless such percentage is below 100% in any Fiscal Year, in which case the hereinafter-specified requirements will commence after such Fiscal Year) of the Average Annual Debt Service Requirements, the Authority will be required to commence making the deposits to the Reserve Fund, as provided above, and to continue making such deposits until the earlier of (i) such time as the Reserve Fund contains the Required Reserve Amount or (ii) the Pledged Revenues for a Fiscal Year have been equal to not less than 110% of the Average Annual Debt Service Requirements.

Rate Covenant

For the benefit of the holders of the Notes and any other Bonds Similarly Secured and in addition to all provisions and covenants in the laws of the State of Texas and in the Resolution, the Authority has expressly stipulated and agreed, while any of the Bonds Similarly Secured are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the System, that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year sufficient:

- A. to pay all Maintenance and Operating Expenses, together with any other lawfully available funds, or any expenses required by statute to be a first claim on and charge against the Gross Revenues of the System;
- B. to produce Pledged Revenues, together with any other lawfully available funds, equal to 1.10 times the amount that is sufficient to pay the Debt Service Requirements on the Prior Lien Obligations, as the same become due and payable and to deposit the amounts required to be deposited in any special fund or account created and established for the payment and security thereof and any other obligations or evidence of indebtedness issued or incurred that are payable from and secured by a first and prior lien on and pledge of the Net Revenues of the System;
- C. to produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Bonds Similarly Secured, as the same become due and payable, and to deposit the amounts required to be deposited in any reserve or contingency fund or account created for the payment and security of any Bonds Similarly Secured and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured by a junior and inferior lien on and pledge of the Net Revenues;
- D. to produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Subordinate Lien Obligations hereafter issued by the Authority as the same become due and payable and to deposit the amounts required to be deposited in any special fund or account created and established for the payment and security of any Subordinate Lien Obligations and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured by a subordinate and inferior lien on and pledge of the Net Revenues; and
- E. to pay, together with any other lawfully available funds, any other legally incurred indebtedness payable from the Net Revenues and/or secured by a lien on the System.

Additional Prior Lien Obligations, Additional Junior Lien Obligations and Subordinate Lien Obligations

In the Resolution, the Authority has covenanted not issue Additional Prior Lien Obligations while the Notes are outstanding. The Authority has reserved the right to issue, at any time, obligations including, but not limited to, inferior lien obligations payable from and equally and ratably secured, in whole or in part, by a lien on and pledge of the Net Revenues subordinate and inferior in rank and dignity to the lien on and pledge of such Net Revenues securing the payment of the Prior Lien Obligations as may be authorized by the laws of the State of Texas upon satisfying any conditions precedent contained in the resolutions authorizing the issuance of the Junior Lien Obligations.

Legality

Delivery of the Notes is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Bond Counsel, Austin, Texas.

Amendments

The Issuer may amend the Resolution without the consent of or notice to any registered owners 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 Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds Similarly Secured then

outstanding affected thereby, amend, add to, or rescind any of the provisions of the Resolution; except that, without the consent of the registered owners of all of the Bonds Similarly Secured affected, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Note is due and payable, reduce the principal amount thereof, or the rate of interest thereon, the redemption price therefor, change the place or places at or the coin or currency in which any Bond Similarly Secured or interest thereon is payable, or in any other way modify the terms of payment of the principal of or interest on the Bonds Similarly Secured, (2) give any preference to any Bond Similarly Secured over any other Note, or (3) reduce the aggregate principal amount of Bonds Similarly Secured required for consent to any amendment, change, modification, or waiver.

Defeasance

The Resolution provides for the defeasance of the Notes when the payment of the principal of and premium, if any, on the Notes, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment, (2) Government Securities (defined below) that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Notes, or (3) a combination of money and Government Securities together so certified sufficient to make such payment. The Authority has additionally reserved the right in the Resolution, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested money on deposit for such defeasance and to withdraw for the benefit of the Authority money in excess of the amount required for such defeasance. The Resolution provides that "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Authority authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the Authority adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, or (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Notes. In connection with the sale of the Notes the Authority may restrict such eligible securities as deemed appropriate. There is no assurance that the ratings for United States Treasury securities acquired to defease any Notes, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Notes ("Defeasance Proceeds"), though the Authority has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Resolution does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the Authority to use lawfully available Defeasance Proceeds to defease all or any portion of the Notes, registered owners of Notes are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

Upon such deposit as described above, such Notes will no longer be regarded to be outstanding obligations for purposes of applying any limitation on indebtedness or for purposes of taxation. After firm banking and financial arrangements for the discharge and final payment of the Notes have been made as described above, all rights of the Authority to initiate proceedings to call the Notes for redemption or take any other action amending the terms of the Notes are extinguished; provided, however, that, the Authority's right to redeem Notes defeased to stated maturity is not extinguished if the Authority has reserved the option, to be exercised at the time of the defeasance of the Notes those Notes which have been defeased to their stated maturity date, if the Authority: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Notes for redemption; (ii) gives notice of the reservation of that right to the owners of the Notes immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Default and Remedies

If the Authority defaults in the payment of the principal of or interest on the Notes when due, or the Authority defaults in the observance or performance of any of the covenants, conditions, or obligations of the Authority, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Resolution, any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the Authority to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Notes or the Resolution and the Authority's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, subject to the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Notes in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Resolution does not provide for the appointment of a trustee to represent the interest of the Noteholders upon any failure of the Authority to perform in accordance with the terms of the Resolution, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear

whether the Texas legislature has effectively waived the Authority's sovereign immunity from a suit for money damages, Noteholders may not be able to bring such a suit against the Authority for breach of the Notes or Resolution covenants. Even if a judgment against the Authority could be obtained, it could not be enforced by direct levy and execution against the Authority's property. Furthermore, the Authority is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9").

Special districts, such as the Authority, must obtain the approval of the Texas Commission on Environmental Quality ("TCEQ") as a condition of seeking relief under Chapter 9. TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under Chapter 9 only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Noteholders of an entity which has sought protection under Chapter 9. Therefore, if the Authority is permitted to proceed with Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The Authority may not be placed into bankruptcy involuntarily. The opinion of Bond Counsel will Note that all opinions relative to the enforceability of the Notes are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Resolution, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking association or corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and registered as a transfer agent with the United States Securities and Exchange Commission (the "SEC"). Upon a change in the Paying Agent/Registrar for the Notes, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Notes affected by the change by United States mail, first-class, postage prepaid.

Record Date

The record date ("Record Date") for determining the registered owner entitled to receive the interest payable on a Note on any interest payment date means the fifteenth day of the month next preceding each interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment will be established by the Paying Agent/Registrar.

Special Record Date for Interest Payment

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

The Notes will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at stated maturity or earlier redemption upon presentation to the Paying Agent/Registrar. If the date for the payment of the principal or interest on the Notes shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Future Registration

In the event the Notes are not in the Book-Entry-Only System, the Notes may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Note may be assigned by the execution of an assignment form on the Note or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Note or Notes will be delivered by the Paying Agent/Registrar in lieu of the Notes being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Notes issued in an exchange or transfer of Notes will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Notes to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

New Notes registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Note or Notes surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized in regard to ownership and transferability of the Notes.)

Replacement Notes

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

BOOK-ENTRY-ONLY SYSTEM

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

The Authority cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Notes, 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 Notes), 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 SEC, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Notes. The Notes 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 Note certificate will be issued for the Notes, in the aggregate principal amount of such issue, and will be deposited with DTC.

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

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

To facilitate subsequent transfers, all Notes 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 Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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 Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee

holding the Notes 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 Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, premium, if any, and interest payments on the Notes 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 Authority or the Paying Agent/Registrar, on payment 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, the Paying Agent/Registrar, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal premium, if any, 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 Authority or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to Issuer or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical certificates representing each Note stated maturity are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical certificates representing each Note stated maturity 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 Authority, the Financial Advisor, and the Underwriters believe to be reliable, but none of the Authority, the Financial Advisor, or the Underwriters take responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Notes, the Issuer will have no obligation or responsibility to the DTC. Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Notes are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Notes, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, payment or notices that are to be given to registered owners under the Resolution will be given only to DTC.

THE AUTHORITY AND THE SYSTEM

The Authority

The Authority, a conservation and reclamation district and political subdivision of the State was created in 1963 pursuant to Article XVI, Section 59 of the Texas Constitution, the Act, and Chapter 49, as amended, Texas Water Code for the purpose of providing a source of water supply for municipal, domestic, and industrial use and for operating a complete sanitary sewer system. The Authority has all the powers, rights, privileges, and functions of a public utility agency and a political subdivision of the State, including the power to engage in utility business that involves the collection, conservation, storage, transportation, treatment, or distribution of water for System users. The Authority may perform any act necessary to exercise its powers to the fullest extent, including the issuance of obligations, payment of which is secured by the revenue derived from all or part of its facilities, including facilities acquired after the obligations are issued, provided such obligations are scheduled to mature not later than 40 years after the date of issuance. The issuance of the Notes by the Authority represents the Authority's exercise of its authorized powers.

The System

The System currently serves the cities of Hickory Creek, Lake Dallas, and Shady Shores, Texas, and their extra-territorial jurisdictions all located in Denton County Texas on and near Lake Lewisville.

Authority's water supply is surface water from the Upper Trinity Regional Water District ("UTRWD") and groundwater from three wells. Pursuant to a September 1990 contract with UTRWD, the Authority is to receive a minimum of 3.8 million gallons per day ("MGD") from the UTRWD with the ability to receive additional amounts. The Authority is responsible for approximately 96 miles of water lines, 2 pump

stations, 3 elevated storage tanks, 4 ground storage tanks, and 3 water wells. The elevated storage tanks have a capacity of 1.55 million gallons and the ground storage tanks have capacity of 1.67 million gallons. The UTRWD contract is the primary source of water for the Authority. The water wells are maintained for emergency needs of the System.

The Authority's wastewater treatment is provided by the UTRWD in the Authority's Lakeview plant. Pursuant to a June 1995 contract (as amended November 1997 and October 2005), the Authority is entitled to 0.9 MGD of capacity in the Lakeview plant and 0.3 MGD capacity in a shared trunk line. The Authority is responsible for 65 miles of gravity wastewater collection lines, 9 miles of force main lines, and 20 lift stations. In exchange for the Authority's existing treatment plant, UTRWD expanded and upgraded the plant for regional service. The Authority in turn received a phase-in capital payment plan that ended in Fiscal Year 2015. The Authority retained first right of refusal to own and operate the treatment plant should UTRWD cease to exist.

ENVIRONMENTAL REGULATION

Wastewater treatment and water supply facilities, such as the System, are subject to stringent and complex environmental laws and regulations. Facilities must comply with environmental laws at the federal, state, and local levels. These laws and regulations can restrict or prohibit certain activities that affect the environment in many ways such as:

1. Requiring permits for construction and operation of water supply wells and wastewater treatment facilities;
2. Restricting the manner in which wastes are released into the air, water, or soils;
3. Restricting or regulating the use of wetlands or other property;
4. Requiring remedial action to prevent or mitigate pollution; and
5. Imposing substantial liabilities for pollution resulting from facility operations.

Compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Sanctions against a water district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements, and issuance of injunctions as to future compliance of and the ability to operate the Authority's water supply, wastewater treatment, and drainage facilities. Environmental laws and regulations can also impact an area's ability to grow and develop. The following is a discussion of certain environmental concerns that relate to the Authority. It should be noted that changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the Authority.

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

Pursuant to the federal Safe Drinking Water Act ("SDWA") and EPA's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, municipal utility and special district's provision of water for human consumption is subject to extensive regulation as a public water system.

Municipal utilities and special districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

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

BOND INSURANCE

The Authority has made application to municipal bond insurance companies (the "Insurer") to have the payment of the principal of and interest on the Notes insured by a municipal bond insurance policy (the "Policy"). The decision to purchase a municipal bond insurance policy may be at the sole discretion of the Purchaser in connection with the Purchaser's winning bid for the purchase of the Notes. If the Purchaser elects to have the Notes guaranteed by a municipal bond insurance policy, the Purchaser shall be responsible for the payment of the premium for such policy. If the Authority obtains a commitment from the Insurer to provide the Policy, the final Official Statement shall disclose, to the extent necessary, any relevant information relating to the Policy.

BOND INSURANCE GENERAL RISKS

If a Policy is purchased as a result of the Authority accepting a bid for the Notes that incorporate the acquisition of such a policy, the following are risk factors relating to the bond insurance.

In the event of default of the scheduled payment of principal of or interest on the Notes when all or a portion thereof becomes due, any owner of the Notes shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Notes by the Authority which is recovered by the Authority from the Beneficial Owners as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the Authority (unless the Insurer chooses to pay such amounts at an earlier date).

Payment of principal of and interest on the Notes is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see “THE NOTES - Default and Remedies”). The Insurer may direct the pursuit of available remedies, and generally must consent to any remedies available to and requested by the Beneficial Owners. In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Notes are payable from a first and prior lien on and pledge of the Net Revenues derived from the operation of the Authority’s System. In the event the Insurer becomes obligated to make payments with respect to the Notes, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Notes.

If a Policy is acquired, the long-term rating on the Notes will be dependent on the financial strength of the Insurer and its claims paying ability. The Insurer’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the Insurer and of the rating on the Notes, whether or not subject to the Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Notes. (See the disclosure described in “OTHER PERTINENT INFORMATION - Ratings” herein.)

The obligations of the Insurer under the Policy are general obligations of the Insurer and in an event of default by the Insurer; the remedies available may be limited by applicable bankruptcy law. None of the Authority, the Underwriters, or the Financial Advisor has made an independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given.

Thus, when making an investment decision, potential investors should carefully consider the ability of the Authority to pay principal of and interest on the Notes and the claims paying ability of the Insurer, particularly over the life of the investment. See “BOND INSURANCE” herein.

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL NOTE INSURERS

Moody’s Investors Services, Inc., S&P Global Ratings (“S&P”), and Fitch Ratings, Inc. (collectively the “Rating Agencies”) have, since 2008, downgraded, and/or placed on negative credit watch, the claims-paying ability and financial strength of all providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all Note insurers is possible. In addition, recent events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of municipal bond insurers. Thus, when making an investment decision, potential investors should carefully consider the ability of any such municipal Note insurer to pay principal and interest on the Notes and the claims-paying ability of any such municipal bond insurer, particularly over the life of the investment.

INVESTMENT POLICIES

The Authority invests its investable funds in investments authorized by State law, including Chapter 2256, as amended, Texas Government Code (the “Texas Public Funds Investment Act”), and in accordance with investment policies approved by the Board. Both State law and the Authority’s investment policies are subject to change.

Legal Investments

Under State law and subject to certain limitations, the Authority is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) “A” or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) Notes issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an “A” or better rated state or national bank; (10) 270-day or shorter bankers’ acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least “A-1” or “P-1”; (11) commercial paper rated at least “A-1” or “P-1”; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than

two years; (14) “AAA” or “AAAm”-rated investment pools that invest solely in investments described above; (15) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f), and (g) of Section 2256.011 of the Public Funds Investment Act; and (16) in the case of Note proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The Authority may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the Authority may not invest more than 15% of its monthly average fund balance (excluding Note proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund’s total assets.

Except as stated above or inconsistent with its investment policy, the Authority may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the Authority is not required to liquidate the investment unless it no longer carries a required rating, in which case the Authority is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

Investment Policies

Under State law, the Authority is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The Authority is required to adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

State law requires the Authority’s investments be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived.” The Authority is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

Current Investments ⁽¹⁾

TABLE 1

As of December 31, 2023 the Authority had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percentage</u>
Cash, Money Markets, and Certificates of Deposit	\$ 7,831,367.96	43%
Investment Pools	<u>\$10,518,893.36</u>	<u>57%</u>
Total	<u>\$18,350,261.32</u>	<u>100.00%</u>

⁽¹⁾ Unaudited.

TAX MATTERS

Tax Exemption

The delivery of the Notes is subject to the opinion of Norton Rose Fulbright US LLP, Bond Counsel, to the effect that interest on the Notes for federal income tax purposes (1) is excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the “Code”), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. The statute, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Bond Counsel’s opinion is reproduced as APPENDIX C.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the Issuer made in a certificate of even date with the initial delivery of the Notes pertaining to the use, expenditure, and investment of the proceeds of the Notes and will assume continuing compliance with the provisions of the Resolution by the Issuer subsequent to the issuance of the Notes. The Resolution contains covenants by the Issuer with respect to, among other matters, the use of the proceeds of the Notes and the facilities financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Notes are to be invested, if required, the calculation and payment to the United States Treasury of any arbitrage “profits” and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Notes to be includable in the gross income of the owners thereof from the date of the issuance of the Notes.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Notes. Bond

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

Tax Changes

Existing law may change to reduce or eliminate the benefit to Note holders of the exclusion of interest on the Notes from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Notes. Prospective purchasers of the Notes should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Ancillary Tax Consequences

Prospective purchasers of the Notes should be aware that the ownership of tax-exempt obligations such as the Notes may result in collateral federal tax consequences to, among others, financial institutions (see "TAX MATTERS – Qualified Tax-Exempt Obligations" herein), property and casualty insurance companies, life insurance companies, corporations subject to the alternative minimum tax on adjusted financial statement income, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust ("FASIT"), 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. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Notes. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Notes.

Tax Accounting Treatment of Discount Notes

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

However, such interest may be required to be taken into account in determining 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 (see "TAX MATTERS – Qualified Tax-Exempt Obligations" herein), 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, owners of an interest in a FASIT, 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 Note by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Note in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Note was held) is includable in gross income.

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

Tax Accounting Treatment of Premium Notes

The initial public offering price to be paid for certain Notes may be greater than the stated redemption price on such Notes at maturity (the “Premium Notes”). An amount equal to the difference between the initial public offering price of a Premium Note (assuming that a substantial amount of the Premium Notes of that maturity are sold to the public at such price) and its stated redemption price at maturity constitutes premium to the initial purchaser of such Premium Notes. The basis for federal income tax purposes of a Premium Note in the hands of such initial purchaser must be reduced each year by the amortizable Note premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable Note premium with respect to the Premium Notes. 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 a sale or other taxable disposition of a Premium Note. 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 the Premium Notes should consult with their own tax advisors with respect to the determination of amortizable Note premium on Premium Notes for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Notes.

Qualified Tax-Exempt Obligations

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by “financial institutions” described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for financial institutions, stating that such disallowance does not apply to interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are properly designated by an issuer as “qualified tax-exempt obligations.” An issuer may designate obligations as “qualified tax-exempt obligations” only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain current refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000.

The Authority will designate the Notes as “qualified tax-exempt obligations” and will certify its expectation that the above-described \$10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Notes will not be subject to the 100% disallowance of interest expense allocable to interest on the Notes under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Notes will be reduced by 20% pursuant to section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

The Authority is exempt from certain of the continuing disclosure obligations set forth in the United States Securities and Exchange Commission Rule 15c2-12, as amended (the “Rule”) pursuant to the exemption under subsection (d) (2), which applies to certain small issuers such as the Authority who are not an “obligated person” (as defined in the Rule) responsible for the repayment of municipal securities outstanding (including the Bonds) in an aggregate principal amount exceeding \$10,000,000. In the Resolution, the Authority has made the following agreement for the benefit of the holders and Beneficial Owners of the Bonds. The Authority is required to observe the agreement for so long as it remains obligated to advance funds to pay the Notes. Under the agreement, the Authority will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events to the Municipal Securities Rulemaking Board (the “MSRB”) through its EMMA system, where it will be available to the general public, free of charge at www.emma.msrb.com.

