

OFFICIAL STATEMENT DATED NOVEMBER 19, 2024

IN THE OPINION OF BOND COUNSEL (HEREIN DEFINED), UNDER EXISTING LAW AND ASSUMING CONTINUING COMPLIANCE WITH COVENANTS IN THE BOND ORDER, INTEREST ON THE BONDS WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND IS NOT INCLUDED IN COMPUTING THE ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS. HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE COPORATIONS FOR THE PURPOSE OF DETERMINING CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The Bonds have been designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS - Qualified Tax-Exempt Obligations."

NEW ISSUE - Book-Entry-Only

RATINGS: S&P Global Ratings (AG Insured)..... "AA"
Moody's Investors Service, Inc. (AG Insured)..... "A1"
Moody's Investors Service, Inc. (Underlying)..... "Baa3"

See "MUNICIPAL BOND INSURANCE" and "RATINGS" herein.

LANCASTER MUNICIPAL UTILITY DISTRICT NO. 1

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

\$3,635,000
Unlimited Tax Bonds
Series 2024

Dated: December 1, 2024

Interest accrues from: Date of Delivery

Due: August 1, as shown on inside cover

The \$3,635,000 Unlimited Tax Bonds, Series 2024 (the "Bonds") are obligations solely of Lancaster Municipal Utility District No. 1 (the "District") and are not obligations of the State of Texas; Dallas County, Texas; the City of Lancaster, Texas; nor any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas; Dallas County, Texas; the City of Lancaster, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

The Bonds are dated December 1, 2024 (the "Dated Date"), and will accrue interest from the date of delivery (on or about December 17, 2024) (the "Date of Delivery"), with interest payable August 1, 2025, and on each February 1 and August 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in principal denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (the "Paying Agent/Registrar").

See "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the inside cover.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY INC.



The Bonds are the sixth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing water, sewer, and drainage facilities to serve the District (the "System") and the seventh series overall. The District has previously issued one series of unlimited tax refunding bonds for the purpose of refunding bonds issued for the purpose of acquiring or constructing the System. Voters in the District have authorized a total of \$34,975,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System. Additionally, voters in the District have authorized a total of \$52,462,500 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for the purpose of acquiring or constructing the System. Following the issuance of the Bonds, \$14,955,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System and \$52,147,500 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for the purpose of acquiring or constructing the System will remain authorized but unissued. The Bonds, when issued, will constitute legal, valid and binding obligations of the District, payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS - Source of Payment."

The Bonds are offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Sanford Kuhl Hagan Kugle Parker Kahn, LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about December 17, 2024.

PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS

\$3,635,000 Unlimited Tax Bonds, Series 2024

\$2,895,000 Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Initial Reoffering Yield ^(a)	CUSIP No. 514489 ^(b)	Maturity (August 1)	Principal Amount	Interest Rate	Initial Reoffering Yield ^(a)	CUSIP No. 514489 ^(b)
2026	\$ 90,000	6.750%	3.500%	GA5	2037 (c)	\$ 140,000	4.250%	4.050%	GM9
2027	95,000	6.750%	3.450%	GB3	2038 (c)	150,000	4.250%	4.100%	GN7
2028	95,000	6.750%	3.450%	GC1	2039 (c)	155,000	4.250%	4.150%	GP2
2029	100,000	6.750%	3.500%	GD9	***	***	***	***	***
2030	105,000	6.750%	3.550%	GE7	2042 (c)	175,000	4.250%	4.290%	GS6
2031 (c)	110,000	6.750%	3.600%	GF4	2043 (c)	185,000	4.250%	4.320%	GT4
2032 (c)	115,000	6.750%	3.650%	GG2	2044 (c)	190,000	4.250%	4.340%	GU1
2033 (c)	120,000	4.375%	3.700%	GH0	***	***	***	***	***
2034 (c)	125,000	4.250%	3.800%	GJ6	2047 (c)	220,000	4.375%	4.380%	GX5
2035 (c)	130,000	4.250%	3.900%	GK3	2048 (c)	225,000	4.375%	4.390%	GY3
2036 (c)	135,000	4.250%	4.000%	GL1	2049 (c)	235,000	4.375%	4.400%	GZ0

\$740,000 Term Bonds

\$330,000 Term Bond Due August 1, 2041(c)(d), Interest Rate: 4.250% (Price: \$100.00) (a), CUSIP No. 514489 GR8 (b)
 \$410,000 Term Bond Due August 1, 2046 (c)(d), Interest Rate: 4.375% (Price: \$100.00) (a), CUSIP No. 514489 GW7 (b)

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- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association, and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on August 1, 2031, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on December 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest thereon to the date fixed for redemption. In addition, the Initial Purchaser may designate one or more maturities as term bonds. See "THE BONDS – Redemption Provisions – *Optional Redemption*."
- (d) Subject to mandatory redemption by lot or other customary method of random selection on August 1 in the years and in the amounts set forth under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement does not constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel, for further information.