Annual Reports

Under Texas Law, the Authority must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant and must maintain each audit report within 180 days after the close of the Authority’s fiscal year. The Authority’s fiscal records and audit reports are available for public inspection during the regular business hours, and the Authority is required to provide a copy of the Authority’s audit reports to any Bondholder or other member of the public within a reasonable time on request to the Authority’s Secretary, 501 North Shady Shores Road, Lake Dallas, Texas 75065, upon payment of charges prescribed by the Texas General Services Commission. The Authority will provide certain updated financial information and operating data, which is customarily prepared by the Authority and is publicly available, to the MSRB on an annual basis. Such information to be provided consists of the Authority’s financial statements of the type attached hereto as Appendix D.

The Authority will update and provide this information within 6 months after the end of each fiscal year, commencing with the fiscal year ending August 31, 2024. The financial statements of the Authority will be audited, if the Authority commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 6 months after any such fiscal year end, then the Authority shall file unaudited financial statements within such 6 month period and audited financial statements for the applicable fiscal year, when and if the audit report on such financial statements becomes available. The Authority may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12.

Any such financial statements will be prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the Authority may be required to employ from time to time pursuant to State law or regulation.

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

Notice of Certain Events

The Authority will also provide timely notices of certain events to the MSRB. The Authority will provide notice of any of the following events with respect to the Notes to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (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 Notes, or other material events affecting the tax status of the Notes, as the case may be; (7) modifications to rights of holders of the Notes, if material; (8) Note calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Notes, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Authority, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrars or the change of name of a paying agent/registrars, if material; (15) incurrence of a Financial Obligation of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such Financial Obligation of the Authority, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such Financial Obligation of the Authority, any of which reflect financial difficulties. In the Resolution, the Authority will adopt policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the Authority will provide timely notice of any failure by the Authority to provide annual financial information in accordance with their agreement described above under "Annual Reports." Neither the Notes nor the Resolution make provision for credit enhancement (although the Authority has applied for a municipal insurance policy on the Notes), or liquidity enhancement.

For these purposes, (a) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Authority in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, 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 Authority, and (b) the Authority intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

Availability of Information

All information and documentation filing required to be made by the Authority in accordance with its undertaking made for the Notes will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

Limitations and Amendments

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

The Authority may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Authority, if the agreement, as amended, would have permitted an underwriter to purchase or sell Notes in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Notes consent or any person unaffiliated with the Authority (such as nationally recognized Bond Counsel) determines that the amendment will not materially impair the interests of the holders or beneficial owners of the Notes. If the Authority amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided. The Authority may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent any Purchaser from lawfully purchasing or selling Notes,

respectively, in the primary offering of the Notes.

Compliance with Prior Undertakings

In the past five years, the Authority has complied with its continuing disclosure agreements made in accordance with the Rule.

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Notes, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Note is a valid and legally binding obligation of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Notes, issued in compliance with the provisions of the Resolution, are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Notes is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. Though it represents the Financial Advisor from time to time in matters unrelated to the issuance of the Notes, Bond Counsel was engaged by, and only represents, the Authority in connection with the issuance of the Notes. In its capacity as Bond Counsel, Norton Rose Fulbright US LLP, Austin, Texas has reviewed (except for numerical, statistical and technical data) the information under the captions "THE NOTES" (except under the subcaptions, "Use of Note Proceeds", "Sources and Uses of Funds", and "Default and Remedies", as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (except under the subheading "Compliance with Prior Undertakings" as to which no opinion is expressed), "LEGAL MATTERS—Legal Investments and Eligibility to Secure Public Funds in Texas", and "OTHER PERTINENT INFORMATION—Registration and Qualification of Notes for Sale" in the Official Statement and such firm is of the opinion that the information relating to the Notes and the Resolution contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Notes or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Notes will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Notes are contingent on the sale and initial delivery of the Notes. The legal opinion of Bond Counsel will accompany the Notes deposited with DTC or will be printed on the definitive Notes in the event of the discontinuance of the Book-Entry-Only System.

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

Litigation

In the opinion of various officials of the Issuer, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the Issuer in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the Issuer.

Legal Investments and Eligibility to Secure Public Funds in Texas

Pursuant to Section 49.186, Texas Water Code and Chapter 1201, Texas Government Code, the Notes, whether rated or unrated, are (a) legal investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees and (b) legal investments for public funds of cities, counties, school districts and other political subdivisions or public agencies of the State. The Notes are also eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State or any political subdivision or public agency of the State 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 other, more stringent, requirements in order for the Notes to be legal investments of such entity's funds or to be eligible to serve as collateral for their funds.

The Authority makes no representation that the Notes will be acceptable to banks, savings and loans associations, or public entities for investment purposes or to secure deposits of public funds. The Authority has not reviewed the laws in other states to determine whether the Notes are legal investments for various institutions in those states or eligible to serve as collateral for public funds in those states. The Authority has made no investigation of any other laws, rules, regulations or investment criteria that might affect the legality or suitability of the Notes for any of the above purposes or limit the authority of any of the above persons or entities to purchase or invest in the Notes.

FORWARD LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the Authority, that are not purely historical, are forward-looking statements, including statements regarding the Authority's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Authority on the date hereof, and the Authority assumes no obligation to

update any such forward-looking statements. It is important to Note that the Authority's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Authority. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

OTHER PERTINENT INFORMATION

Registration and Qualification of Notes for Sale

The sale of the Notes has not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act; the Notes have not been qualified under the Securities Act of Texas in reliance upon exemptions contained therein; nor have the Notes been qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for qualification of the Notes under the securities laws of any jurisdiction in which they may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Notes shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Underwriters to register or qualify the sale of the Notes under the securities laws of any jurisdiction which so requires. The Authority agrees to cooperate, at the Underwriters' written request and sole expense, in registering or qualifying the Notes or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the Authority shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

Ratings

Municipal bond rating application for the Notes has been made to S&P. The outcome of the results will be made available as soon as possible. An explanation of the significance of such a rating may be obtained from S&P. The rating of the Notes by S&P reflects only the view of S&P at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the 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 Notes. The municipal bond rating is not a recommendation to buy, sell, or hold the Notes. The rating fees of S&P will be paid by the Authority.

Authenticity of Financial Information

The financial data and other information contained herein have been obtained from the Issuer's records, audited financial statements and other sources which are believed to be reliable. All of the summaries of the statutes, documents and the Resolution contained in this Official Statement are made subject to all of the provisions of such statutes, documents and the Resolution. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as a Financial Advisor to the Issuer in connection with the issuance of the Notes. In this capacity, the Financial Advisor has compiled certain data relating to the Notes and has drafted this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for the Financial Advisor are contingent upon the issuance, sale and initial delivery of the Notes.

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

Winning Bidder

After requesting competitive bids for the Notes, the Authority accepted the bid of _____ (the "Purchaser" or the "Initial Purchaser") to purchase the Notes at the interest rates shown on the page 2 of this Official Statement at a price of par, plus a [net]

reoffering premium of \$ _____, plus accrued interest on the Notes from their Dated Date to their date of initial delivery. The Authority can give no assurance that any trading market will be developed for the Authority after their sale by the Authority to the Purchaser. The Authority has no control over the price at which the Notes are subsequently sold and the initial yield at which the Notes will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

Certification of the Official Statement

At the time of payment for and delivery of the Notes, the Purchaser will be furnished a certificate, executed by proper officers of the Authority, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the Authority contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Notes and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the Authority and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the Authority, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the Authority believes to be reliable and the Authority has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the Authority since the date of the last audited financial statements of the Authority.

Information from External Sources

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

Concluding Statement

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or 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 of solicitation.

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

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

The Resolution authorizing the issuance of the Notes will also approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorize its further use in the re-offering of the Notes by the Underwriters.

This Official Statement will be approved by the Board for distribution in accordance with the provisions of the Rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

LAKE CITIES MUNICIPAL UTILITY AUTHORITY
/s/ _____
President, Board of Directors

ATTEST:
/s/ _____
Secretary, Board of Directors

(this page intentionally left blank)

APPENDIX A

**FINANCIAL INFORMATION RELATING TO
LAKE CITIES MUNICIPAL UTILITY AUTHORITY**

This page is intentionally left blank.

FINANCIAL INFORMATION OF THE ISSUER

REVENUE BOND DEBT DATA

(As of March 1, 2024)

<u>Revenue Bond Debt Outstanding:</u>		<u>Par Amount</u>
Utility System Revenue Refunding Bonds, Series 2022	\$	3,335,000
Utility System Junior Lien Revenue Notes, Series 2024 (the "Notes")		2,400,000 *
Total	\$	<u>5,735,000 *</u>

**Preliminary; subject to change.*

CAPITAL ASSETS

TABLE 1

	8/31/2023	8/31/2022	8/31/2021	8/31/2020	8/31/2019
Construction in Progress	\$ 2,689,604	\$ 1,889,437	\$ 502,733	\$ 516,143	\$ 3,185,619
Land	1,136,570	1,645,573	1,645,573	1,541,912	1,541,912
Infrastructure	42,354,312	40,717,729	40,563,660	39,874,544	36,501,033
Other Capital Assets	4,268,893	4,073,743	3,888,271	3,823,597	3,758,473
Total Capital Assets	\$ 50,449,379	\$ 48,326,482	\$ 46,600,237	\$ 45,756,196	\$ 44,987,037
Accumulated Depreciation					
Infrastructure	\$ 18,027,909	\$ 16,536,495	\$ 15,332,591	\$ 14,333,597	\$ 13,400,115
Other Capital Assets	2,343,428	2,136,058	1,912,962	1,869,454	1,799,882
Total Accumulated Depreciation	\$ 20,371,337	\$ 18,672,553	\$ 17,245,553	\$ 16,203,051	\$ 15,199,997
Net Capital Assets	\$ 30,078,042	\$ 29,653,931	\$ 29,354,684	\$ 29,553,145	\$ 29,787,040

Source: The Issuer's Annual Financial Report.

REVENUE DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 31-Aug	Current Total Outstanding Debt	The Notes *			Combined Debt Service *
		Principal	Interest	Total	
2024	\$ 413,400	\$ -	\$ -	\$ -	\$ 413,400
2025	412,200	765,000	114,000	879,000	1,291,200
2026	410,600	800,000	77,663	877,663	1,288,263
2027	408,600	835,000	39,663	874,663	1,283,263
2028	411,200	-	-	-	411,200
2029	413,200	-	-	-	413,200
2030	409,600	-	-	-	409,600
2031	410,600	-	-	-	410,600
2032	411,000	-	-	-	411,000
2033	410,800	-	-	-	410,800
Total	\$ 4,111,200	\$ 2,400,000	\$ 231,325	\$ 2,631,325	\$ 6,742,525

* Preliminary; subject to change. Interest calculated at an assumed rate solely for illustrative purposes.

COVERAGE FACTOR

(1) Average Annual Debt Service Requirement:

Net Revenue available for debt service for fiscal year ended 8/31/2023 ⁽¹⁾	\$ 2,800,000
Average Annual Debt Service Requirements (2024-2033)	\$ 674,253 *
Coverage Factor	4.15X

(2) Maximum Annual Debt Service Requirement:

Net Revenues available for debt service for fiscal year ended 8/31/2023 ⁽¹⁾	\$ 2,800,000
Maximum Annual Debt Service Requirement (8/31/2025)	\$ 1,291,200 *
Coverage Factor	2.17X

*Preliminary, subject to change.

PRINCIPAL REPAYMENT SCHEDULE*

Fiscal Year Ending 8/31	Currently Outstanding Principal Repayment Schedule	The Notes Repayment Schedule*	Combined Principal Repayment Schedule	Bonds Outstanding at End of Year	Percent of Principal Retired
2024	\$ 280,000	\$ -	\$ 280,000	\$ 5,455,000	
2025	290,000	765,000	1,055,000	4,400,000	23%
2026	300,000	800,000	1,100,000	3,300,000	42%
2027	310,000	835,000	1,145,000	2,155,000	62%
2028	325,000	-	325,000	1,830,000	68%
2029	340,000	-	340,000	1,490,000	74%
2030	350,000	-	350,000	1,140,000	80%
2031	365,000	-	365,000	775,000	86%
2032	380,000	-	380,000	395,000	93%
2033	395,000	-	395,000	-	100%
	<u>\$ 3,335,000</u>	<u>\$ 2,400,000</u>	<u>\$ 5,735,000</u>		

*Preliminary; subject to change.

REVENUE BOND RESERVE FUND BALANCES**TABLE 2**

(As of August 31, 2023)

New Reserve Fund Requirement.....	\$	410,927
Current Reserve Fund Balance ⁽¹⁾	\$	-

*As provided in the Resolution, the requirement to fund the Reserve Fund is suspended as long as the Authority's Pledged Revenues are greater than 110% of the average annual debt service requirement.

WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT**TABLE 3**

The following condensed statements have been compiled using accounting principles customarily employed in the determination of the net revenues available for debt service, and in all instances exclude depreciation, transfers, bad debt, debt service payments and expenditures identified as capital.

	8/31/2023	8/31/2022	8/31/2021	8/31/2020	8/31/2019
Operating Revenue					
Water Services	\$ 7,100,879	\$ 6,949,814	\$ 5,824,436	\$ 5,834,076	\$ 5,024,552
Sewer Services	4,364,593	4,078,015	3,723,099	3,485,948	3,428,337
Tap Connection Fees	306,900	356,230	2,385,991	1,616,448	811,994
Penalties and Interest	126,246	184,038	181,853	179,014	216,434
Rentals and leases	111,528	-	-	-	-
Other revenue	178,281	-	-	-	-
Total Operating Revenue	\$ 12,188,427	\$ 11,568,097	\$ 12,115,379	\$ 11,115,486	\$ 9,481,317
Operating Expenses					
Purchased Water Service	\$ 2,988,268	\$ 2,658,935	\$ 2,381,306	\$ 2,344,984	\$ 2,199,755
Purchased Sewer Service	1,506,507	1,405,831	1,470,093	1,443,745	1,487,367
Personnel	2,265,852	1,203,238	2,428,664	2,407,843	1,962,068
Contracted Services	-	363,091	345,909	332,738	319,332
Professional Fees	157,689	177,268	273,268	172,104	113,954
Utilities	837,581	90,452	121,796	89,737	86,653
Depreciation	1,484,286	1,456,704	1,412,178	1,376,876	1,056,651
Repairs and maint.	1,055,468	816,898	639,676	223,657	233,093
Administrative	438,281	-	-	-	-
Capital Expense	-	758,583	679,751	628,326	508,128
Total Operating Expenses	\$ 10,733,932	\$ 8,931,000	\$ 9,752,641	\$ 9,020,010	\$ 7,967,001
Net Revenue Available for Debt Service	<u>\$ 1,454,495</u>	<u>\$ 2,637,097</u>	<u>\$ 2,362,738</u>	<u>\$ 2,095,476</u>	<u>\$ 1,514,316</u>
Customer Count:					
Water	5,792	5,638	5,444	5,221	5,089
Sewer	5,376	5,221	5,045	4,807	4,643
Gallons Pumped into the System:	730,936,000	691,555,000	561,154,000	571,337,000	483,642,000
Water Billed to Customers:	637,230,000	631,580,250	527,099,343	519,194,633	438,237,534
Water Accountability Ratio:	87.18%	91.33%	93.93%	90.87%	90.61%

Source: *The Issuer's Annual Financial Report.*

EMPLOYEE BENEFIT PLAN

For information see the Issuers Financial Statements, Note 8, beginning on page 27.

WATER SYSTEM**TABLE 4**

The System currently serves the cities of Hickory Creek, Lake Dallas, and Shady Shores, Texas and their extra-territorial jurisdictions. The Authority's water supply is surface water from the Upper Trinity Regional Water District ("UTRWD") and groundwater from three wells. Pursuant to a September 1990 contract with UTRWD, the Authority is to receive a minimum of 3.8 MGD from the UTRWD with the ability to receive additional amounts. LCMUA is responsible for approximately 97 miles of water lines, 3 pump stations, 3 elevated storage tanks, 4 ground storage tanks, and 3 water wells. The elevated storage tanks have capacity of 1.55 million gallons and the ground storage tanks have capacity of 1.7 million gallons. In October 1990, LCMUA entered into a 30 year contract with Upper Trinity Regional Water District (UTRWD) for treated water with the option to extend the contract an additional 20 years. This is the primary source of water for LCMUA. The water wells are maintained for emergency needs of the system. The System currently serves the cities of Hickory Creek, Lake Dallas, and Shady Shores, Texas and their extra-territorial jurisdictions. The Authority's water supply is surface water from the Upper Trinity Regional Water District ("UTRWD") and groundwater from three wells. Pursuant to a September 1990 contract with UTRWD, the Authority is to receive a minimum of 3.8 MGD from the UTRWD with the ability to receive additional amounts. LCMUA is responsible for approximately 97 miles of water lines, 3 pump stations, 3 elevated storage tanks, 4 ground storage tanks, and 3 water wells. The elevated storage tanks have capacity of 1.55 million gallons and the ground storage tanks have capacity of 1.7 million gallons. In October 1990, LCMUA entered into a 30 year contract with Upper Trinity Regional Water District (UTRWD) for treated water with the option to extend the contract an additional 20 years. This is the primary source of water for LCMUA. The water wells are maintained for emergency needs of the system.

TOP TEN WATER CUSTOMERS**TABLE 5**

Customer	Type of Customer	2023 Annual	% of Water
		Consumption	Billed
MANSIONS @ HICKORY CREEK	COMMERCIAL - APARTMENTS	11,797,600	1.85%
LAKESHORE CLD LP	COMMERCIAL - APARTMENTS	9,268,400	1.45%
LAKE HAVEN & ASSOCIATES	COMMERCIAL - APARTMENTS	9,113,000	1.43%
LDISD	INSTITUTIONAL - SCHOOL	7,806,900	1.23%
AV ASHLEYE VILLAGE APT	COMMERCIAL - APARTMENTS	6,294,900	0.99%
CLEAN GREEN CARWASH	COMMERCIAL - RETAIL	5,088,800	0.80%
BETTYE MYERS MIDDLE SCHOOL	INSTITUTIONAL - MIDDLE SCHOOL	4,559,500	0.72%
LEWISVILLE, WATER EDGE	COMMERCIAL APARTMENTS	3,703,400	0.58%
CORPS OF ENGINEERS	INSTITUTIONAL-LAKE PARKS	2,744,900	0.43%
HICKORY CREEK DEV. PART. LLC	COMMERCIAL - MOBILE HOME PARK	2,724,600	0.43%
	TOTAL	63,102,000	9.90%

In Fiscal year 2023 the Total Gallons Billed was \$637,229,531

WATER PRODUCED**TABLE 6***(Gallons)*

Month	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019
September	64,061,220	85,800,480	85,227,420	66,018,290	39,068,010
October	57,946,440	65,568,700	76,798,850	50,386,950	35,444,060
November	35,487,210	33,989,490	36,136,170	32,530,080	29,910,320
December	40,064,340	32,144,230	29,500,740	30,539,450	29,911,270
January	32,214,900	36,353,660	29,417,340	32,822,740	28,965,560
February	51,999,794	71,033,867	49,188,462	25,773,440	26,436,210
March	33,494,630	33,636,750	34,561,800	45,147,870	32,843,600
April	46,864,960	40,220,720	39,393,270	51,218,840	35,043,930
May	56,915,280	48,202,750	33,721,130	40,190,590	36,841,340
June	64,493,950	61,382,980	43,082,940	54,606,890	44,653,770
July	74,211,130	84,430,810	52,843,170	65,001,860	66,972,360
August	93,047,180	64,707,730	59,805,100	63,938,360	65,902,090
Total	650,801,034	657,472,167	569,676,392	558,175,360	471,992,520

WATER USAGE**TABLE 7***(Gallons)*

Month	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019
September	66,607,700	65,790,900	63,752,748	61,956,468	46,373,890
October	72,069,600	61,743,300	51,942,600	61,587,705	36,781,730
November	48,104,300	47,017,400	43,826,800	39,916,000	29,296,200
December	32,627,100	39,553,600	36,646,100	29,577,800	28,123,500
January	34,176,300	34,213,200	30,456,400	28,862,500	27,707,300
February	30,940,200	32,023,700	35,163,500	26,786,700	25,904,140
March	28,536,200	32,464,800	30,724,200	27,803,500	28,324,700
April	37,802,700	39,043,200	38,732,800	29,076,600	30,431,800
May	53,770,400	45,902,800	40,265,400	42,543,000	31,281,800
June	65,059,800	56,743,500	37,992,800	52,265,300	36,618,801
July	77,511,700	81,497,750	49,069,200	62,493,000	51,421,673
August	90,023,531	95,370,700	68,526,800	71,669,600	65,972,000
Total	637,229,531	631,364,850	527,099,348	534,538,173	438,237,534

HISTORICAL WATER CONSUMPTION
TABLE 8

<u>FYE (8/31)</u>	<u>Daily Average</u>	<u>Peak Day</u>	<u>Peak Month</u>	<u>Water Pumped</u>	<u>Water Billed</u>	<u>Water Revenue</u>
2014	1,369,000	2,816,000	60,515,000	500,653,000	472,946,000	3,776,503
2015	1,377,000	3,310,000	85,643,000	507,855,000	438,865,000	3,681,212
2016	1,436,000	3,170,000	70,502,000	526,103,000	339,282,864	4,071,394
2017	1,497,000	3,505,000	69,071,000	547,541,000	495,495,000	4,960,973
2018	1,587,000	3,070,000	88,500,000	619,480,000	543,820,794	5,725,252
2019	1,289,937	2,781,400	66,972,360	471,992,520	438,237,534	4,965,241
2020	1,548,666	2,692,860	66,018,290	564,130,610	534,538,173	5,842,951
2021	1,904,998	3,641,046	88,501,909	672,425,817	527,099,348	5,804,891
2022	2,134,634	3,261,846	79,613,309	762,436,671	631,364,850	6,864,985
2023	2,197,807	3,628,714	98,539,895	786,795,755	637,229,530	7,067,477

WATER RATES
TABLE 9

(Based on Monthly Billing-Effective January 1, 2024)

NEW RATES

Monthly Minimums by Meter Size (in inches)

3/4 x 5/8	\$	34.00
Full 3/4	\$	34.00
1 inch	\$	85.00

*For Larger Meter Sizes, Contract LCMUA

Plus Volume Charge (per 1,000 gallons)

0-8,000	\$	5.40
8,001-20,000	\$	6.90
20,001-45,000	\$	8.90
45,001 and above	\$	11.50

Senior Discount \$ (10.00)

OLD RATES

(as of January 1, 2023)

Monthly Minimums by Meter Size (in inches)

3/4 x 5/8	\$	33.00
Full 3/4	\$	33.00
1 inch	\$	82.00

Plus Volume Charge (per 1,000 gallons)

0-8,000	\$	5.40
8,001-20,000	\$	6.90
20,001-45,000	\$	8.90
45,001 and above	\$	11.50

Senior Discount \$ (10.00)

SEWER RATES (Effective January 1, 2024)
TABLE 10
NEW RATES

Monthly Minimums

Residential ***	\$	36.00
Commercial	\$	39.00

Plus Volume Charge (per 1,000 gallons) \$ 6.20

Senior Discount \$ (10.00)

***Residents are charged a Winter Wastewater Average. New customers are billed volume

Wastewater only \$ 72.31

A flat rate equal to Area Average of 7,000 Gallons

OLD RATES

(as of January 1, 2023)

Monthly Minimums

Residential ***	\$	35.00
Commercial	\$	38.00

Plus Volume Charge (per 1,000 gallons) \$ 6.20

Senior Discount \$ (10.00)

***Residents are Charged a Winter Wastewater Average. New customers are billed volume based on their water consumption up to the system average until they establish an average of their own.

Wastewater only \$ 72.31

Source: The Issuer.

The Authority's wastewater treatment is provided by the UTRWD at the Lakeview plant. Pursuant to a June 26, 1995 contract as amended November 6, 1997 and October 17, 2005, the Authority is entitled to 0.9 MGD of capacity in the Lakeview plant and 0.3 MGD capacity in a shared trunk line. LCMUA is responsible for approximately 65 miles of gravity wastewater collection lines, 9 miles of force main lines, and 20 lift stations. In June 1995, LCMUA entered a 30 year regional wastewater treatment services contract with UTRWD with the option to extend the contract an additional 30 years. LCMUA has first right of refusal to own and operate the Lakeview treatment plant should UTRWD cease to exist.

WASTEWATER USAGE

TABLE 12

(Gallons)

FYE (8/31)	Daily Average	Monthly Average	Total Usage	Total Revenues
2014	644,000	22,291,000	234,901,000	2,090,932
2015	818,000	25,094,000	315,587,000	2,373,701
2016	966,041	29,383,750	352,605,000	2,433,751
2017	817,934	24,878,833	298,546,000	3,276,932
2018	810,093	24,640,333	295,684,000	3,532,600
2019	1,078,789	32,813,167	393,758,000	3,499,798
2020	1,001,915	30,474,917	365,699,000	3,581,393
2021	1,027,655	31,257,833	375,094,000	3,861,618
2022	861,644	26,208,333	314,500,000	4,159,349
2023	942,529	28,668,583	344,023,000	4,330,491

Source: The Issuer.

APPENDIX B

**GENERAL INFORMATION REGARDING THE
LAKE CITIES MUNICIPAL UTILITY AUTHORITY
AND DENTON COUNTY, TEXAS**

This page is intentionally left blank.

**GENERAL INFORMATION REGARDING LAKE CITIES MUNICIPAL UTILITY AUTHORITY
AND DENTON COUNTY, TEXAS**

Lake Cities Municipal Utility Authority is a Governmental Agency created by the State of Texas in 1963 to service Lake Dallas, Shady Shores, and Hickory Creek as a Public Water Utility. Our mission is to produce and distribute safe, high quality water for domestic and commercial uses as well as provide fire protection in ample quantity and the collection of wastewater in a professional manner and at the most economical cost to our customers. LCMUA meets or exceeds all federal and state regulatory standards and is recognized as a Superior Water System by the Texas Commission of Environmental Quality. The Lake Cities Municipal Utility Authority is governed by five elected Board Members with designated positions for each of the three municipalities served and two at large members.

LCMUA has approximately 5,820 customers to date and is staffed by twenty-eight employees and is located at 501 N Shady Shores Road, Lake Dallas, Texas 75065. LCMUA currently has three facilities; the Main Administrative Office, where the bills are received and posted, and the Service Center that is home to our outside field staff and where the equipment is protected, and an equipment and materials storage yard with temporary workplace facilities housing a special projects crew. LCMUA has three elevated storage tanks, four ground storage tanks totaling more than 3.2 million gallons, and twenty lift stations throughout the system. LCMUA is governed by five elected Board Members with designated positions for each of the three municipalities served and two at large members.

In 1989, along with twenty-one other municipalities and utility districts, LCMUA joined in creating Upper Trinity Regional Water District. UTRWD was created as regional, non-profit government agency authorized to provide water, wastewater, and watershed protection services on a wholesale basis in the Denton County area. Each founding participant has a Board appointed representative to sit on the UTRWD Board to protect the interest of their respective customers.

Lake Cities Municipal Utility Authority is dedicated to being a vital part of the community, keeping up with technology, keeping staff well trained, meeting or exceeding all state and federal requirements along with providing its customers with excellent water and wastewater services.

Watershed Protection

The area around the local water supply lakes in Denton County are being transformed from a rural setting to urbanized communities. Population growth and development continues. In the public interest, it is urgent that the potential effect on water quality and the water supply for this region is not taken for granted. Communities in the local watersheds are knitted together by the many water ways that extend into and through neighborhoods. UTRWD's coordinated program for Watershed Protection offers the opportunity to work with nearby communities on common strategies. Pursuing a shared vision about Watershed Protection allows communities to achieve better results. UTRWD's goal is to preserve and safeguard the quality of water resources and quality of life - - right where we live. On behalf of the communities in its service area, UTRWD is coordinating a Watershed Protection Program for mutual benefit. Each community has a strategic opportunity to help preserve and protect natural features of the watershed, including creeks, flood plains, riparian zones, wetlands, and greenbelts. Also, each citizen can become informed about their own watershed and can help protect water quality in everyday activities at home and at work. The regional Watershed Protection Program includes both education and outreach, including social media and digital advertisements, hands-on demonstration activities, and tours.

Denton County

General

The County of Denton, established in 1846, is located in the north central part of the state, which is considered to be a top growth area in the state, and one of the top growth areas in the country. The County of Denton currently occupies a land area of 911 square miles and serves a population of approximately 836,000 according to the most recent estimates of the North Central Texas Council of Governments.



Economic

The County continues to experience strong growth in population and in its economic base. The population has grown by almost 7.8% since the 2020 census and over 47.7% since the 2010 census. During the same period, the county's tax base has grown from \$10 billion in 1990 to over \$146 billion in 2022.

Denton County's economy and employment picture have rebounded strongly since the 2008 recession but, like the rest of the nation, was hit hard by the COVID-19 pandemic. On September 30, 2022, unemployment rate of 2.9% as opposed to 3.9% in the prior year and 6.6% in 2020 during the pandemic. This compares favorably to the 3.8% statewide rate, and with the 3.5% national rate. During 2022 the County had over \$5.0 billion in new taxable value property added to the tax rolls and \$5.1 billion 2021.

The economic outlook for Denton County remains very positive for the near future. Major industrial investments in the past, which include Alliance Airport, Wal-Mart, Target, Aldi, Winco distribution centers, and the Texas Motor Speedway continue to attract additional development in the County. There also have been major investments in the County by the healthcare profession with several major hospitals undergoing significant expansions. Other business are relocating from other areas in the country to Denton County including the recently opened PGA Headquarters, which is expected to add over \$24 Billion to the tax base once all the development surrounding it is complete. The Omni PGA Frisco Resort recently opened which is adding over 1000 jobs to the area. The southern and western sections of the County continue to add businesses and housing. The retail industry continues to expand throughout Denton County as the population of the County continues to grow steadily. Denton County's two major universities, the University of North Texas and Texas Woman's University, continue to turn out a large number of skilled graduates each year, and enrollment at these schools continues to increase significantly each year. The University of North Texas is the third largest university in Texas in terms of enrollment with 44,562 students combined with over 16 thousand at Texas Woman's University. This labor supply, combined with air, rail and highway transportation centers, adds assurance to the County's continued economic growth.

LEADING EMPLOYERS

<u>Employer</u>	<u>Principal Line of Business</u>	<u>Approximate Number of Employees</u>
University of North Texas	Education	8,891
Lewisville ISD	Education	7,500
Schwab	Financial Services	7,000
Nebraska Furniture Mart	Retail	5,006
Denton ISD	Education	4,331
Andretti Indoor Carting & Games	Arcade	3,000
Peterbilt Motors	Manufacturing	2,000
Denton County	Municipality	1,822
Wal-Mart	Retail	1,734
AdventHealth	Health Care	1,633

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

This page is intentionally left blank.

April 11, 2024



Norton Rose Fulbright US LLP
98 San Jacinto Blvd., Suite 1100
Austin, Texas 78701
United States

Tel +1 512 474 5201
Fax +1 512 536 4598
nortonrosefulbright.com

DRAFT

IN REGARD to the authorization and issuance of the “Lake Cities Municipal Utility Authority Utility System Junior Lien Revenue Notes, Series 2024” (the *Notes*), dated April 1, 2024, in the aggregate principal amount of \$_____, we have reviewed the legality and validity of the issuance thereof by the Board of Directors of the Lake Cities Municipal Utility Authority (the *Issuer*). The Notes are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Notes have Stated Maturities of April 1 in each of the years 2025 through 2027. The Notes are not subject to redemption prior to Stated Maturity. Interest on the Notes accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the resolution (the *Resolution*) authorizing the issuance of the Notes. Capitalized terms used herein without definition shall have the respective meanings ascribed thereto in the Resolution.

WE HAVE SERVED AS BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Notes under the laws of the State of Texas and with respect to the exclusion of the interest on the Notes from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer or the Issuer’s combined utility system (the *System*). We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Notes. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Notes. Our role in connection with the Issuer’s Official Statement prepared for use in connection with the sale of the Notes has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Board of Directors of the Issuer in connection with the issuance of the Notes, including the Resolution; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Notes and certain other funds of the Issuer and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Note executed and delivered initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and

Norton Rose Fulbright US LLP is a limited liability partnership registered under the laws of Texas.

Norton Rose Fulbright US LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright Canada LLP and Norton Rose Fulbright South Africa Inc are separate legal entities and all of them are members of Norton Rose Fulbright Verein, a Swiss verein. Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients. Details of each entity, with certain regulatory information, are available at nortonrosefulbright.com.

Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas in connection with the authorization and issuance of LAKE CITIES MUNICIPAL UTILITY AUTHORITY UTILITY SYSTEM JUNIOR LIEN REVENUE NOTES, SERIES 2024

information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Notes have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Notes are valid and legally binding special obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Notes are payable from and equally and ratably secured solely, together with any Additional Junior Lien Obligations hereafter issued by the Issuer, by a junior and inferior lien on and pledge of the Pledged Revenues derived from the operation of the System. In the Resolution, the Issuer retains the right to issue Additional Prior Lien Obligations (except while the Notes are outstanding), Additional Junior Lien Obligations, and Subordinate Lien Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. The Notes do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the Issuer, except with respect to the Pledged Revenues. The holder of the Notes shall never have the right to demand payment of the Notes out of any funds raised or to be raised by taxation. The pledge of Pledged Revenues is subject to the right of a city, under existing Texas law, to annex all of the territory within the Issuer; to take over all properties and assets of the Issuer; to assume all debts, liabilities, and obligations of the Issuer, including the Notes; and to abolish the Issuer.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Resolution and in reliance upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Notes, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Notes will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the Code), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, (2) interest on the Notes will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals and (3) the Notes are not "private activity bonds" within the meaning of section 141 of the Code.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Notes. Ownership of tax exempt obligations such as the Notes 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 United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income 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.

Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas in connection with the authorization and issuance of LAKE CITIES MUNICIPAL UTILITY AUTHORITY UTILITY SYSTEM JUNIOR LIEN REVENUE NOTES, SERIES 2024

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Norton Rose Fulbright US LLP

This page is intentionally left blank.

APPENDIX D

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

(Independent Auditor's Report, General Financial Statements and Notes to the Financial Statements - not intended to be a complete statement of the Issuer's financial condition. Reference is made to the Annual Financial Report for further information)

This page is intentionally left blank.

ANNUAL FINANCIAL REPORT

of the

Lake Cities Municipal Utility Authority
Lake Dallas, Texas

For the Year Ended
August 31, 2023

(this page intentionally left blank)



ANNUAL FILING AFFIDAVIT

STATE OF TEXAS COUNTY OF DENTON

I, TOM RUFER of the
(Name of Duly Authorized District Representative)

LAKE CITIES MUNICIPAL UTILITY AUTHORITY
(Name of District)

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of the Directors of the District on the 8TH day of JANUARY, 2024 its annual audit report for the fiscal year or period ended AUGUST 31, 2023 and those copies of the annual audit report have been filed in the district office, located at:

501 N SHADY SHORES DR, LAKE DALLAS TX 75065
(Address of District)

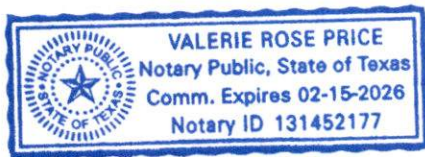
The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

Date: 1/8/2023 By: Tom RUF
(Signature of District Representative)

TOM RUFER, BOARD PRESIDENT

(Typed Name & Title of above District Representative)

Sworn to and Subscribed to before me by this 8th day of January 2024
(SEAL)



Valerie Rose Price
(Signature of Notary)

My Commission Expires On: 2-15-2026
Notary Public in the State of Texas.

(This page intentionally left blank.)

Lake Cities Municipal Utility Authority

TABLE OF CONTENTS

August 31, 2023

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	7
<u>FINANCIAL STATEMENTS</u>	
Statement of Net Position	14
Statement of Revenues, Expenses, and Changes in Net Position	16
Statement of Cash Flows	17
Notes to the Financial Statements	19
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Budgetary Comparison Schedule – Proprietary Fund	41
Schedule of Changes in Net Pension Liability – TCDRS	42
Schedule of Employer Contributions to Pension Plan	44
Schedule of Changes in OPEB Liability – TML	46
<u>TEXAS SUPPLEMENTAL INFORMATION</u>	
TSI-1 - Service and Rates	50
TSI-2 - Proprietary Fund Expenditures	52
TSI-3 – Cash and Investments	54
TSI-4 – Analysis of Taxes Levied and Receivable – N/A	55
TSI-5 – Long-term Debt Service Requirements by Years	56
TSI-6 – Change in Long-term Bonded Debt	57
TSI-7 – Comparative Schedule of Revenues and Expenditures	58
TSI-8 – Board Members, Key Personnel and Consultants	60

(This page intentionally left blank.)



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Lake Cities Municipal Utility Authority:

Opinion

We have audited the financial statements of Lake Cities Municipal Utility Authority (the "Authority"), which comprise the statement of net position as of August 31, 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Lake Cities Municipal Utility Authority as of August 31, 2023, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Emphasis of Matter

As discussed in Note 10 of the financial statements, the Authority restated beginning net position due to corrections to capital assets and cash balances. Our opinion is not modified with respect to these matters.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in OPEB liability and related ratios, schedule of changes in net pension liability and related ratios, schedule of employer pension contributions, and notes to required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Lake Cities Municipal Utility Authority's basic financial statements. The Texas Supplemental Information is required by the Texas Commission on Environmental Quality as published in the Water District Financial Management Guide. The Texas Supplementary Information is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Texas Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



BrooksWatson & Co., PLLC
Certified Public Accountants
Houston, Texas
January 4, 2024

(This page intentionally left blank.)

***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

(This page intentionally left blank.)

Lake Cities Municipal Utility Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 31, 2023

The discussion and analysis of the Lake Cities Municipal Utility Authority (the "Authority") financial performance provides an overview and analysis of the Authority's financial activities for the fiscal year ended August 31, 2023. Please read it in conjunction with the Authority's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Authority's total net position (assets plus deferred outflows less liabilities and deferred inflows) was \$42,307,461 as of August 31, 2023. Of this amount, \$7,819,606 may be used to meet the Authority's ongoing obligations to customers and creditors.
- During the year, the Authority's total net position increased by \$2,999,749 primarily due to operating revenues exceeding operating expenses in the current year.
- The Authority's total outstanding revenue bonds and lease liabilities decreased by \$265,000 and \$27,413, respectively, during fiscal year 2023. More detailed information is given in Note 6 to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of three statements: 1) statement of net position, which provide all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities); 2) statement of revenues, expenses, and changes in net position shows the business-type activities of the Authority and provides information regarding revenues and expenses, both operating and nonoperating, that affect the net position; and 3) statement of cash flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the period using the direct method of reporting cash flows from operating, investing, and capital and noncapital financing activities. The basic financial statements can be found on pages 13-17.

Notes to the Financial Statements

Integral to the financial statements are the notes to the basic financial statements. These notes provide additional information that is essential to a full understanding of the financial data provided in the basic financial statements. The Authority has prepared notes sufficient to provide the readers of these financial statements a clear picture of the Authority's financial

Lake Cities Municipal Utility Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

August 31, 2023

position and insight into the results of its operations. These notes comply with the Texas Commission on Environmental Quality ("TCEQ") standardized reporting requirements and are in conformity with accounting principles generally accepted in the United States of America (GAAP). The Notes to the financial statements can be found on pages 19-37.