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

Assured Guaranty Inc. ("AG") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under "MUNICIPAL BOND INSURANCE" and "APPENDIX B - Specimen Municipal Bond Insurance Policy."

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 final official statement for any purpose.

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APPENDIX A: Financial Statements of the District

APPENDIX B: Specimen Municipal Bond Insurance

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Lancaster Municipal Utility District No. 1 (the "District") of its \$3,635,000 Unlimited Tax Bonds, Series 2024 (the "Bonds").

The Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ"); Article XVI, Section 59 of the Texas Constitution, as amended; the general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended; an election held within the District on September 14, 2002, by a majority of the District's participating voters; and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board").

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District at Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1330 Post Oak Boulevard, Suite 2650, Houston, Texas 77056 or during the offering period from the District's Financial Advisor, Robert W. Baird & Co. Incorporated, Attn: Ryan Nesmith, 4801 Woodway Dr., Suite 118-E, Houston, Texas 77056 upon payment of reasonable copying, mailing, and handling charges.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid of SAMCO Capital Markets (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover of this Official Statement at a price of 100.019318% of par plus accrued interest to date of delivery, resulting in a net effective interest rate of 4.461759%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by, and are the sole responsibility of, the Initial Purchaser.

Prices and Marketability

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act

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

Delivery of Official Statements

The District shall furnish to the Initial Purchaser (and to each participating underwriter of the Bonds, within the meaning of the Rule, designated by the Initial Purchaser), within seven (7) business days after the sale date, the aggregate number of Official Statements agreed upon between the District and the Initial Purchaser. The District also shall furnish to the Initial Purchaser a like number of any supplements or amendments approved and authorized for distribution by the District for dissemination to potential underwriters of the Bonds, as well as such additional copies of the Official Statement or any such supplements or amendments as the Initial Purchaser may reasonably request prior to the 90th day after the end of the underwriting period described in the Rule. The District shall pay the expense of preparing the number of copies of the Official Statement agreed upon between the District and the Initial Purchaser and an equal number of any supplements or amendments issued on or before the Date of Delivery, but the Initial Purchaser shall pay for all other copies of the Official Statement or any supplement or amendment thereto.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Inc. (“AG”) will issue its Municipal Bond Insurance Policy (the “Policy”) for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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

Assured Guaranty Inc.

AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL” and together with its subsidiaries, “Assured Guaranty”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A1” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Merger of Assured Guaranty Municipal Corp. Into Assured Guaranty Inc.

On August 1, 2024, Assured Guaranty Municipal Corp., a New York domiciled financial guaranty insurance company and an affiliate of AG (“AGM”), merged with and into AG, with AG as the surviving company (such transaction, the “Merger”). Upon the Merger, all liabilities of AGM, including insurance policies issued or assumed by AGM, became obligations of AG.

Current Financial Strength Ratings

On October 18, 2024, KBRA announced it had affirmed AG’s insurance financial strength rating of “AA+” (stable outlook).

On July 10, 2024, Moody’s, following Assured Guaranty’s announcement of the Merger, announced that it had affirmed AG’s insurance financial strength rating of “A1” (stable outlook).

On May 28, 2024, S&P announced it had affirmed AG’s financial strength rating of “AA” (stable outlook). On August 1, 2024, S&P stated that following the Merger, there is no change in AG’s financial strength rating of “AA” (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody’s and/or KBRA may take. For more information regarding AG’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Capitalization of AG

At September 30, 2024:

- The policyholders’ surplus of AG was approximately \$3,644 million.
- The contingency reserve of AG was approximately \$1,374 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately \$2,438 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG, and (ii) the net unearned premium reserves and net deferred ceding commissions of AG’s wholly owned subsidiary Assured Guaranty UK Limited (“AGUK”), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA (“AGE”).

The policyholders’ surplus, contingency reserve, and net unearned premium reserves and net deferred ceding commission income of AG were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the “SEC”) that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (filed by AGL with the SEC on February 28, 2024);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024 (filed by AGL with the SEC on May 8, 2024);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024 (filed by AGL with the SEC on August 8, 2024); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2024 (filed by AGL with the SEC on November 12, 2024).