Other Information

In addition to the basic financial statements and the accompanying notes, this section presents certain required and other supplementary information, much of which is required by TCEQ and GAAP, and may be beneficial to the reader. The supplementary information can be found on pages 39-61 of the report.

CONDENSED FINANCIAL INFORMATION OF THE AUTHORITY

At the end of fiscal year 2023, the Authority's net position (assets and deferred outflows exceeding liabilities and deferred inflows) totaled \$42,307,461. The table below reflects the condensed Statement of Net Position.

The largest portion of the Authority's net position (63%) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets, which is still outstanding. The Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Lake Cities Municipal Utility Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

August 31, 2023

The following table provides a summary of the Authority's Statement of Net Position:

	2023	2022	\$ Change	% Change
Current and other assets	\$ 17,901,770	\$ 16,702,155	\$ 1,199,615	7%
Capital assets	30,078,042	29,106,453	971,589	3%
Total Assets	47,979,812	45,808,608	2,171,204	5%
Deferred Outflows	339,101	279,750	59,351	21%
Other liabilities	1,647,227	1,882,306	(235,079)	-12%
Long-term liabilities	4,285,114	4,547,873	(262,759)	-6%
Total Liabilities	5,932,341	6,430,179	(497,838)	-8%
Deferred Inflows	79,111	350,467	(271,356)	-77%
Net Position:				
Net investment in capital assets	26,452,276	24,988,045	1,464,231	6%
Restricted	8,035,579	9,086,002	(1,050,423)	-12%
Unrestricted	7,819,606	5,233,665	2,585,941	49%
Total Net Position	\$ 42,307,461	\$ 39,307,712	\$ 2,999,749	8%

Regarding restricted net position, \$7,835,511 represents impact fees restricted for capital improvements, \$200,068 represents amounts restricted for net pension. Unrestricted net position of \$7,819,606 may be used to meet the Authority's ongoing obligations to its customers and creditors.

The current and other assets increased due to greater cash/investments on hand primarily due to operating surpluses during the year. In addition, accounts receivable balances increased due to the timing of customer payments subsequent to yearend.

Capital assets increased primarily due to new infrastructure improvements and building purchases outweighing the current year depreciation.

Other liabilities decreased due to timing of payments to third party vendors prior to the end of the current fiscal year.

Long-term liabilities decreased primarily due to current year principal payments on outstanding debt.

Lake Cities Municipal Utility Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

August 31, 2023

The following table provides a summary of the Authority's changes in net position:

	2023	2022	\$ Change	% Change
Operating Revenues				
Charges for utility service	\$ 11,465,472	\$ 11,027,829	\$ 437,643	4%
Tap and inspection fees	306,900	356,231	(49,331)	-14%
Penalties and interest	126,246	184,038	(57,792)	-31%
Other revenue	289,809	-	289,809	100%
Total Op. Revenues	<u>12,188,427</u>	<u>11,568,098</u>	<u>620,329</u>	<u>5%</u>
Operating Expenses				
Purchased utility services	4,494,775	4,064,766	430,009	11%
Personnel	2,265,852	1,203,238	1,062,614	88%
Professional fees	157,689	165,448	(7,759)	-5%
Utilities and supplies	837,581	655,012	182,569	28%
Depreciation	1,484,286	1,456,704	27,582	2%
Repairs/maint. & other	1,493,749	1,385,832	107,917	8%
Total Operating Expenses	<u>10,733,932</u>	<u>8,931,000</u>	<u>1,802,932</u>	<u>20%</u>
Operating Income	1,454,495	2,637,098	(1,182,603)	-45%
Nonoperating Revenues/(Expenses)				
Investment earnings	554,406	16,906	537,500	3179%
Interest expenses	(118,948)	(231,426)	112,478	-49%
Gain (loss) on sale of assets	-	(1,164)	1,164	-100%
	<u>435,458</u>	<u>(215,684)</u>	<u>651,142</u>	<u>-302%</u>
Capital contributions	1,109,796	1,796,000	(686,204)	-38%
Change in Net Position	2,999,749	4,217,414	(1,217,665)	-29%
Beginning Net Position	<u>39,307,712</u>	<u>35,090,298</u>	<u>4,217,414</u>	<u>12%</u>
Ending Net Position	<u><u>\$ 42,307,461</u></u>	<u><u>\$ 39,307,712</u></u>	<u><u>\$ 2,999,749</u></u>	<u><u>8%</u></u>

Total operating revenues remained consistent with the prior year. Total operating expenses increased by \$1,802,932 or 20% primarily due greater personnel costs, purchased utilities and repairs/maintenance expenses during the year.

ANALYSIS OF THE AUTHORITY'S FUNDS

Lake Cities Municipal Utility Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

August 31, 2023

The Authority has one activity, water and sewer services, which is accounted for within their only fund, the Water and Sewer Fund. This fund is considered a proprietary (aka enterprise) fund, and is accounted for as a business-type activity. The unrestricted net position of the Water and Sewer Fund, was \$7,819,606 and \$5,233,655, as of August 31, 2023 and 2022, respectively. This fund's unrestricted net position increased by \$2,585,951 over the course of the year.

Actual operating revenues were \$1,645,927 more than the budgeted amounts, due primarily to water and sewer revenues exceeding conservative budgeted amounts that were well below actual.

Actual operating expenditures were \$1,250,364 below the budgeted amounts, largely due to less than expected capital expenses.

Overall, the change in net position for the year was \$3,187,645 higher than the budget amount, due primarily to the variances previously noted.

PROPRIETARY FUND BUDGETARY HIGHLIGHTS

Proprietary Fund Budgetary Highlights - The Authority made no revision to the original appropriations approved by the Board of Directors. Also, the Authority made no changes to its overall budgeted revenue.

Additional information on the comparison of the Authority's actual operations to its budget can be found in the Budgetary Comparison Schedule - Proprietary Fund beginning on page 41.

Actual enterprise fund revenues totaled \$12,188,427, a positive variance of \$1,645,927 compared to the final budget estimate of \$10,542,500. This variance was primarily a result of more than expected water and sewer service revenues. Actual total expenses were \$12,017,336, or \$1,250,364 less than final projections.

Capital Assets

The Authority's capital assets for its business-type activities as of August 31, 2023 totaled to \$30,078,042 (net of accumulated depreciation). Capital assets include land, building, equipment, improvements, infrastructure, vehicles, construction in progress (CIP), and right-to-use assets. The Authority's capital assets increased by \$971,589 during the current year. Major capital asset events during the current fiscal year included the following:

1. Continuation of several infrastructure projects adding approximately \$1,116,620 to CIP.
2. Purchase of a building (510 E. Hundley) for \$629,361.
3. Purchases of vehicles/trucks and office furniture totaled \$398,341.

Lake Cities Municipal Utility Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

August 31, 2023

4. Depreciation expense of \$1,484,286 was recognized.

Additional information regarding the Authority's capital assets is found in note 5 on page 25.

Debt

As of August 31, 2023, the Authority had total debt obligations of \$3,362,460 (excluding premiums) The payoff date of the Authority's revenue bond is August 1, 2033.

The Authority's revenue-supported debt was rated by Standard & Poor's Rating Services, A Division of the McGraw-Hill Companies, Inc. in 2023 at AA-. Furthermore, the Authority did not apply for municipal bond insurance. Additional information on the Authority's long-term debt can be found beginning with Note 6 on page 26 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the 2023-2024 Budget, revenues are budgeted to increase by approximately 5% from the 2022-2023 budget year. A rate study conducted during the 2020 fiscal year revealed a structure change in water and wastewater rates (including depreciation) was needed to continue building acceptable working capital and fund capital improvement projects over the next five years. The Board of Directors passed a resolution affecting rates during the regular meeting held November 20, 2023, with an effective date of January 1, 2024. The next rate study will occur during the 2024 fiscal year.

The Authority has made a concerted effort to limit appropriations to only those items that are truly necessary. Budgeted expenses include decreases in professional services and supplies. Slight increases in personnel, maintenance, and capital. Increases in the demand charge for water and wastewater treatment from the provider resulted in comparable increases in those items of the Authority's expenses budget. The Authority is contemplating a short-term debt issuance for the completion of several small capital items. The debt service budget reflects the anticipation of the issuance. The Water and Sewer Fund is budgeted to operate next year with expenditures equal to revenues.

REQUEST FOR INFORMATION

The financial report is designated to provide our residents, customers, investors, and creditors with a general overview of the Authority's finances. If you have any questions about this report or need any additional information, contact the General Manager or Assistant General Manager, 501 N. Shady Shores Drive, Lake Dallas, Texas 75065 or call 940-497-2999.

FINANCIAL STATEMENTS

Lake Cities Municipal Utility Authority

STATEMENT OF NET POSITION (Page 1 of 2)

August 31, 2023

Assets

Current assets:

Cash & cash equivalents	\$	14,474,120
Investments		1,085,511
Accounts receivable, net		2,068,239
Inventory		273,900
Total Current Assets		17,901,770

Noncurrent assets:

Capital assets, nondepreciable		3,826,174
Capital assets, net of depreciation		26,251,868
Total Noncurrent Assets		30,078,042

Total Assets	\$	47,979,812
---------------------	-----------	-------------------

Deferred Outflows of Resources

Pension outflows		323,761
Deferred charge on refunding		15,340
Total Deferred Outflows of Resources		339,101

Lake Cities Municipal Utility Authority

STATEMENT OF NET POSITION (Page 2 of 2)

August 31, 2023

Liabilities

Current liabilities:

Accounts payable and accrued expenses	\$	956,223
Customer deposits		276,829
Retainage payable		30,597
Accrued interest		11,118
Compensated absences, current		75,370
Long-term debt - current		297,090
Total Current Liabilities		1,647,227

Noncurrent liabilities:

Net pension liability		44,582
OPEB liability		865,244
Compensated absences, noncurrent		8,374
Long-term debt - noncurrent portion		3,366,914
Total Noncurrent Liabilities		4,285,114

Total Liabilities \$ **5,932,341**

Deferred Inflows of Resources

Pension inflows		79,111
-----------------	--	--------

Net Position

Net investment in capital assets		26,452,276
Restricted:		
Impact fees - capital improvements		7,835,511
Pension		200,068
Unrestricted		7,819,606
Total Net Position	\$	42,307,461

See Notes to Financial Statements.

Lake Cities Municipal Utility Authority

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended August 31, 2023

Operating Revenues

Charges for water service	\$ 7,100,879
Charges for sewer service	4,364,593
Tap connection and inspection fees	306,900
Penalties and interest	126,246
Rentals and leases	111,528
Other revenues	178,281

Total Operating Revenues	12,188,427
---------------------------------	------------

Operating Expenses

Purchased water service	2,988,268
Purchased sewer service	1,506,507
Personnel	2,265,852
Professional fees	157,689
Utilities and supplies	837,581
Depreciation	1,484,286
Repairs and maintenance	1,055,468
Administrative	438,281

Total Operating Expenses	10,733,932
---------------------------------	------------

Operating Income	1,454,495
-------------------------	-----------

Nonoperating Revenues (Expenses)

Investment income	554,406
Interest expense	(118,948)

Total Nonoperating Revenues (Expenses)	435,458
---	---------

Income before Capital Contributions	1,889,953
--	-----------

Capital contributions - impact fees	1,109,796
-------------------------------------	-----------

Change in Net Position	2,999,749
-------------------------------	-----------

Beginning net position	39,307,712
------------------------	------------

Ending Net Position	\$ 42,307,461
----------------------------	---------------

See Notes to Financial Statements.

Lake Cities Municipal Utility Authority

STATEMENT OF CASH FLOWS

For the Year Ended August 31, 2023

Cash Flows from Operating Activities

Operating income (loss)	\$	1,454,495
Adjustments to reconcile to change in net position		
to net cash flows from operating activities:		
Depreciation		1,484,286
Loss on disposal of assets		30,557
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable		(222,151)
(Increase) decrease in inventory		(70,808)
(Increase) decrease in pension outflows		(60,885)
Increase (decrease) in pension inflows		(271,356)
Increase (decrease) in net pension liability		250,350
Increase (decrease) in OPEB liability		8,788
Increase (decrease) in retainage payable		(27,864)
Increase (decrease) in compensated absences		10,029
Increase (decrease) in accounts payable and accrued liabilities		(207,477)
Increase (decrease) in customer deposits		(16,013)
Net Cash Provided by Operating Activities		2,361,951

Cash Flows from Investing Activities

Interest received on investments	554,406
Purchase of investments	(24,880)
Capital contributions - impact fees	1,109,796
Purchase of fixed assets	(2,486,432)
Net Cash Provided (Used) by Investing Activities	(847,110)

Cash Flows from (used by) Financing Activities

Principal paid on long-term debt	(281,258)
Interest paid on long-term debt	(146,039)
Net Cash Provided (Used) by Financing Activities	(427,297)

Net Increase (Decrease) in Cash and Cash Equivalents 1,087,544

Beginning cash and cash equivalents 13,386,576

Ending Cash and Cash Equivalents \$ 14,474,120

See Notes to Financial Statements.

(This page is intentionally left blank.)

Lake Cities Municipal Utility Authority

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2023

Note 1 – Reporting Entity

Lake Cities Municipal Utility Authority (the “Authority”) was created under Article XVI, Section 59 of the Constitution of the State of Texas, by Acts 1963, 58th Legislature, Chapter 599, which provide that the Board of Directors shall be elected by the qualified voters of the Authority. It was organized to own and operate the Water and Sewer System and was empowered to levy taxes and charge for water and sewer services provided to citizens. The Authority was also validated and confirmed effective June 18, 1999 by House Bill No. 3804, Chapter 1137, 76th Legislature. This bill revised and restated the enabling statutes creating and establishing the Authority’s power of eminent domain and its authority to levy an ad valorem tax and to issue bonds. Its enabling legislation was further amended by House Bill No. 2309, Section 1.26, 79th Legislature, which was signed into law on June 18, 2005, effective September 1, 2005. This law repealed Chapter 312, Acts of the 58th Legislature, Regular Session, 1963, and provided that each director is to be elected at large to one of five numbered places by the qualified voters residing within the boundaries of the Authority. Further amended by House Bill No. 4176 of the 84th Legislative Session, signed into law June 18, 2015, taking effect September 1, 2015. This law amended Section 1.3 regarding the territorial boundaries of Authority to include all municipal boundaries and extraterritorial jurisdictions of the City of Lake Dallas, the Town of Shady Shores, and the Town of Hickory Creek. Section 2.6 was amended to provide for a director seat for each of the representative municipalities and two at large directors.

Note 2 – Summary of Significant Accounting Policies

Measurement Focus

The accompanying basic financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. The Authority’s operating revenues are derived from charges to users, primarily for the transportation and sale of water and wastewater. The Authority constructs facilities to provide services to others, which are financed in part by the issuance of its revenue bonds and notes.

Basis of Presentation

The Authority presents its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis - for State and Local Governments*, as amended, guidance for governments engaged in business-type activities. Accordingly, the basic financial statements and Required Supplementary Information (RSI) of the Authority consist of Management’s Discussion & Analysis, statements of net position, statements of revenues, expenses, and changes in net position, statements of cash flows, notes to financial statements, schedule of funding progress for the retiree health plan, schedule of changes in net pension liability and related ratios, and the schedule of employer pension contributions. Additionally, the Authority complies with the reporting requirements

Lake Cities Municipal Utility Authority

NOTES TO THE FINANCIAL STATEMENTS (Continued)

August 31, 2023

promulgated by the "Water District Financial Management Guide" published by the Texas Commission on Environmental Quality.

Budgetary Control

The Authority adopts an accrual basis budget for the enterprise fund annually. Included in the Authority's budget are certain expenses such as capital expenses and principal payments on long-term debt. The budget is prepared by management and approved by the Board of Directors at the August meeting. The adopted budget is not a spending limitation under the law but rather a tool used in controlling and administering the management and operation of the Authority.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Authority considers all cash on hand, demand bank deposits, and highly liquid investments available for current use with an initial maturity of three months or less to be defined as cash and cash equivalents.

Deposits/Investments

The Authority currently invests in certificates of deposit and money market funds. These investments are reported at fair value, which approximates cost. At August 31, 2023, the bank balance of the Authority's cash deposits totaled \$409,352. These amounts include the restricted cash amount held in escrow, which totaled \$73,414 at August 31, 2023. The Authority believes the investments are prudent for safeguarding principal and generating income for operations. The Authority has obtained pledges of securities in the amount of \$1,425,104 from financial institutions in order to mitigate credit and custodial risks associated with deposits. This amount plus the bank depository insurance limits were sufficient to fully collateralize the Authority's deposits.

Financial Instruments

The carrying values of the Authority's financial instruments approximate their fair values as of August 31, 2023.

Lake Cities Municipal Utility Authority

NOTES TO THE FINANCIAL STATEMENTS (Continued)

August 31, 2023

Accounts Receivable

Accounts receivable consists primarily of receivables related to water and sewer services. Accounts receivable includes an accrual for unbilled revenue earned during the month of August 2023. The unbilled revenue balance as of August 31, 2023 was \$760,431. Trade accounts receivable are evaluated periodically for collectability based on customer history and current economic conditions. When considered necessary, an allowance is made for doubtful accounts. The allowance account totaled \$38,938 as of yearend.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Custodial Credit Risk

In the case of bank deposits, custodial credit risk is the risk that in the event of a bank failure, the Authority's bank deposits, whose balances exceed the insurance coverage guaranteed by the Federal Deposit Insurance Authority (FDIC), which was \$250,000 for 2023, may not be returned to it. As of August 31, 2023, the market values of pledged securities and FDIC exceeded bank balances.

Revenues and Expenses

Revenues are recognized as earned and generally result from providing water and sewer services to customers. Revenues resulting from other transactions are reported as nonoperating revenues.

Direct charges attributable to the operations of the Authority's water and sewer systems, including depreciation and amortization, are reported as operating expenses. Interest expense and other similar charges not directly related to the systems operations are reported as nonoperating expenses. Restricted resources, if any, are used first to fund related appropriations, before unrestricted resources are used.

Capital Assets

All asset purchases are recorded at cost when purchased. Donated assets are recorded at fair market value on the date acquired. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the asset's life are not capitalized. Provisions for depreciation on all fixed assets are determined over the estimated useful lives of the respective

Lake Cities Municipal Utility Authority

NOTES TO THE FINANCIAL STATEMENTS (Continued)

August 31, 2023

assets on a straight-line basis. Assets with a useful life over two years and a cost over \$5,000 are capitalized and depreciated. Estimated useful lives range from 5 to 40 years for buildings and water and sewer equipment, 5 to 20 years for machinery and equipment, and 10 to 40 years for engineering fees and purchased computer software which is included in Infrastructure/Equipment.

Compensated Absences

Employees are allowed to accumulate vacation within certain limitations. Payment for accrued vacation (within limits) upon separation is subject to the employee leaving in good standing. Payment for accrued sick leave (within limits) is paid upon retirement. At August 31, 2023, a liability of \$83,744 for unused vacation leave has been accrued and is included in liabilities within compensated absences.

Net Position

Net position is the residual of assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources. The Authority maintains the following classifications of net position:

- Net Investment in Capital Assets – This category of net position represents capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.
- Restricted – This category of net position represents any net positions subject to externally imposed conditions.
- Unrestricted – This category of net position represents any net position not recorded as Net Investment in Capital Assets or Restricted.

The Authority's goal is to achieve and maintain unrestricted net position balance in the enterprise fund equal to 25% of annual expenses. In the event that the unrestricted net position balance is calculated to be less than the policy stipulates, the Authority shall plan to adjust budget resources in subsequent fiscal years to restore the balance.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Note 3 – Cash Deposits & Investments

Legal provisions generally permit the Authority to invest in direct and indirect obligations of the United States of America or its agencies, certain certificates of deposit, repurchase agreements, public funds investment pools, and mutual funds. During the year ended August 31, 2023, the Authority did not own any types of securities other than those permitted by statute.

Lake Cities Municipal Utility Authority

NOTES TO THE FINANCIAL STATEMENTS (Continued)

August 31, 2023

As of August 31, 2023, the Authority held the following investments:

Investment Type	Value	Weighted Average Maturity (Days/Yrs)
External investment pools:		
LOGIC	\$ 2,516,785	35 days
TexPool	8,922,103	23 days
TexPool prime	635,595	32 days
Texas Range	1,990,284	30 days
Certificates of deposit	1,085,511	173 days
Total value	<u>\$ 15,150,278</u>	
Portfolio weighted average maturity		37 days

In compliance with the Authority's investment policy, the Authority limits exposure to credit risk and interest rate risk by limiting the effective duration of securities to less than 12 months and limiting investments to high quality rated securities. The Authority limits exposure to custodial credit risk through a pledge of securities obtained from a financial institution.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. There were no limitations or restrictions on withdrawals.

LOGIC

LOGIC is administered by FirstSouthwest and JPMorgan Chase. Together, these organizations bring to the LOGIC program the powerful partnership of two leaders in financial services with a proven track record in local government investment pool management and extensive industry resources. LOGIC is a local government investment cooperative created under the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. Finally, LOGIC is an AAA rated local government investment pool created by Texas local government officials who understand the

Lake Cities Municipal Utility Authority

NOTES TO THE FINANCIAL STATEMENTS (Continued)

August 31, 2023

specific needs and challenges of investing public funds.

Texas Range

The Texas Range Investment Program ("Texas Range" or the "Program") was organized as the TexasTERM Local Government Investment Pool under a common investment contract on September 18, 2000. The Program offers non-taxable investment funds established for local governments under the provisions of the Texas Interlocal Cooperation Act. The Program has not provided or obtained any legally binding guarantees to support the value of shares. All participation in the Program is voluntary. The Program is not required to register with the Securities and Exchange Commission ("SEC") as an investment company. An elected Advisory Board is responsible for the overall management of the Program, including formation and implementation of its investment and operating policies. The Program currently consists of the TexasDAILY Portfolio, the TexasDAILY Select Portfolio and the TexasTERM Series.

Note 4 – Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Valuation is based upon unadjusted quoted market prices for identical assets or liabilities in active markets that the Authority has the ability to access.

Level 2 – Valuation is based upon quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or valuations based on models where the significant inputs are observable in the market.

Level 3 – Valuation is based on models where significant inputs are not observable. The unobservable inputs reflect the Authority's own assumptions about the inputs that market participants would use.

The Authority's financial instruments consist of cash, investments, accounts receivable, inventory, accounts payable, accrued expenses, and long-term debt. The estimated fair value of cash, investments, accounts receivable, inventory, accounts payable, and accrued expenses approximates their carrying amounts due to the short-term nature of these instruments. The fair value of long-term debt approximates fair value based on the approximate market rates for interest.

Lake Cities Municipal Utility Authority

NOTES TO THE FINANCIAL STATEMENTS (Continued)

August 31, 2023

Note 4 – Accounts Receivable

The following summarizes accounts receivable balances as of year end:

	2023
Water/sewer services	\$ 1,075,148
Construction	145,943
Accrued unbilled revenue	760,431
Developer engineering fees	23,413
Lake Dallas drainage fees	97,092
Other	5,149
Allowance	(38,937)
Total	\$ 2,068,239

Note 5 – Capital Assets

A summary of changes in capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 1,136,570	\$ -	\$ -	\$ 1,136,570
Construction in progress	2,596,304	1,116,620	(1,023,320)	2,689,604
Total capital assets not being depreciated	3,732,874	1,116,620	(1,023,320)	3,826,174
Capital assets, being depreciated:				
Infrastructure/equipment	41,120,784	337,110	896,418	42,354,312
Buildings and improvements	1,722,641	634,361	(2,775)	2,354,227
Machinery, vehicles, and equipment	1,546,283	398,341	(80,215)	1,864,409
Right-to-use assets	50,257	-	-	50,257
Total capital assets being depreciated	44,439,965	1,369,812	813,428	46,623,205
Less accumulated depreciation				
Infrastructure/equipment	16,927,742	1,199,208	(99,041)	18,027,909
Buildings and improvements	1,047,967	97,962	(2,775)	1,143,154
Machinery, vehicles, and equipment	1,083,697	180,136	(77,519)	1,186,314
Right-to-use assets	6,980	6,980	-	13,960
Total accumulated depreciation	19,066,386	1,484,286	(179,335)	20,371,337
Net capital assets being depreciated	25,373,579	(114,474)	992,763	26,251,868
Total Capital Assets	\$ 29,106,453	\$ 1,002,146	\$ (30,557)	\$ 30,078,042

Lake Cities Municipal Utility Authority

NOTES TO THE FINANCIAL STATEMENTS (Continued)

August 31, 2023

Depreciation expense for the year ended August 31, 2023 was \$1,484,286.

Note 6 – Long-Term Debt

The following is a summary of changes in the Authority's long-term debt for the year ended.

	Beginning Balance	Additions	Retired	Ending Balance	Amounts Due Within One Year
Bonds and other payables:					
Revenue Bonds	\$ 3,600,000	\$ -	\$ (265,000)	\$ 3,335,000	\$ 280,000
Lease liabilities	43,718	-	(16,258)	27,460	17,090
Less deferred amounts:					
For premiums	328,957	-	(27,413)	301,544	-
Total Long-term Debt	<u>\$ 3,972,675</u>	<u>\$ -</u>	<u>\$ (308,671)</u>	<u>\$ 3,664,004</u>	<u>\$ 297,090</u>
Long-term liabilities due in more than one year				<u>\$ 3,366,914</u>	

Future payments for these debt obligations are as follows:

Year Ending,	Revenue Bonds	
	Principal	Interest
2024	\$ 280,000	\$ 133,400
2025	290,000	122,200
2026	300,000	110,600
2027	310,000	98,600
2028	325,000	86,200
2029 - 2033	1,830,000	225,200
Total	<u>\$ 3,335,000</u>	<u>\$ 776,200</u>

During fiscal year 2022, the Authority issued \$3,600,000 in revenue bonds with an interest rate of 4.00%. The proceeds were used to advance refund \$4,049,800 of outstanding 2013 revenue bonds, which had interest rates ranging from 3.00% to 4.25%. The bonds mature on August 1, 2033.

Year Ending,	Lease Liabilities	
	Principal	Interest
2024	\$ 17,090	\$ 910
2025	10,370	130
Total	<u>\$ 27,460</u>	<u>\$ 1,040</u>

Lake Cities Municipal Utility Authority

NOTES TO THE FINANCIAL STATEMENTS (Continued)

August 31, 2023

The Authority leases an office facility under a long-term, noncancelable lease agreement with an implicit interest rate of 5%. The lease expires on March 31, 2025.

Note 7 – Deferred Charge on Refunding

Deferred charges resulting from the issuance of series 2022 revenue refunding bonds have been recorded as deferred outflows of resources and are being amortized to interest expense over the shorter of either the remaining term of the refunded debt or the refunding certificates of obligation. Current year balances for business-type activities totaled \$15,340. Current year amortization expense totaled \$1,534.

Note 8 – Retirement Plans

Defined Benefit Pension Plan

1. Plan Description

The Authority provides retirement and death benefits for all its eligible employees through a nontraditional defined benefit pension plan in the statewide Texas County & District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of nearly 800 nontraditional defined contribution benefit plans. TCDRS, in the aggregate, issues an annual comprehensive financial report ("ACFR") on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

2. Benefits Provided

The plan provisions are adopted by the Authority within the options available in Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 5 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 5 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contribution to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the Authority within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement or death, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Lake Cities Municipal Utility Authority

NOTES TO THE FINANCIAL STATEMENTS (Continued)

August 31, 2023

3. Funding Policy

The Authority has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually.

The Authority contributed using the ADCR of 10.92% for calendar year 2023 and 11.17% for calendar year 2022.

The Authority adopted the rate of 7% as the contribution rate payable by the employee members for calendar years 2023 and 2022. The District may change the employee contribution rate and the employer contribution rate within the options available in the TCDRS Act.

4. Contributions

	8/31/2023	8/31/2022
Annual Determined Contribution Cost (ADRC)	\$ 190,560	\$ 159,406
Actual Contributions Made	\$ 190,560	\$ 159,326
Percentage of APC Made	100%	100%
Contribution deficiency (excess)	\$ -	\$ 80

The required contribution rates for fiscal year 2023 were determined as part of the December 31, 2022 actuarial valuation.

Lake Cities Municipal Utility Authority

NOTES TO THE FINANCIAL STATEMENTS (Continued)

August 31, 2023

Additional information as of the three latest actuarial valuations also follows:

Valuation Date	<u>12/31/2020</u>	<u>12/31/2021</u>	<u>12/31/2022</u>
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Percent of payroll, closed	Level Percent of payroll, closed	Level Percent of payroll, closed
Amortization Period in years	0.0 years	0.0 years	17.8 years
Asset Valuation Method	5-year Smoothed Fund	5-year Smoothed Fund	5-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	7.5%	7.5%	7.5%
Projected Salary Increases *	4.60%	4.70%	4.70%
* Includes Inflation at stated-rate	2.50%	2.50%	2.50%
Cost-of Living Adjustments	0.0%	0.0%	n/a

Employees covered by benefit terms

At the December 31, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	28
Active employees	28
Total	59

5. Net Pension Liability

The Authority's Net Pension Liability (Asset) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	4.70% per year; varies by age and service
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation

Lake Cities Municipal Utility Authority

NOTES TO THE FINANCIAL STATEMENTS (Continued)

August 31, 2023

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table.

Actuarial assumptions used in the December 31, 2020, valuation were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 68.

The long-term expected rate of return on pension plan investments is 7.50% gross of administrative expenses. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2023 information for a 10-year time horizon.

Lake Cities Municipal Utility Authority

NOTES TO THE FINANCIAL STATEMENTS (Continued)

August 31, 2023

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (Expected minus inflation) (2)
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.95%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (5)	25.00%	7.95%
Global Equities	MSCI World (net) Index	2.50%	4.95%
International Equities – Developed	MSCI World Ex USA (net) Index	5.00%	4.95%
International Equities – Emerging	MSCI Emerging Markets (net) Index	6.00%	4.95%
Investment - Grade Bonds	Bloomberg U.S. Aggregate Bond Index	3.00%	2.40%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	3.39%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.25%
Distressed Debt	Cambridge Associates Distressed Securities Index (3)	4.00%	7.60%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (4)	6.00%	5.70%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	2.90%
Cash Equivalents	90-day U.S. Treasury	2.00%	0.20%

(1) Target asset allocation adopted at the March 2023 TCDRS Board meeting.

(2) Geometric real rates of return in addition to assumed inflation of 2.3%, per Cliffwater's 2023 capital market assumptions.

(3) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

Discount Rate:

The discount rate used to measure the Total Pension Liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees.

Lake Cities Municipal Utility Authority

NOTES TO THE FINANCIAL STATEMENTS (Continued)

August 31, 2023

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability (Asset):

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balance at 12/31/21	\$ 2,432,589	\$ 2,638,357	\$ (205,768)
Changes for the year:			
Service Cost	251,600	-	251,600
Interest on total pension liability ⁽¹⁾	202,123	-	202,123
Effect of plan changes ⁽²⁾	-	-	-
Difference in expected and actual gains or losses	(48,920)	-	(48,920)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(8,683)	(8,683)	-
Benefit payments	(41,576)	(41,576)	-
Administrative expense	-	(1,607)	1,607
Member contributions	-	113,625	(113,625)
Net investment income	-	(175,530)	175,530
Employer contributions	-	181,313	(181,313)
Other ⁽³⁾	-	36,652	(36,652)
Net changes	354,544	104,194	250,350
Balance at 12/31/22	\$ 2,787,133	\$ 2,742,551	\$ 44,582

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) No plan changes valued.

(3) Relates to allocation of system-wide items.

Sensitivity of the net pension liability / (asset) to changes in the discount rate

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

1% Decrease 6.60%	Current Single Rate Assumption 7.60%	1% Increase 8.60%
\$ 556,085	\$ 44,582	\$ (364,499)

Lake Cities Municipal Utility Authority

NOTES TO THE FINANCIAL STATEMENTS (Continued)

August 31, 2023

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. That report may be obtained on the internet at www.tcdrs.com.

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended August 31, 2023, the Authority recognized pension expense of \$110,754.

At August 31, 2023, the Authority reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Investment earnings	\$ 101,602	\$ -
Changes in actuarial assumptions	99,077	-
Differences between expected and actual economic experience	-	79,111
Contributions subsequent to the measurement date	123,082	-
Total	\$ 323,761	\$ 79,111

The District reported \$123,082 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending August 31, 2024.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2023	\$ (4,326)
2024	13,364
2025	22,944
2026	97,800
2027	(8,214)
Thereafter	-
	\$ 121,568

Other Postemployment Benefits

1. Plan Description

The Authority participates in the TML Multistate Intergovernmental Employee Benefits Pool (TML-

Lake Cities Municipal Utility Authority

NOTES TO THE FINANCIAL STATEMENTS (Continued)

August 31, 2023

MEBP) Retiree Reimbursement Arrangement. The plan is an agent multiple-employer plan. Employees hired before April 1, 2016, with at least 10 years of service and meeting the retirement eligibility requirements set forth in the LCMUA Employee Handbook Section E.5.1 may opt to participate in the Retiree Reimbursement Arrangement, under which Authority will fund an account for reimbursement of eligible health care expenses for the retiree in the amounts provided for annually in Authority's fiscal year budget for retirees within the following classifications:

- a. Retirees with ten years of service, but less than 15 years of service--eligible for funding of 50% of the eligible health care expense designated and funded by the Board for a retiree with twenty years of service or more;
- b. Retirees with fifteen years of service, but less than 20 years of service --eligible for funding of 75% of the eligible health care expense designated and funded by the Board for a retiree with twenty years of service or more; and
- c. Retirees with twenty years of service or more--eligible for funding of 100% of the eligible health care expense designated and funded by the Board for a retiree with twenty years of service or more

The Summary Plan Description set forth by TML Health controls the terms of the plan. The LCMUA retiree to receive benefits under the Retiree Benefits Plan must opt into the plan within 30 days of the employee's retirement date. LCMUA reserves the right to modify, revoke, suspend, terminate, or change the program, in whole or in part, at any time. The retiree as defined above, may have the option for dependent coverage as available through TML Health to be paid at 100% by the retiree.

At August 31, 2023 and 2022, the Plan had 12 and 13 total participants, respectively, and met the requirements to use the alternative measurement method and elected to do so.

Total OPEB Liability

The Authority's total OPEB liability was measured as of August 31, 2023, and was determined by an actuarial valuation as of that date.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The unfunded actuarial accrued liability is being amortized assuming 30 level annual payments on an open basis.

Estimates include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

Lake Cities Municipal Utility Authority

NOTES TO THE FINANCIAL STATEMENTS (Continued)

August 31, 2023

Additional information as of the three latest actuarial valuations also follows:

Valuation Date	<u>8/31/2021</u>	<u>8/31/2022</u>	<u>8/31/2023</u>
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Percent of payroll, closed	Level Percent of payroll, closed	Level Percent of payroll, closed
Amortization Period in years	0.0 years	0.0 years	20 years
Mortality Rates	Pub-2010 mortality tables, projected for 10 years	Pub-2010 mortality tables, projected for 10 years	Pub-2010 mortality tables, projected for 10 years
Actuarial Assumptions:			
Discount Rate	1.5%	4.32%	4.45%
Average Salary Increases	2.00%	2.00%	3.00%

Discount Rate

The discount rate is based on a yield or index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or better for benefits not covered by plan assets.

The S&P Municipal Bond 20-Year High Grade Rate Index was used in determining the discount rate used to measure the Total OPEB Liability as of August 31, 2023 (measurement date under GASB 75).

	<u>8/31/2023</u>	<u>8/31/2022</u>
Discount Rate	4.45%	4.32%
S&P Municipal Bond 20 year Index	4.45%	4.32%

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB liability of the City, calculated using the discount rate of 4.45%, as well as what the City's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (3.45%) or 1-percentage-point higher (5.45%) than the current rate:

1% Decrease (3.45%)	Current Single Rate Assumption 4.45%	1% Increase (5.45%)
<u>\$ 1,020,161</u>	<u>\$ 865,244</u>	<u>\$ 739,626</u>

Lake Cities Municipal Utility Authority

NOTES TO THE FINANCIAL STATEMENTS (Continued)

August 31, 2023

Healthcare Cost Trend

Healthcare cost trend rate baseline is as follows as of August 31, 2023:

	Medical	Pharmacy	Dental	Vision
Year 1	4.700%	5.200%	3.500%	3.000%
Year 2	4.800%	4.800%	3.500%	3.000%
Year 3	4.700%	4.700%	3.000%	3.000%
Year 4	4.600%	4.600%	3.000%	3.000%
Year 5	4.500%	4.500%	3.000%	3.000%
Year 6	4.400%	4.400%	3.000%	3.000%
Year 7	4.300%	4.300%	3.000%	3.000%
Year 8	4.200%	4.200%	3.000%	3.000%
Year 9	4.200%	4.200%	3.000%	3.000%
Year 10 +	4.200%	4.200%	3.000%	3.000%

The OPEB liability calculated using healthcare trend rates 1% greater than and 1% less than the baseline trends are shown in the table below:

Baseline Trend (1.0%)	Current Healthcare Baseline Trend	Baseline Trend + 1.0%
\$ 716,018	\$ 865,244	\$ 1,053,168

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 8/31/22	\$ 856,457
Changes for the year:	
Service Cost	32,914
Interest	38,287
Difference between expected actual experience	(37,816)
Changes of assumptions	(18,323)
Benefit payments	(6,275)
Net changes	8,787
Balance at 8/31/23	\$ 865,244

Lake Cities Municipal Utility Authority

NOTES TO THE FINANCIAL STATEMENTS (Continued)

August 31, 2023

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended August 31, 2023, the Authority recognized OPEB expense of \$15,062.

As of the year ended August 31, 2023, the Authority reported no deferred inflows or outflows of resources related to OPEB.

Note 9 – Risk Management

The Authority uses a number of approaches to decrease risks and protect against losses to the Authority, including internal practices, employee training, and a code of ethics, which all employees are required to acknowledge.

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; personal injury and death; and natural disasters for which the Authority purchases commercial insurance. The Authority has no additional risk or responsibility outside of the payment of insurance premiums. The Authority has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past several years.

Note 10 – Restatement

The Authority's beginning net position was restated due to corrections of errors to capital assets and cash balances. The following table summarizes the restatements:

	Proprietary Fund
Prior year ending net position, as reported	\$ 39,820,379
Correction to capital assets	(547,478)
Correction to cash	34,811
Restated beginning net position	<u><u>\$ 39,307,712</u></u>

Note 11 – Subsequent Events

There were no material subsequent events through January 4, 2024, the date the financial statements were available to be issued.

(This page is intentionally left blank.)

REQUIRED SUPPLEMENTARY INFORMATION

(This page is intentionally left blank.)