All information relating to AG included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Inc.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AG included herein under the caption “BOND INSURANCE – Assured Guaranty Inc.” or included in a document incorporated by reference herein (collectively, the “AG Information”) shall be modified or superseded to the extent that any subsequently included AG Information (either directly or through incorporation by reference) modifies or supersedes such previously included AG Information. Any AG Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

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

RATINGS

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

The Bonds are expected to receive an insured rating of “A1” (stable outlook) from Moody’s solely in reliance upon the issuance and delivery of the Bond Insurance Policy by Assured Guaranty Inc. at the time of delivery of the Bonds. Moody’s has assigned an underlying credit rating of “Baa3” to the Bonds. An explanation of the rating may be obtained from Moody’s at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody’s, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned the Bonds other than the rating discussed above.

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OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in the Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE BONDS

The District..... Lancaster Municipal Utility District No. 1 (the "District"), a political subdivision of the State of Texas, is located in Dallas County, Texas. See "THE DISTRICT - Description."

Description of the Bonds..... The \$3,635,000 Unlimited Tax Bonds, Series 2024 (the "Bonds"), are dated December 1, 2024 (the "Dated Date"), and mature on August 1 in the years and amounts set forth on the inside cover of this Official Statement.

The Bonds will accrue interest from the date of delivery (on or about December 17, 2024) (the "Date of Delivery"), with interest payable August 1, 2025, and on each February 1 and August 1 thereafter (each an "Interest Payment Date") thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 of principal amount for any one maturity. See "THE BONDS - General."

Redemption..... *Optional Redemption:* The Bonds that mature on or after August 1, 2031, are subject to redemption, in whole or from time to time in part, at the option of the District on December 1, 2030, and any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS - Redemption Provisions - *Optional Redemption.*"

Mandatory Redemption: The Bonds maturing on August 1 in the years 2041 and 2046 are term bonds that are also subject to mandatory redemption provisions set out under "THE BONDS - Redemption Provisions - *Mandatory Redemption.*"

Source of Payment..... Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem property tax levied upon all taxable property within the District without legal limitation as to rate or amount. The Bonds are obligations solely of the District, and are not obligations of the State of Texas; Dallas County, Texas; the City of Lancaster, Texas; or any entity other than the District. See "THE BONDS - Source of Payment."

Authority for Issuance..... The Bonds are the sixth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing water, sewer, and drainage facilities to serve the District (the "System") and the seventh series overall. The District has previously issued one series of unlimited tax refunding bonds for the purpose of refunding bonds issued for the purpose of acquiring or constructing the System. Voters in the District have authorized a total of \$34,975,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System. Additionally, voters in the District have authorized a total of \$52,462,500 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for the purpose of acquiring or constructing the System. Following the issuance of the Bonds, \$14,955,000 principal amount of unlimited tax bonds for the

purpose of acquiring or constructing the System and \$52,147,500 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for the purpose of acquiring or constructing the System will remain authorized but unissued. The Bonds, when issued, will constitute legal, valid and binding obligations of the District, payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS – Source of Payment.”

The Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the “TCEQ”); Article XVI, Section 59 of the Texas Constitution, as amended; the general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended; an election held within the District on September 14, 2002, by a majority of the District’s participating voters; and an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”).

Outstanding Bonds	The District has previously issued \$3,310,000 Unlimited Tax Bonds, Series 2007 (the “Series 2007 Bonds”), \$3,055,000 Unlimited Tax Refunding Bonds, Series 2015 (the “Series 2015 Refunding Bonds”), \$2,480,000 Unlimited Tax Bonds, Series 2016 (the “Series 2016 Bonds”), \$1,475,000 Unlimited Tax Bonds, Series 2017 (the “Series 2017 Bonds”), \$3,380,000 Unlimited Tax Bonds, Series 2019 (the “Series 2019 Bonds”), and \$5,740,000 Unlimited Tax Bonds, Series 2022 (the “Series 2022 Bonds”). As of delivery of the Bonds, \$13,730,000 principal amount of such previously issued bonds will remain outstanding (the “Outstanding Bonds”). See “THE BONDS – Outstanding Bonds.”
Use of Proceeds	Proceeds from the sale of the Bonds will be used to reimburse the Developer for the improvements and related costs shown under “USE AND DISTRIBUTION OF BOND PROCEEDS.” Additionally, proceeds from the sale of the Bonds will be used to pay developer interest and certain non-construction costs associated with the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
Qualified Tax-Exempt Obligations.....	The Bonds have been designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Qualified Tax-Exempt Obligations.”
Municipal Bond Insurance	ASSURED GUARANTY INC. (“AG”). See “MUNICIPAL BOND INSURANCE.”
Ratings	S&P Global Ratings (AG Insured): “AA” (stable outlook). Moody’s Investors Service, Inc. (“Moody’s”) (AG Insured): “A1” (stable outlook). Moody’s (Underlying): “Baa3.” See “RATINGS.”
General & Bond Counsel.....	Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas.
Disclosure Counsel	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
Financial Advisor	Robert W. Baird & Co. Incorporated, Dallas, Texas.
District Engineer.....	LJA Engineering, Inc., Dallas, Texas.