Lake Cities Municipal Utility Authority

BUDGETARY COMPARISON SCHEDULE

PROPRIETARY FUND

August 31, 2023

	Original & Final Budget	Actual	Variance Positive (Negative)
Operating Revenues			
Charges for water service	\$ 6,000,000	\$ 7,100,879	\$ 1,100,879
Charges for sewer service	4,100,000	4,364,593	264,593
Tap connection and inspection fees	227,000	306,900	79,900
Penalties and interest	101,000	126,246	25,246
Rentals and leases	104,500	111,528	7,028
Other revenue	10,000	178,281	168,281
Total Operating Revenues	<u>10,542,500</u>	<u>12,188,427</u>	<u>1,645,927</u>
Operating Expenditures			
Purchased water services	2,709,546	2,988,268	(278,722)
Purchased sewer services	1,497,918	1,506,507	(8,589)
Personnel	2,439,600	2,265,852	173,748
Professional fees	146,900	157,689	(10,789)
Utilities and supplies	984,977	837,581	147,396
Repairs and maintenance	738,850	1,055,468	(316,618)
Administrative	374,044	438,281	(64,237)
Capital expenses	3,675,865	2,486,432	1,189,433
Debt service:			
Principal	700,000	281,258	418,742
Total Operating Expenditures	<u>13,267,700</u>	<u>12,017,336</u>	<u>1,250,364</u>
Nonoperating Revenues (Expenses)			
Investment earnings	23,000	554,406	531,406
Interest expense	(506,100)	(118,948)	387,152
Total Nonoperating Revenues (Expenses)	<u>(483,100)</u>	<u>435,458</u>	<u>918,558</u>
Capital contributions - impact fees	1,737,000	1,109,796	(627,204)
Changes in Net Position	<u>\$ (1,471,300)</u>	<u>\$ 1,716,345</u>	<u>\$ 3,187,645</u>
Beginning Net Position - modified		39,307,712	
Ending Net Position-modified		<u>41,024,057</u> ¹	
Debt principal payments		281,258	
Capital expenses		2,486,432	
Depreciation		(1,484,286)	
Ending Net Position		<u>42,307,461</u>	

Notes to Required Supplementary Information:

1. Comparison schedule presented on modified accrual basis

Lake Cities Municipal Utility Authority

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

Years Ended:

	12/31/2022	12/31/2021	12/31/2020	12/31/2019
Total pension liability				
Service cost	\$ 251,600	\$ 257,922	\$ 220,670	\$ 193,970
Interest	202,123	175,048	141,997	114,742
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(48,920)	(34,745)	18,267	18,003
Changes of assumptions	-	6,085	162,996	-
Benefit payments, including refunds of participant contributions	(50,259)	(33,517)	(28,464)	(5,847)
Net change in total pension liability	354,544	370,793	515,466	320,868
Total pension liability - beginning	2,432,589	2,061,796	1,546,330	1,225,462
Total pension liability - ending (a)	2,787,133	2,432,589	2,061,796	1,546,330
Plan fiduciary net position				
Contributions - employer	\$ 181,313	\$ 135,547	\$ 139,755	\$ 118,939
Contributions - members	113,625	108,172	111,217	96,391
Net investment income	(175,530)	456,190	163,249	191,676
Benefit payments, including refunds of participant contributions	(50,259)	(33,517)	(28,464)	(5,847)
Administrative expenses	(1,607)	(1,427)	(1,439)	(1,201)
Other	36,652	6,498	6,740	7,393
Net change in plan fiduciary net position	104,194	671,463	391,058	407,351
Plan fiduciary net position - beginning	2,638,357	1,966,894	1,575,836	1,168,485
Plan fiduciary net position - ending (b)	\$ 2,742,551	\$ 2,638,357	\$ 1,966,894	\$ 1,575,836
Fund's net pension liability - ending (a) - (b)	\$ 44,582	\$ (205,768)	\$ 94,902	\$ (29,506)
Plan fiduciary net position as a percentage of the total pension liability	98.40%	108.46%	95.40%	101.91%
Covered payroll	\$ 1,623,213	\$ 1,545,320	\$ 1,588,819	\$ 1,377,018
Fund's net pension liability as a percentage of covered payroll	2.75%	-13.32%	5.97%	-2.14%

Notes to schedule:

1) This schedule is presented to illustrate the requirement to show information for ten calendar years. However, until a full ten-year trend is compiled, only available information is shown.

	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u> ¹
\$	180,424	\$ 169,767	\$ 183,804	\$ 144,987	\$ 155,483
	91,957	72,809	50,629	43,843	31,848
	-	-	-	(26,350)	-
	4,583	(6,432)	(24,596)	(103,836)	(16,767)
	-	1,927	-	6,011	-
	(12,456)	(12,223)	(18,969)	(1,146)	(13,324)
	<u>264,508</u>	<u>225,848</u>	<u>190,868</u>	<u>63,509</u>	<u>157,240</u>
	<u>960,954</u>	<u>735,106</u>	<u>544,238</u>	<u>480,729</u>	<u>323,489</u>
	<u>1,225,462</u>	<u>960,954</u>	<u>735,106</u>	<u>544,238</u>	<u>480,729</u>
\$	109,560	\$ 105,354	\$ 98,963	\$ 96,213	\$ 94,153
	84,417	80,562	76,937	74,419	69,158
	(16,583)	107,346	38,410	(8,513)	12,643
	(12,456)	(12,223)	(18,968)	(1,146)	(13,325)
	(939)	(664)	(418)	(315)	(208)
	5,508	2,322	17,574	(54)	88
	<u>169,507</u>	<u>282,697</u>	<u>212,498</u>	<u>160,604</u>	<u>162,509</u>
	<u>998,978</u>	<u>716,281</u>	<u>503,783</u>	<u>343,179</u>	<u>180,670</u>
\$	<u>1,168,485</u>	<u>\$ 998,978</u>	<u>\$ 716,281</u>	<u>\$ 503,783</u>	<u>\$ 343,179</u>
\$	<u>56,977</u>	<u>\$ (38,024)</u>	<u>\$ 18,825</u>	<u>\$ 40,455</u>	<u>\$ 137,550</u>
	95.35%	103.96%	97.44%	92.57%	71.39%
\$	1,205,961	\$ 1,150,893	\$ 1,099,105	\$ 1,063,129	\$ 987,970
	4.72%	-3.30%	1.71%	3.81%	13.92%

Lake Cities Municipal Utility Authority

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Years Ended:

	8/31/2023	8/31/2022	8/31/2021	8/31/2020
Actuarially determined employer contributions	\$ 190,560	\$ 159,406	\$ 139,755	\$ 118,699
Contributions in relation to the actuarially determined contribution	\$ 190,560	\$ 159,326	\$ 139,755	\$ 118,939
Contribution deficiency (excess)	\$ -	\$ 80	\$ -	\$ (240)
Annual covered payroll	\$ 1,731,225	\$ 1,545,320	\$ 1,588,819	\$ 1,377,018
Employer contributions as a percentage of covered payroll	11.01%	10.31%	8.80%	8.64%

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	17.8 years (longest amortization ladder)
Asset Valuation Method	5 Year smoothed market
Inflation	2.5%
Salary Increases	4.7% average over career
Investment Rate of Return	7.50% net of administrative and investment expenses
Retirement Age	Average age at service retirement for recent retirees is 61.

Mortality

Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes

There were no benefit changes during the year.

<u>8/31/2019</u>	<u>8/31/2018</u>	<u>8/31/2017</u>	<u>8/31/2016</u>	<u>8/31/2015</u>	¹
\$ 109,560	\$ 105,354	\$ 98,919	\$ 96,213	\$ 94,153	
<u>\$ 109,560</u>	<u>\$ 105,354</u>	<u>\$ 98,963</u>	<u>\$ 96,213</u>	<u>\$ 94,153</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (44)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ 1,205,961	\$ 1,150,893	\$ 1,099,105	\$ 1,063,129	\$ 987,970	
9.08%	9.15%	9.00%	9.05%	9.53%	

Lake Cities Municipal Utility Authority

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY AND RELATED RATIOS TML MULTISTATE INTERGOVERNMENTAL EMPLOYEE BENEFITS POOL SUPPLEMENTAL DEATH BENEFITS PLAN

Year Ended:

	<u>8/31/2023</u>	<u>8/31/2022</u>	<u>8/31/2021</u>	<u>8/31/2020</u>
Total OPEB liability				
Service cost	\$ 32,914	\$ 70,168	\$ 54,191	\$ 54,192
Interest	38,287	27,301	31,262	24,248
Changes in benefit terms		-	-	-
Differences between expected and actual experience	(37,816)	(372,198)	75,737	270,362
Changes of assumptions	(18,323)	(614,148)	237,446	26,808
Benefit payments, including refunds of participant contributions	(6,275)	(9,110)	(9,110)	(12,310)
Net change in total OPEB liability	<u>8,787</u>	<u>(897,987)</u>	<u>389,526</u>	<u>363,300</u>
Total OPEB liability - beginning	<u>\$ 856,457</u>	<u>\$ 1,754,444</u>	<u>\$ 1,364,918</u>	<u>\$ 1,001,618</u>
Total OPEB liability - ending	<u><u>\$ 865,244</u></u>	<u><u>\$ 856,457</u></u>	<u><u>\$ 1,754,444</u></u>	<u><u>\$ 1,364,918</u></u>

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten calendar years. However, until a full ten-year trend is compiled, only available information is shown.

² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

<u>8/31/2019</u>	<u>8/31/2018</u> ¹
\$ 183,805	\$ 194,607
40,754	39,207
238,893	338,432
(21,261)	35,531
(285,427)	237,446
(11,905)	(13,205)
<u>144,859</u>	<u>832,018</u>
\$ 856,759	\$ -
<u>\$ 1,001,618</u>	<u>\$ 832,018</u> ²

(This page is intentionally left blank.)

TEXAS SUPPLEMENTARY INFORMATION

Lake Cities Municipal Utility Authority

TSI-1 SERVICES AND RATES

August 31, 2023

1. Services provided by the District:

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

2. a. Retail rates based on 5/8" meter

The most prevalent type of meter (if not a 5/8"):

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons Over Minimum	Usage Levels
Water	\$ 33.00	-	N	\$5.40	0 to 8,000
				\$6.90	8,001 to 20,000
				\$8.90	20,001 to 45,000
				\$11.50	45,001 - Above
Wastewater					
Residential	\$ 35.00	-	N	\$6.20	0 - Above
Commercial	\$ 38.00	-	N	\$6.20	0 - Above
District employs winter averaging for wastewater usage?					Y X N
Total water and sewer charges per 10,000 gallons usage (including surcharges)					
					Water = \$90.00 Wastewater = \$97.00

b. Retail Service Providers: Number of retail water and/or wastewater connections * within the District as of the fiscal year end. Provide actual numbers and single family equivalents (ESFC) as noted:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
< 3/4"	5,572	5,542	x 1.0	5,542
5/8"	-	-	x 2.0	-
1"	138	138	x 2.5	345
1 1/2"	32	30	x 5.0	150
2"	85	66	x 8.0	528
3"	12	9	x 15.0	135
4"	6	3	x 25.0	75
6"	5	4	x 50.0	200
8"	-	-	x 80.0	-
10"	-	-	x 115.0	-
Total water	5,850	5,792		6,975
Total wastewater	5,376	5,376	x 1.0	5,376

* Number of connections relates to water service, if provided. Otherwise, the number of wastewater connections should be provided.

Lake Cities Municipal Utility Authority

TSI-1 SERVICES AND RATES

August 31, 2023

3. **Total Water Consumption (In Thousands) During the Fiscal Year:**

Gallons pumped into system:	730,936	Water Accountability Ratio:	
Gallons billed to customers:	637,230		<u>87.18%</u>

4. **Standby Fees:** Does the District assess standby fees? Yes ☐ No ☒

Have standby fees been levied in accordance with Water Code Section 49.231, thereby constituting a lien on property? Yes ☐ No ☒

5. **Location of District:**

County in which District is located.

Denton County

Is the District located entirely within one county?

Yes ☒ No ☐

Is the District located within a city?

Yes ☐ Partly ☒ No ☐

City in which District is located.

Hickory Creek, Lake Dallas, Shady Shores

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

Entirely ☒ Partly ☐ Not at all ☐

ETJ's in which District is located.

Hickory Creek, Lake Dallas, Shady Shores

Is the general membership of the Board appointed by an office outside the District?

If yes, by whom? Yes ☐ No ☒

Lake Cities Municipal Utility Authority

TSI-2 PROPRIETARY FUND EXPENDITURES (Page 1)

For the Years Ended August 31, 2023 and 2022

	2023	2022
<u>Current</u>		
Personnel Services (including benefits)	\$ 2,265,852	\$ 1,203,238
Professional Fees:		
Auditing	29,097	29,502
Legal	19,309	17,979
Consulting	9,148	50,413
Engineering fees	100,135	67,554
	157,689	165,448
Purchased Services:		
Water services	2,988,268	2,658,935
Wastewater services	1,506,507	1,405,831
	4,494,775	4,064,766
Contracted Services	-	363,091
Depreciation	1,484,286	1,456,704
Utilities and Supplies	837,581	90,452
Repairs and Maintenance	1,055,468	816,898
Interest expense	118,948	231,426
Administrative		
Office furniture	4,817	-
Insurance	76,855	68,754
Postage	30,053	36,480

Lake Cities Municipal Utility Authority

TSI-2 PROPRIETARY FUND EXPENDITURES (Page 2)

For the Years Ended August 31, 2023 and 2022

	2023	2022
Administrative (continued)		
Shipping/freight	\$ 3,016	\$ -
Telephone/communication	30,141	31,959
TX 811 system	109,056	-
Gas/electric	103,383	-
Travel	8,598	6,182
Damage to personal property	5,706	-
Miscellaneous	-	19,403
Office equipment maintenance/rental	-	12,937
Fuel and Lube	-	68,501
Software Maintenance/Training	45,493	46,466
Printing	-	17,627
Uniforms	-	9,272
Safety Supplies/Training	-	15,811
Training/Enrollment/License	-	176
Chemicals	-	3,855
Rent - Equipment/Space	-	17,705
Other expenses	21,163	415,275
	<u>438,281</u>	<u>770,403</u>
Total Expenditures	<u><u>\$ 10,852,880</u></u>	<u><u>\$ 9,162,426</u></u>

Lake Cities Municipal Utility Authority

TSI-3 CASH AND INVESTMENTS

August 31, 2023

Funds	Identification or Certificate Number	Interest Rate (%)	Maturity Date	Balance
<u>Proprietary Fund</u>				
Independent Financial				
Checking deposit	xxxx877	0.00%	n/a	\$ 148,983
Point Bank				
Checking deposit	xxxx482	0.00%	n/a	185,729
BOK Financial				
Money market	xx-xxxx-01-7	4.65%	n/a	74,642
FNC Accounts:				
Certificates of Deposit	xxxxxACO	3.25%	2/20/2024	1,085,511
TexPool Accounts:				
Water Impact Fee	xxxxxx002	0.02%	8/31/2022	4,438,691
Capital Reserve Fund	xxxxxx003	0.02%	8/31/2022	410,034
Sewer Impact Fee	xxxxxx005	0.02%	8/31/2022	3,396,820
Systems Fund	xxxxxx006	0.02%	8/31/2022	635,595
New Building	xxxxxx009	0.02%	8/31/2022	97,687
2013 Bond Reserve	xxxxxx011	0.02%	8/31/2022	578,870
LOGIC Accounts:				
Systems Fund	xxxxxx-001	0.02%	8/31/2022	2,421,680
Debt Series 2013	xxxxxx-002	0.02%	8/31/2022	95,105
TexasTERM Accounts:				
Rate Stabilization	xxxx-01	0.02%	8/31/2022	499,081
Capital Projects	xxxx-02	0.02%	8/31/2022	1,491,203
Total Cash and Investments				\$ 15,559,631

Lake Cities Municipal Utility Authority

TSI-4 ANALYSIS OF TAXES LEVIED AND RECEIVABLE

August 31, 2023

(Does not apply to the Authority.)

Lake Cities Municipal Utility Authority
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS
August 31, 2023

Due During Fiscal Year Ending August 31,	Series 2022 Bonds		
	Principal	Interest	Total
2024	\$ 280,000	\$ 133,400	\$ 413,400
2025	290,000	122,200	412,200
2026	300,000	110,600	410,600
2027	310,000	98,600	408,600
2028	325,000	86,200	411,200
2029-2033	1,830,000	225,200	2,055,200
Totals	\$ 3,335,000	\$ 776,200	\$ 4,111,200

Lake Cities Municipal Utility Authority

TSI-6 CHANGE IN LONG-TERM BONDED DEBT

August 31, 2023

	Bond Issues
	Series 2022
Interest rate	4.00%
Dates interest payable	2/1; 8/1
Maturity dates	8/1/2033
Bonds outstanding at beginning of current year	\$ 3,600,000
Bonds issued	-
Bonds sold or refunded	-
Principal retirements	<u>(265,000)</u>

Bonds Outstanding at End of Current Year	\$ 3,335,000
---	---------------------

Interest Retirements	\$ 144,000
-----------------------------	-------------------

Paying Agent/Registrar

Series 2022 BOKF dba: Bank of texas, N.A.

Bond Authority	Refunding Bonds
Amount authorized by voters	\$ -
Amount issued	\$ 3,600,000
Remaining	\$ -

Enterprise Fund cash and temporary investments balances as of August 31, 2023: \$ 15,559,631

Average annual debt service payment (Principal and Interest)

for remaining term of all debt: \$ 411,120

Lake Cities Municipal Utility Authority

TSI-7 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES

August 31, 2023

Last Five Years

	Amounts				
	2023	2022	2021	2020	2019
<u>Operating Revenue</u>					
Chgs. for water service	\$ 7,100,879	\$ 6,949,814	\$ 5,824,436	\$ 5,834,076	\$ 5,024,552
Chgs. for sewer service	4,364,593	4,078,015	3,723,099	3,485,948	3,428,337
Penalties and interest	126,246	-	-	-	-
Rentals and leases	111,528	-	-	-	-
Tap & other fees	306,900	356,230	2,385,991	1,616,448	811,994
Other revenue	178,281	184,038	181,853	179,014	216,434
Total Revenues	12,188,427	11,568,097	12,115,379	11,115,486	9,481,317
<u>Operating Expenses</u>					
Purchased water service	2,988,268	2,658,935	2,381,306	2,344,984	2,199,755
Purchased sewer service	1,506,507	1,405,831	1,470,093	1,443,745	1,487,367
Personnel	2,265,852	1,203,238	2,428,664	2,407,843	1,962,068
Contracted services	-	363,091	345,909	332,738	319,332
Professional fees	157,689	177,268	273,268	172,104	113,954
Utilities	837,581	90,452	121,796	89,737	86,653
Depreciation	1,484,286	1,456,704	1,412,178	1,376,876	1,056,651
Repairs and maint.	1,055,468	816,898	639,676	223,657	233,093
Administrative	438,281	-	-	-	-
Capital expense	-	758,583	679,751	628,326	508,128
Total Expenditures	10,733,932	8,931,000	9,752,641	9,020,010	7,967,001
<u>Nonoperating Revenues (Expenses)</u>					
Investment earnings	554,406	16,906	6,274	66,555	103,299
Bond issuance costs	(118,948)	-	-	9	-
Interest expense	-	(231,426)	(158,064)	(165,864)	(181,541)
Gain (loss) on disposals	-	(1,164)	17,413	1,500	2,500
Nonoperating Revenues					
(Expenses)	435,458	(215,684)	(134,377)	(97,800)	(75,742)
Excess (Deficiency)	1,889,953	2,421,413	2,228,361	1,997,676	1,438,574
Capital Contributions	1,109,796	1,796,000	-	170,971	172,354
Changes in Net Position	\$ 2,999,749	\$ 4,217,413	\$ 2,228,361	2,168,647	\$ 1,610,928

Percent of Total Fund Revenues

2023	2022	2021	2020	2019
58.3 %	60.1 %	48.1 %	52.5 %	53.0 %
35.8	35.3	30.7	31.4	36.2
1.0	0.0	0.0	0.0	0.0
0.9	0.0	0.0	0.0	0.0
2.5	3.1	19.7	14.5	8.6
1.5	1.6	1.5	1.6	2.3
100.0	100.0	100.0	100.0	100.0
24.5	23.0	19.7	21.1	23.2
12.4	12.2	12.1	13.0	15.7
19	10.4	20.0	21.7	20.7
0.0	3.1	2.9	3.0	3.4
1.3	1.5	2.3	1.5	1.2
6.9	0.8	1.0	0.8	0.9
12	12.6	11.7	12.4	11.1
8.7	7.1	5.3	2.0	2.5
3.6	0.0	0.0	0.0	0.0
0.0	6.6	5.6	5.7	5.4
88.1	77.2	80.5	81.1	84.0
4.5	0.1	0.1	0.6	1.1
(1.0)	0.0	0.0	0.0	0.0
0.0	(2.0)	(1.3)	(1.5)	(1.9)
0.0	(0.0)	0.1	0.0	0.0
3.6	(1.9)	(1.1)	(0.9)	(0.8)
15.5	20.9	18.4	18.0	15.2
N/A	N/A	N/A	1.5	1.8
15.5 %	20.9 %	18.4 %	18.0 %	15.2 %

Lake Cities Municipal Utility Authority

TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

August 31, 2023

District's Mailing Address: Lake Cities Municipal Utility Authority
501 N. Shady Shores Drive
Lake Dallas, Texas 75065

District's Business Telephone Number: (940) 497-2999

<u>Board Members</u>	<u>Term of Office</u>	<u>Fees of Office Paid</u>	<u>Expense Reimbursements</u>	<u>Title at Yearend</u>
1. Tom Rufer (Elected)	05/22 - 05/26	\$ -	\$ -	President
2. Cecil Carter (Elected)	05/20 - 05/24	\$ -	\$ -	Vice President
3. Jennifer Gordon (Elected)	05/20 - 05/24	\$ -	\$ -	Secretary/Treasurer
4. Ray Jones (Appointed)	08/22 - 05/26	\$ -	\$ -	Director
5. Joe Flowers (Elected)	05/20 - 05/24	\$ -	\$ -	Director

Submission date of the most recent District registration form: 3/1/2010

Limit on fees of office that a director may receive during a fiscal year: \$ -

Name and Address	Date Hired	Fees and Expenses	Title at Yearend
<u>Key Administrative Personnel</u>			
Mike Fairfield	08/01/06	\$ 157,456	General Manager
Kate Boatler	09/26/11	\$ 125,723	Asst. General Manager
Becky Vickers	04/17/89	\$ 103,114	Human Resources
Mark Diciaccio	09/20/11	\$ 94,602	Operations Mgr.
<u>Consultants</u>			
Lafferty Law Firm, PLLC	2013	\$ 18,424	Attorney
CliftonLarsonAllen, LLP	2018	\$ 29,097	Auditor
Belcheff & Associates, Inc.	2011	\$ 219,319	Engineer
Kimley-Horn & Associates, Inc.	2014	\$ 39,940	Engineer

(this page intentionally left blank)

APPENDIX E

SELECTED PROVISIONS OF THE RESOLUTION

This page is intentionally left blank.

APPENDIX E

Selected Provisions of the Resolution

The following constitutes a summary of certain selected provisions of the Resolution. This summary should be qualified by reference to other provisions of the Resolution referred to elsewhere in this Official Statement, and all references and summaries pertaining to the Resolution in this Official Statement are, separately and in whole, qualified by reference to the exact terms of the Resolution, a copy of which may be obtained from the Authority.

SECTION 9: Definitions. For all purposes of this Resolution (as defined below), except as otherwise expressly provided or unless the context otherwise requires: (i) the terms defined in this Section have the meanings assigned to them in this Section, and certain terms used in Sections 35 and 51 of this Resolution have the meanings assigned to them in such Sections, and all such terms include the plural as well as the singular; (ii) all references in this Resolution to designated “Sections” and other subdivisions are to the designated Sections and other subdivisions of this Resolution as originally adopted; and (iii) the words “herein”, “hereof”, and “hereunder” and other words of similar import refer to this Resolution as a whole and not to any particular Section or other subdivision.

A. The term *Additional Junior Lien Obligations* shall mean (i) any bonds, notes, warrants, or any similar obligations hereafter issued by the Authority that are payable wholly or in part from and equally and ratably secured by a lien and pledge of the Pledged Revenues, such pledge to include a pledge of Net Revenues that is junior and inferior to the lien on and pledge of the Net Revenues that are or will be pledged to the payment of the Prior Lien Obligations now Outstanding or hereafter issued by the Authority but senior and superior to the lien thereon and pledge thereof that is or will be pledged to the payment of the Subordinate Lien Obligations hereafter issued by the Authority, and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured solely by a lien on and pledge of the Pledged Revenues, as determined by the Board in accordance with applicable law.

B. The term *Additional Prior Lien Obligations* shall mean (i) any bonds, notes, warrants, or other evidences of indebtedness which the Authority reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in Section 18 of this Resolution and which are equally and ratably secured solely by a first and prior lien on and pledge of the Pledged Revenues and (ii) obligations hereafter issued to refund any of the foregoing if issued in a manner so as to be payable from and equally and ratably secured by a lien on and pledge of the Pledged Revenues as determined by the Board in accordance with applicable law.

C. The term *Authority* shall mean Lake Cities Municipal Utility Authority and any other public agency succeeding to the powers, rights, privileges and functions of the Authority and, when appropriate, the Board of the Authority.

D. The term *Authorized Officials* shall mean the President of the Board, the Secretary/Treasurer of the Board, the General Manager, or the Finance Director of the Authority.

E. The term *Average Annual Debt Service Requirements* shall mean that average amount which, at the time of computation, will be required to pay the Debt Service Requirement on all outstanding Bonds Similarly Secured when due (either at Stated Maturity or mandatory redemption) and derived by dividing the total of such Debt Service Requirement by the number of Fiscal Years then remaining before Stated Maturity of such Bonds Similarly Secured. For purposes of this definition, a fractional period of a Fiscal Year shall be treated as an entire Fiscal Year. Capitalized interest payments provided from bond proceeds and accrued interest on the Bonds Similarly Secured shall be excluded in making the aforementioned computation.

F. The term *Bonds Similarly Secured* shall mean the Notes and any Additional Junior Lien Obligations hereafter issued by the Authority or obligations issued to refund any of the foregoing if issued in a manner that provides that the refunding obligations are payable from and secured by a lien on and pledge of the Pledged Revenues as determined by the Board in accordance with applicable law.

G. The term *Closing Date* shall mean the date of physical delivery of the Initial Notes for the payment in full by the Purchasers.

H. The term *Credit Agreement* shall mean a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase debt, purchase or sale agreements, interest rate swap agreements, or commitments or other contracts or agreements authorized, recognized, and approved by the Board as a Credit Agreement in connection with the authorization, issuance, security or paying of any Bonds Similarly Secured.

I. The term *Credit Facility* shall mean (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations under and pursuant to Texas law, or (ii) a letter or line of credit issued by any financial institution authorized under applicable Texas law to deliver such types of financial instrument.

J. The term *Credit Provider* shall mean any bank, financial institution, insurance company, surety bond provider, or other institution which provides, executes, issues, or otherwise is a party to a Credit Agreement or a provider of a Credit Facility.

K. The term *Debt Service Requirements* shall mean as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the Authority as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest calculated by assuming (i) that the interest rate for every 12-month period on such bonds is equal to the rate of interest reported in the most recently published edition of *The Bond Buyer* (or its successor) at the time of calculation as the "Revenue Bond Index" or, if such Revenue Bond Index is no longer being maintained by *The Bond Buyer* (or its successor) at the time of calculation, such interest rate shall be assumed to be 80% of the rate of interest then being paid on United States Treasury obligations of like maturity and (ii) that the principal of such bonds is amortized such that annual debt service is substantially level over the remaining stated life of such bonds,

and further assuming in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity, the principal amounts thereof will be redeemed prior to Stated Maturity in accordance with the mandatory redemption provisions applicable thereto.

L. The term *Depository* shall mean an official depository bank of the Authority.

M. The term *Fiscal Year* shall mean the twelve month accounting period used by the Authority in connection with the operation of the System, currently ending on August 31st of each year, which may be any twelve consecutive month period established by the Authority, but in no event may the Fiscal Year be changed more than one time in any three calendar year period.

N. The term *Government Securities* shall mean (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by, the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; or (iv) any additional securities and obligations hereafter authorized by the laws of the State of Texas as eligible for use to accomplish the discharge or obligations such as the Notes.

O. The term *Gross Revenues* shall mean, for any defined period, all income, receipts, revenues, and increment which may be received or derived from the ownership and/or operation of the System as it is purchased, constructed or otherwise acquired from time to time, but shall not mean the income and increment derived from a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities which under the terms of the authorizing resolution(s) or order(s) that may be pledged for the requirements of the Authority's Special Project Obligations issued particularly to finance the water and wastewater facilities needed in performing any such contract or contracts.

P. The term *Holder or Holders* shall mean the registered owner, whose name appears in the Security Register, for any Note.

Q. The term *Insurance Policy* shall mean the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Notes when due.

R. The term *Insurer* shall mean _____, a New York stock insurance company, or any successor thereto or assignee thereof.

S. The term *Interest Payment Date* shall mean the date semiannual interest is payable on the Notes, being April 1 and October 1 of each year, commencing October 1, 2024, while any of the Notes remain Outstanding.

T. The term *Junior Lien Obligations* shall mean (i) bonds, notes, warrants, or other obligations hereafter issued by the Authority payable and equally and ratably secured wholly or in part from a pledge of and lien on, in whole or in part, Net Revenues of the System which is junior and inferior to the lien on and pledge of Pledged Revenues securing the payment of the then-outstanding Prior Lien Obligations, and (ii) any obligations issued to refund the foregoing payable and equally and ratably secured from a junior and inferior lien on and pledge of the Net Revenues as determined by the Board in accordance with any applicable law.

U. The term *Maintenance and Operation Expenses* shall mean the expenses necessary to provide for the administration, efficient operation and adequate maintenance of the Authority's System, including the payment of necessary wages, salaries, and benefits, the acquisition of property and materials necessary to maintain the System in good condition and to operate it efficiently, together with such other costs and expenses as may now or hereafter be defined by law as proper maintenance and operation expenses of the System (which costs and expenses, however, specifically exclude any allowance for depreciation, property, retirement, depletion, obsolescence, and other items not requiring an outlay of cash and any interest on notes, other Bonds Similarly Secured, or any Debt).

V. The term *Net Revenues* shall mean Gross Revenues of the System, with respect to any period, after deducting the System's Maintenance and Operating Expenses during such period.

W. The term *Note Fund* shall mean the special fund or account created and established by the provisions of Section 13 of this Resolution.

X. The term *Notes* shall mean the \$____,____ "LAKE CITIES MUNICIPAL UTILITY AUTHORITY UTILITY SYSTEM JUNIOR LIEN REVENUE NOTES, SERIES 2024", dated April 1, 2024, authorized by this Resolution.

Y. The term *Outstanding* when used in this Resolution with respect to Notes shall mean, as of the date of determination, all Notes issued and delivered under this Resolution, except

i. those Notes cancelled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;

ii. those Notes for which payment has been duly provided by the Authority in accordance with the provisions of Section 39 of this Resolution; and

iii. those Notes that have been mutilated, destroyed, lost, or stolen and replacement Notes have been registered and delivered in lieu thereof as provided in Section 33 of this Resolution.

Z. The term *Pledged Revenues* means (1) the Net Revenues, plus (2) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations, or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter are pledged by the Authority to the payment of the Bonds Similarly Secured, and excluding those revenues excluded from Gross Revenues.

AA. The term *Previously Issued Prior Lien Obligations* shall mean (i) the currently outstanding and unpaid obligations of the Authority that are payable from and equally and ratably secured by a first and prior lien on and pledge of the Pledged Revenues of the System and designated as follows:

i. “Lake Cities Municipal Utility Authority Utility System Revenue Refunding Bonds, Series 2022”, dated May 1, 2022, issued in the original principal amount of \$3,600,000; and

(ii) any obligations hereafter issued to refund any of the foregoing that are payable from and secured by a first and prior lien obligations on and pledge of the Pledged Revenues of the System as determined by the Board in accordance with any applicable law.

BB. The term *Purchasers* shall mean the initial purchaser or purchasers of the Notes named in Section 34 of this Resolution.

CC. The term *Required Reserve* shall mean the amount required to be deposits and maintained in the Reserve Fund under the provisions of Section 14 of this Resolution.

DD. The term *Required Reserve Fund Deposits* shall mean the monthly deposited required to be deposited and maintained in the Reserve Fund under the provisions of Section 14 of this Resolution.

EE. The term *Resolution* shall mean this resolution adopted by the Board on March 18, 2024.

FF. The term *Special Project Obligations* shall mean bonds, notes or other evidences of indebtedness which the Authority expressly reserves the right to issue in Section 21 of this Resolution.

GG. The term *Stated Maturity* shall mean the annual principal payments of the Notes payable on April 1 of each year, as set forth in Section 2 of this Resolution.

HH. The term *Subordinate Lien Obligations* shall mean (i) bonds, notes, warrants, or other obligations hereafter issued by the Authority payable and equally and ratably secured wholly or in part from a pledge of and lien on, in whole or in part, Net Revenues of the System which is subordinate and inferior to the lien on and pledge of Net Revenues included in the definition of Pledged Revenues that secures the payment of the then-outstanding Prior Lien Obligations and the lien on and pledge of Net Revenues that secures the payment of any then-outstanding Bonds Similarly Secured, and (ii) any obligations issued to refund the foregoing payable and equally and ratably secured from a subordinate and inferior lien on and pledge of the Net Revenues as determined by the Board in accordance with any applicable law.

II. The term *System* shall mean the works, improvements, facilities, plants, equipment, appliances, property, easements, leaseholds, licenses, privileges, right of use or enjoyment, contract rights or other interests in property comprising the water and wastewater system of the Authority now owned or to be hereafter purchased, constructed or otherwise acquired whether by deed, contract or otherwise, together with any additions or extensions thereto or improvements and replacements thereof, or the water and wastewater system of any other entity

to which the Authority has contractual rights of use, except the water and wastewater facilities which the Authority may purchase or acquire with the proceeds of the sale of Special Project Obligations, so long as such Special Project Obligations are outstanding, notwithstanding that such facilities may be physically connected with the System.

SECTION 10. Pledge of Pledged Revenues.

A. The Authority hereby covenants and agrees that the Pledged Revenues are hereby irrevocably pledged to the payment and security of the Bonds Similarly Secured including the establishment and maintenance of the special funds or accounts created and established for the payment and security thereof, all as hereinafter provided; and it is hereby resolved that the Bonds Similarly Secured, and the interest thereon, shall constitute a lien on and pledge of the Pledged Revenues and be valid and binding without any physical delivery thereof or further act by the Authority, and the lien which is junior and inferior to the lien on and pledge of Pledged Revenues securing the payment of the Previously Issued Prior Lien Obligations created hereby on the Pledged Revenues for the payment and security of the Bonds Similarly Secured shall be prior in right and claim as to any other indebtedness, liability, or obligation of the Authority or the System.

B. Chapter 1208, as amended, Texas Government Code, applies to the issuance of the Notes and the pledge of Pledged Revenues granted by the Authority under subsection (a) of this Section, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Notes are outstanding and unpaid such that the pledge of the Pledged Revenues granted by the Authority is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Notes the perfection of the security interest in this pledge, the Authority agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code and enable a filing to perfect the security interest in this pledge to occur.

SECTION 11. Rates and Charges. For the benefit of the Holders of the Bonds Similarly Secured and in addition to all provisions and covenants in the laws of the State of Texas and in this Resolution, the Authority hereby expressly stipulates and agrees, while any of the Bonds Similarly Secured are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year sufficient:

A. To pay all Maintenance and Operating Expenses, or any expenses required by statute to be a first claim on and charge against the Gross Revenues of the System;

B. to produce Pledged Revenues, together with any other lawfully available funds, equal to 1.10 times the amount that is sufficient to pay the scheduled principal of and interest on the Prior Lien Obligations, plus one times the amount (if any) required to be deposited in any reserve or contingency fund or account created for the payment and security of the Prior Lien Obligations;

C. to produce Net Revenues, together with any other lawfully available funds, to pay the principal of and interest on the Bonds Similarly Secured as the same become due and payable and to deposit the amounts required to be deposited in any special fund or account created and established for the payment and security of the Bonds Similarly Secured;

D. to produce Net Revenues, together with any other lawfully available funds, to pay the principal of and interest on any Subordinate Lien Obligations hereafter issued by the Authority as the same become due and payable and to deposit the amounts required to be deposited in any special fund or account created and established for the payment and security of any subordinate Lien Obligations hereafter issued by the Authority; and

E. to pay, together with any lawfully available funds, any other legally incurred indebtedness payable from the Net Revenues and/or secured by a lien on the System.

SECTION 12. System Fund. The Authority hereby agrees and covenants with the Holders of the Bonds Similarly Secured (including the Notes) that the Gross Revenues of the System shall be deposited, as collected and received, into a separate Fund or account to be created, established, and maintained with the Depository known as the “Lake Cities Municipal Utility Authority Utility System Revenue Fund” (the *System Fund*) and that the Gross Revenues of the System shall be kept separate and apart from all other funds of the Authority. All Gross Revenues deposited into the System Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

- FIRST: to the payment of all necessary and reasonable Maintenance and Operating Expenses as defined herein or required by statute, to be a first charge on and claim against the Gross Revenues of the System.

- SECOND: to the payment of the amounts required to be deposited into the funds created and established for the payment of the Prior Lien Obligations as the same become due and payable.

- THIRD: to the payment of the amounts required to be deposited into the Reserve Fund to establish and maintain the Required Reserve (hereinafter defined) in accordance with the provisions of this Resolution or any other resolution relating to the issuance of the Prior Lien Obligations.

- FOURTH: to the payment of the amounts that must be deposited in the Note Fund created and established for the payment and security of the Bonds Similarly Secured.

- FIFTH: to the payment of the amounts required to be deposited into the Reserve Fund to establish and maintain the Required Reserve (hereinafter defined) in accordance with the provisions of this Resolution or any other resolution relating to the issuance of Bonds Similarly Secured.

- SIXTH: to the payment of the amounts that must be deposited in any special funds or accounts created and established for the payment and security of any Subordinate Lien Obligations hereafter issued by the Authority.

Any Net Revenues remaining in the System Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other Authority purpose now or hereafter permitted by law.

SECTION 13. Note Fund; Excess Note Proceeds. For purposes of providing funds to pay the principal of and interest on the Bonds Similarly Secured (including the Notes) as the same become due and payable, the Authority hereby agrees to maintain, and hereby establishes and creates, a separate and special Fund known as the “Lake Cities Municipal Utility Authority Utility System Junior Lien Revenue Notes Interest and Sinking Fund” (the *Note Fund*). The Authority covenants that there shall be deposited by the Authorized Officials into the Note Fund prior to each principal and interest payment date from the available Pledged Revenues an amount equal to one hundred percent (100%) of the amount required to fully pay the interest on and the principal of the Bonds Similarly Secured then falling due and payable, such deposits to pay maturing principal and accrued interest on the Bonds Similarly Secured to be made in substantially equal monthly installments on or before the first day of each month, beginning on or before the 1st day of the month next following the delivery of the Notes to the Purchasers. If the Pledged Revenues in any month are insufficient to make the required payments into the Note Fund, then the amount of any deficiency in such payment shall be added to the amount otherwise required to be paid into the Note Fund in the next month.