THE DISTRICT

- Description..... The District comprises approximately 547.86 acres, located in southern Dallas County, Texas, approximately two miles south of the downtown of the City of Lancaster, Texas. Located at the intersection of State Highway 342 and Bear Creek Road, the District is within the extraterritorial jurisdiction of the City of Lancaster, Texas. See "THE DISTRICT."
- Developer and Principal Landowner..... The developer of land within the District is CTMGT Bear Creek, LLC, a Texas limited partnership, and its affiliate CTMGT Bear Creek 4, LLC, a special purpose entity formed for the purpose of developing Bear Creek Ranch, Phase 4 (collectively, the "Developer"). See "THE DEVELOPER."
- Development within the District..... To date, approximately 264.46 acres (983 lots) have been developed as the single-family residential subdivision known as Bear Creek Ranch, Phases 1-4. As of August 1, 2024, the District included 836 completed homes (approximately 820 occupied, 14 unoccupied, and 2 model home); 58 homes under construction; and 89 vacant developed lots. The remaining land within the District consists of approximately 236.04 acres of undeveloped land available for future development and approximately 47.36 acres consisting of a Right-of-Way for future Loop 9 Highway. See "THE DEVELOPER - Development within the District."
- Homebuilders within the District..... The only homebuilder active within the District is D. R. Horton, Inc. Homes within the District range in price from approximately \$288,490 to approximately \$352,990. See "THE DEVELOPER - Homebuilders with the District."

INVESTMENT CONSIDERATIONS

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

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SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2024 Taxable Assessed Valuation.....	\$232,318,658	(a)
Direct Debt:		
The Outstanding Bonds	\$ 13,730,000	
The Bonds	<u>3,635,000</u>	
Total.....	\$ 17,365,000	
Estimated Overlapping Debt.....	<u>\$ 6,824,542</u>	(b)
Total Direct and Estimated Overlapping Debt	\$ 24,189,542	(b)
Direct Debt Ratio:		
As a percentage of the 2024 Taxable Assessed Valuation.....	7.47	%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of the 2024 Taxable Assessed Valuation.....	10.41	%
General Operating Fund Balance (as of October 15, 2024).....	\$ 2,787,954	
Debt Service Fund Balance (as of October 15, 2024).....	\$ 454,150	(c)
Capital Projects Fund Balance (as of October 15, 2024)	\$ 38,742	
2024 District Tax Rate per \$100 of Assessed Valuation:		
Debt Service	\$ 0.520	
Maintenance & Operation.....	<u>\$ 0.400</u>	
Total.....	\$ 0.920	(d)
Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2025–2049)	\$ 1,020,145	(e)
Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2026).....	\$ 1,286,631	(e)
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Outstanding Bonds and Bonds (2025–2049):		
Based on the 2024 Taxable Assessed Valuation at 95% Tax Collections.....	\$ 0.47	
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Outstanding Bonds and Bonds (2026):		
Based on the 2024 Taxable Assessed Valuation at 95% Tax Collections.....	\$ 0.59	
Single-Family Homes as of August 1, 2024 (including 58 under construction).....	894	

-
- (a) Represents the assessed valuation of all taxable property within the District as of January 1, 2024, provided by the Appraisal District (herein defined). Such amount includes \$9,955,568 of assessed valuation assigned to properties that remain under review by the Appraisal Review Board (herein defined). Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board, upon which the District will levy its tax. See "TAX DATA" and "TAXING PROCEDURES."
- (b) See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."
- (c) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund.
- (d) See "TAX DATA."
- (e) See "DISTRICT DEBT – Debt Service Requirements Schedule."

OFFICIAL STATEMENT

LANCASTER MUNICIPAL UTILITY DISTRICT NO. 1

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

\$3,635,000
Unlimited Tax Bonds
Series 2024

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Lancaster Municipal Utility District No. 1 (the "District") of its \$3,635,000 Unlimited Tax Bonds, Series 2024 (the "Bonds").

The Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ"); Article XVI, Section 59 of the Texas Constitution, as amended; the general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended; an election held within the District on September 14, 2002, by a majority of the District's participating voters; and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board").

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District at Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1330 Post Oak Boulevard, Suite 2650, Houston, Texas 77056 or during the offering period from the District's Financial Advisor, Robert W. Baird & Co. Incorporated, Attn: Ryan Nesmith, 4801 Woodway Dr., Suite 118-E, Houston, Texas 77056 upon payment of reasonable copying, mailing, and handling charges.

THE BONDS

General

The Bonds are dated December 1, 2024 (the "Dated Date") and will accrue interest from the date of delivery (on or about December 17, 2024) (the "Date of Delivery"), and will bear interest at the rates per annum, set forth on the inside cover of this Official Statement. Interest on the Bonds will be paid on August 1, 2025, and on each February 1 and August 1 thereafter (each an "Interest Payment Date") until maturity or earlier redemption and will be calculated on the basis of a 360-day year comprised of twelve thirty-day months. The Bonds will be issued in fully registered form only, without coupons, in principal denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the Registered Owner, principal of and interest on the Bonds will be payable to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar").

Funds

The Bond Order creates a fund for debt service on the Bonds (the "Debt Service Fund"). The Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds and any additional unlimited tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Redemption Provisions

Optional Redemption

The Bonds maturing on and after August 1, 2031, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on December 1, 2030, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest thereon from the most recent payment date to the date fixed for redemption.

The Paying Agent/Registrar shall give written notice of redemption, by registered mail, overnight delivery, or other comparably secure means, not less than thirty (30) days prior to the redemption date, to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar, but neither the failure to give such notice nor any defect therein shall affect the sufficiency of notice given to the Registered Owner as hereinabove stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile.

The Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds of either respective series, the particular Bonds of such series to be redeemed shall be selected by the District. If less than all of the Bonds of a particular maturity of either respective series are to be redeemed, the Paying Agent/Registrar is required to select the Bonds of such maturity to be redeemed by lot.

Mandatory Redemption

The Bonds maturing on August 1 in the years 2041 and 2046 are term bonds (the "Term Bonds") and shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, on August 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption as provided below:

<u>\$330,000 Term Bond Maturing on August 1, 2041</u>	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
August 1, 2040	\$ 160,000
August 1, 2041 (Maturity)	\$ 170,000
<u>\$410,000 Term Bond Maturing on August 1, 2046</u>	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
August 1, 2045	\$ 200,000
August 1, 2046 (Maturity)	\$ 210,000

The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the direction of the District, by the principal amount of any Term Bonds of such maturity which, at least thirty (30) days prior to a Mandatory Redemption Date, (1) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and cancelled by the Paying Agent/Registrar at the request of the District with monies in the applicable debt service fund at a price not exceeding the principal amount of the Term Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirements.

Outstanding Bonds

The District has previously issued \$3,310,000 Unlimited Tax Bonds, Series 2007 (the "Series 2007 Bonds"), \$3,055,000 Unlimited Tax Refunding Bonds, Series 2015 (the "Series 2015 Refunding Bonds"), \$2,480,000 Unlimited Tax Bonds, Series 2016 (the "Series 2016 Bonds"), \$1,475,000 Unlimited Tax Bonds, Series 2017 (the "Series 2017 Bonds"), \$3,380,000 Unlimited Tax Bonds, Series 2019 (the "Series 2019 Bonds"), and \$5,740,000

Unlimited Tax Bonds, Series 2022 (the "Series 2022 Bonds"). As of delivery of the Bonds, \$13,730,000 principal amount of such previously issued bonds will remain outstanding (the "Outstanding Bonds").

Registration, Transfer and Exchange

In the event the book-entry-only system should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Paying Agent/Registrar, or sent by the United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three business days after the receipt of the Bonds to be cancelled, 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 Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 of principal amount for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Record Date for Interest Payment

Interest on the Bonds will be paid to the Registered Owner appearing on the registration and transfer books of the Paying Agent/Registrar at the close of business on the "Record Date" (the fifteenth calendar day of the month next preceding each interest payment date) and shall be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid, to the address of the Registered Owner recorded in the registration and transfer books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of non-payment of interest on a scheduled payment date and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date" which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) 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