The required monthly deposits to the Note Fund for the payment of principal of and interest on the Bonds Similarly Secured shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in the Note Fund and Reserve Fund is equal to the amount required to fully pay and discharge all outstanding Bonds Similarly Secured (principal and interest) or, (ii) the Notes are no longer Outstanding.

Accrued interest received from the Purchasers shall be taken into consideration and reduce the amount of the monthly deposits hereinabove required to be deposited into the Note Fund from the Pledged Revenues (unless such revenues are not permissibly spent for such purpose, whether by operation of applicable law or by contract). Additionally, any proceeds of the Notes, and investment income thereon, not expended for authorized purposes shall be deposited into the Note Fund and shall be taken into consideration and reduce the amount of monthly deposits required to be deposited into the Note Fund from the Pledged Revenues.

SECTION 14. Reserve Fund. To accumulate and maintain a reserve for the payment of the Bonds Similarly Secured (the *Required Reserve*) equal to the lesser of (i) the Average Annual Debt Service Requirements (calculated on a Fiscal Year basis and determined as of the date of issuance of the Notes or the most recently issued series of Additional Junior Lien Obligations then Outstanding) for the Bonds Similarly Secured or (ii) the maximum amount in a reasonably required reserve fund for the Bonds Similarly Secured from time to time that can be invested without restriction as to yield pursuant to section 148 of the Code (as defined in Section 35), the Authority agrees to maintain, and hereby establishes and creates, a separate and special Fund or account known as the “Lake Cities Municipal Utility Authority Utility System Junior Lien Revenue Notes Reserve Fund” (the *Reserve Fund*), which Fund or account shall be maintained at the Depository. All funds deposited into the Reserve Fund (excluding surplus funds which include earnings and income derived or received from deposits or investments which will be transferred to the System

Fund established in Section 12 of this Resolution during such period as there is on deposit in the Reserve Fund the Required Reserve) shall be used solely for the payment of the principal of and interest on the Bonds Similarly Secured, when and to the extent other funds available for such purposes are insufficient, and, in addition, may be used to retire the last stated maturity or interest on the Bonds Similarly Secured.

Upon issuance of the Notes, the total amount required to be accumulated and maintained in the Reserve Fund is hereby determined to be \$[] (the *Required Reserve*), which is equal to not less than the Average Annual Debt Service for the Bonds Similarly Secured outstanding upon issuance of the Notes, and on or before the 1st day of the month next following the month the Notes are delivered to the Purchasers and on or before the 1st day of each following month, the Authority shall cause to be deposited to the Reserve Fund from the Pledged Revenues an amount equal to at least one-sixtieth (1/60th) of the Required Reserve, being \$[] per month. After the Required Reserve has been fully accumulated and while the total amount on deposit in the Reserve Fund is in excess of the Required Reserve, no monthly deposits shall be required to be made to the Reserve Fund.

As and when Additional Junior Lien Obligations are delivered or incurred, the Required Reserve shall be increased, if required, to an amount calculated in the manner provided in the first paragraph of this Section. Any additional amount required to be maintained in the Reserve Fund shall be so accumulated by the deposit of the necessary amount of the proceeds of the issue or other lawfully available funds in the Reserve Fund immediately after the delivery of the then proposed Additional Junior Lien Obligations, or, at the option of the Authority, by the deposit of monthly installments, made on or before the 1st day of each month following the month of delivery of the then proposed Additional Junior Lien Obligations, of not less than 1/60th of the additional amount to be maintained in the Reserve Fund by reason of the issuance of the Additional Junior Lien Obligations then being issued (or 1/60th of the balance of the additional amount not deposited immediately in cash), thereby ensuring the accumulation of the appropriate Required Reserve.

When and so long as the cash and investments in the Reserve Fund equal the Required Reserve, no deposits need be made to the credit of the Reserve Fund; but, if and when the Reserve Fund at any time contains less than the Required Reserve (other than as the result of the issuance of Additional Junior Lien Obligations as provided in the preceding paragraph), the Authority covenants and agrees to cure the deficiency in the Required Reserve by resuming the Required Reserve Fund Deposits to said Fund or account from the Pledged Revenues, or any other lawfully available funds, such monthly deposits to be in amounts equal to not less than 1/60th of the Required Reserve covenanted by the Authority to be maintained in the Reserve Fund with any such deficiency payments being made on or before the 1st day of each month until the Required Reserve has been fully restored. The Authority further covenants and agrees that, subject only to the prior payments to be made to the Note Fund, the Pledged Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve and to cure any deficiency in such amounts as required by the terms of this Resolution and any other resolution pertaining to the issuance of Additional Junior Lien Obligations.

During such time as the Reserve Fund contains the Required Reserve, the Authority may, at its option, withdraw all surplus funds in the Reserve Fund in excess of the Required Reserve and deposit such surplus in the System Fund, unless such surplus funds represent proceeds of the

Notes, then such surplus will be transferred to the Note Fund. The Authority hereby designates its Depository as the custodian of the Reserve Fund.

To the extent permitted by law, the Authority expressly reserves the right at any time to fund all or any part of the Reserve Fund to be held in the Reserve Fund by entering into a Credit Agreement with or purchasing a Credit Facility from a Credit Provider that will unconditionally obligate the Credit Provider to pay all, or any part thereof, of the Required Reserve in the event funds on deposit in the Note Fund are not sufficient to pay the debt service requirements on the Bonds Similarly Secured. Such Credit Agreement or Credit Facility, authorized pursuant to Chapter 1371 will be submitted to the Attorney General of the State of Texas for review and approval. All resolutions adopted after the date hereof authorizing the issuance of Additional Junior Lien obligations shall contain a provision to this effect.

In the event a Credit Agreement or Credit Facility issued to satisfy all or part of the Authority's obligation with respect to the Reserve Fund causes the amount then on deposit in the Reserve Fund to exceed the Required Reserve, the Authority may transfer such excess amount to any fund or account established for the payment of or security for the Bonds Similarly Secured (including any escrow established for the final payment of any such obligations pursuant to Chapter 1207, as amended, Texas Government Code) or use such excess amount for any lawful purpose now or hereafter provided by law.

Notwithstanding anything to the contrary contained in this Section, the requirements set forth above to fund the Reserve Fund in the amount of the Required Reserve shall be suspended for such time as the Pledged Revenues for each Fiscal Year are equal to at least 110% of the Average Annual Debt Service Requirements. In the event that the Pledged Revenues for any two consecutive Fiscal Years are less than 110% (unless such percentage is below 100% in any Fiscal Year, in which case the hereinafter-specified requirements will commence after such Fiscal Year) of the Average Annual Debt Service Requirements, the Authority will be required to commence making the deposits to the Reserve Fund, as provided above, and to continue making such deposits until the earlier of (i) such time as the Reserve Fund contains the Required Reserve or (ii) the Pledged Revenues for a Fiscal Year have been equal to not less than 110% of the Average Annual Debt Service Requirements.

SECTION 15. Deficiencies - Excess Pledged Revenues.

A. If on any occasion there shall not be sufficient Pledged Revenues (after making all payments pertaining to Bonds Similarly Secured) to make the required deposits into the Note Fund and the Reserve Fund, then such deficiency shall be cured as soon as possible from the next available unallocated Pledged Revenues, or from any other sources available for such purpose, and such payments shall be in addition to the amounts required to be paid into these Funds or accounts during such month or months.

B. Subject to making the required deposits to the Note Fund and the Reserve Fund when and as required by this Resolution, or any resolution authorizing the issuance of Additional Junior Lien Obligations, the excess Pledged Revenues may be used by the Authority for any lawful purpose including, but not limited to, the redemption of any Bonds Similarly Secured.

SECTION 16. Payment of Bonds Similarly Secured. While any of the Bonds Similarly Secured are Outstanding, the Authorized Officials shall cause to be transferred to the Paying Agent/Registrar therefor, from funds on deposit in the Note Fund, and, if necessary, in the Reserve Fund, amounts sufficient to fully pay and discharge promptly each installment of interest on and principal of the Bonds Similarly Secured as such installment accrues or matures; such transfer of funds must be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Bonds Similarly Secured at the close of the business day next preceding the date a debt service payment is due on the Bonds Similarly Secured.

SECTION 17. Investments. Money in any fund established pursuant to this Resolution may, at the option of the Authority and pursuant to the authority provided by the Public Funds Investment Act, Chapter 2256, as amended, Texas Government Code, be placed in time deposits, certificates of deposit, guaranteed investment contracts or similar contractual agreements as permitted by the provisions of the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code, secured (to the extent not insured by the Federal Deposit Insurance Corporation) by obligations of the type hereinafter described, or be invested, as authorized by any law, including investments held in book-entry form, in securities including, but not limited to, direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, or invested in indirect obligations of the United States of America, including, but not limited to, evidences of indebtedness issued, insured, or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, Farmers Home Administration, Federal Home Loan Mortgage Association, Federal Housing Association, or Participation Certificates in the Federal Assets Financing Trust; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any fund will be available at the proper time or times. Such investments (except State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value within 45 days of the close of each Fiscal Year and, with respect to investments held for the account of the Reserve Fund, within 30 days of the date of adoption of each resolution authorizing the issuance of Additional Prior Lien Obligations. All interest and income derived from deposits and investments in the Note Fund immediately shall be credited to, and any losses debited to, the Note Fund. All interest and interest income derived from deposits in and investments of the Reserve Fund shall, subject to the limitations provided in Section 14 hereof, be credited to and deposited into the System Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds Similarly Secured.

SECTION 18. Issuance of Additional Prior Lien Obligations. After the Notes are no longer outstanding and in addition to the right to issue Additional Junior Lien Obligations and Subordinate Lien Obligations as authorized by Section 19 hereof and any laws of the State of Texas, the Authority reserves the right hereafter to issue additional prior lien obligations (*Additional Prior Lien Obligations*) payable from and equally and ratably secured by a first and prior lien on and pledge of the Pledged Revenues. The Additional Prior Lien Obligations may be issued in one or more installments, provided, however, that none shall be issued unless and until the following conditions have been met:

A. the General Manager of the Authority (or other official of the Authority having primary responsibility for the fiscal affairs of the Authority) shall have executed a certificate stating that (i) except for a refunding to cure a default, or the deposit of a portion of the proceeds of any Additional Prior Lien Obligations to satisfy the Authority's obligations under this Resolution, the Authority is not then in default as to any covenant, obligation, or agreement contained in any resolution or other proceedings relating to any obligations of the Authority payable from and secured by a lien on and pledge of the Pledged Revenues and (ii) all payments into all special funds or accounts created and established for the payment and security of all outstanding obligations payable from and secured by a lien on and pledge of the Pledged Revenues have been duly made and that the amounts on deposit in such special funds or accounts are the amounts then required to be deposited therein;

B. the General Manager of the Authority confirms that, according to the books and records of the Authority, the Pledged Revenues, for the preceding Fiscal Year or for any 12 consecutive months out of the 18 months immediately preceding the month the resolution authorizing the Additional Prior Lien Obligations is adopted, are at least equal to one and one-fourth (1-1/4) times the Average Annual Debt Service Requirements for the payment of principal of and interest on all outstanding Prior Lien Obligations after giving effect to the Additional Prior Lien Obligations then proposed. In making a determination of the Pledged Revenues, the General Manager may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least sixty (60) days prior to the last day of the period for which Pledged Revenues are to be determined and, for purposes of satisfying the above Pledged Revenues test, make a pro forma determination of the Pledged Revenues for the period of time covered by his certification or opinion based on such change in rates and charges being in effect for the entire period covered by the Accountant's certificate or opinion;

C. the resolution authorizing the issuance of the Additional Prior Lien Obligations provides for deposits to be made to the Note Fund in amounts sufficient to pay the principal of and interest on such Additional Prior Lien Obligations as same mature;

D. the resolution authorizing the issuance of the Additional Prior Lien Obligations shall provide that interest on such Additional Prior Lien Obligations shall be payable on February 1 and August 1 of each year and that such Additional Prior Lien Obligations shall mature on August 1 in each year the same are to be outstanding; and

Prior Lien Obligations may be refunded (pursuant to any law then available) upon such terms and conditions as the Board may deem to be in the best interest of the Authority and its inhabitants, and, if the refunding of any then-Outstanding Prior Lien Obligations (in whole or in part) produces an aggregate net present value debt service savings, then the General Manager's certificate identified in Paragraph B above shall not be required as a condition to the issuance of such refunding obligations (notwithstanding the fact that, upon issuance, such refunding obligations shall be Prior Lien Obligations for all purposes).

All calculations of principal and interest requirements made pursuant to this Section are made as of and from the date of the Additional Prior Lien Obligations then proposed to be issued.

SECTION 19. Obligations of Junior Lien and Subordinate Lien Pledge. The Authority hereby reserves the right to issue, at any time, obligations including, but not limited to, Additional Junior Lien Obligations and Subordinate Lien Obligations payable from and secured, in whole or in part, by a lien on and pledge of the Net Revenues of the System junior and inferior in rank and dignity to the lien on and pledge of Pledged Revenues securing the payment of the Prior Lien Obligations, and any deposits to Funds relating to such Prior Lien Obligations as required under this Resolution, as may be authorized by the laws of the State of Texas.

SECTION 20. Special Project Obligations. The Authority further reserves the right to issue bonds, notes or other evidences of indebtedness in one or more installments for the purchase, construction, improvement, extension, replacement, enlargement or repair of water, irrigation and/or drainage facilities necessary under a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities, such obligations to be payable from and secured by the proceeds of such contract or contracts. The Authority further reserves the right to refund such obligations and secure the payment of the debt service requirements on the refunding bonds or notes in the same manner.

SECTION 21. No Superior Lien To Prior Lien Obligations. The Authority will not hereafter issue any additional obligations or create or issue evidences of indebtedness for any purpose possessing a lien on and pledge of the Pledged Revenues superior and prior to that possessed by the Prior Lien Obligations. Pursuant to the terms of this Resolution, the Authority shall not issue any Additional Prior Lien Obligations while the Notes are Outstanding.

SECTION 22. Maintenance of System - Insurance. The Authority covenants and agrees that while the Bonds Similarly Secured remain outstanding it will maintain and operate the System with all possible efficiency and maintain casualty and other insurance on the properties of the System and its operations of a kind and in such amounts customarily carried by municipal corporations in the State of Texas engaged in a similar type of business (which may include an adequate program of self-insurance); and that it will faithfully and punctually perform all duties with reference to the System required by the laws of the State of Texas. All money received from losses under such insurance policies, other than public liability policies, shall be retained for the benefit of the holders of the Bonds Similarly Secured, until and unless the proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, either by replacing the property destroyed or repairing the property damaged, and adequate provision for making good such loss or damage must be made within ninety (90) days after the date of loss. The payment of premiums for all insurance policies required under the provisions hereof shall be considered Maintenance and Operating Expenses. Nothing in this Resolution shall be construed as requiring the Authority to expend any funds which are derived from sources other than the operation of the System but nothing herein shall be construed as preventing the Authority from doing so.

SECTION 23. Records and Accounts – Annual Audit. The Authority covenants, agrees, and affirms its covenants that so long as any of the Bonds Similarly Secured remain outstanding, it will keep and maintain separate and complete records and accounts pertaining to the operations of the System in which complete and correct entries shall be made of all transactions relating thereto as provided by applicable law. The Holders of the Notes or any duly authorized agent or agents of such Holders shall have the right to inspect the System and all properties comprising the

same. The Authority further agrees that following (and in no event later than 120 days after) the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of Certified Public Accountants. Expenses incurred in making the annual audit of the operations of the System are to be regarded as Maintenance and Operating Expenses.

SECTION 24. Sale or Encumbrance of System. While any Bonds Similarly Secured remain Outstanding, the Authority will not sell, dispose of or, except as permitted in Sections 18 and 19, further encumber the System or any substantial part thereof; provided, however, that this provision shall not prevent the Authority from disposing of any of the System which is being replaced or is deemed by the Authority to be obsolete, worn out, surplus or no longer needed for the proper operation of the System. Any agreement pursuant to which the Authority contracts with a person, corporation, municipal corporation or political subdivision to operate the System or to lease and/or operate all or part of the System shall not be considered as an encumbrance of the System.

SECTION 25. Competition. To the extent it legally may, the Authority will not grant any franchise or permit for the acquisition, construction or operation of any competing facilities which might be used as a substitute for the System and will prohibit the operation of any such competing facilities.

SECTION 26. Special Covenants. The Authority further covenants and agrees that:

A. Encumbrance of Pledged Revenues. Other than with respect to the Previously Issued Prior Lien Obligations and the Notes, and except as provided in this Resolution, the Net Revenues have not in any manner been pledged to the payment of any debt or obligation of the Authority currently Outstanding, or otherwise; and while any of the Bonds Similarly Secured are Outstanding, the Authority will not, except with respect to the Bonds Similarly Secured and except as provided in this Resolution, additionally encumber the Pledged Revenues unless such encumbrance is made junior and inferior in all respects to the Prior Lien Obligations and all liens, pledges and covenants made in connection therewith.

B. Title. The Authority lawfully owns or will own and is or will be lawfully possessed of the lands or easements upon which its System is and will be located, and has or will purchase good and indefeasible estate in such lands in fee simple, or has or will lawfully obtain any necessary easements to operate the System, and it warrants that it has or will obtain and will defend, the title to all the aforesaid lands and easements for the benefit of the owners of the Notes against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Notes, in the manner prescribed herein, and that has lawfully exercised such rights.

C. Liens. The Authority will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon it, or its System, and it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge upon its System, provided, however, that no such tax, assessment, or charge, and that no such claims which might be or other lien or charge, shall be required to be paid while the validity of the same shall be contested in good faith by the Authority.

D. Performance. The Authority will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Resolution and each resolution authorizing the issuance of Notes, and in each and every Note and pay from the Pledged Revenues the principal of and interest on every Note on the dates and in the places and manner prescribed in such resolutions and Notes; and that it will, at the times and in the manner prescribed, deposit or cause to be deposited from the Pledged Revenues the amounts required to be deposited into the Note Fund and the Reserve Fund; and the Holder of the Notes may require the Authority, its officials, agents, and employees to carry out, respect, or enforce the covenants and obligations of this Resolution or any resolution authorizing the issuance of Notes including, but without limitation, the use and filing of mandamus proceedings, in any court or competent jurisdiction, against the Authority, its officials, agents, and employees.

E. Legal Authority. The Authority is duly authorized under the laws of the State of Texas to issue the Notes; that all action on its part for the authorization and issuance of the Notes has been duly and effectively taken, and the Notes in the hands of the Holders thereof are and will be valid and enforceable special obligations of the Authority in accordance with their terms.

F. Budget. The Authority will prepare, adopt, and place into effect an annual budget (the *Annual Budget*) for operation and maintenance of the System for each Fiscal Year, including in each Annual Budget such items as are customarily and reasonably contained in a water and wastewater system budget under generally accepted accounting procedures.

G. Permits. The Authority will comply with all of the terms and conditions of any and all franchises, permits, and authorizations applicable to or necessary with respect to the System and which have been obtained from any governmental agency; and the Authority has or will obtain and keep in full force and effect all franchises, permits, authorizations, and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation, and maintenance of the System.

SECTION 27. Limited Obligations of the Authority. The Bonds Similarly Secured are limited, special obligations of the Authority payable from and equally and ratably secured solely by a junior and inferior lien on and pledge of the Pledged Revenues, and the Holders thereof shall never have the right to demand payment of the principal or interest on the Bonds Similarly Secured from any funds raised or to be raised through taxation by the Authority.

SECTION 28. Security of Funds. All money on deposit in the special funds or accounts for which this Resolution makes provision (except any portions thereof as may be at any time properly invested) shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds, and money on deposit in such funds or accounts shall be used only for the purposes permitted by this Resolution.

* * * *

(this page intentionally left blank)

Financial Advisory Services
Provided By:

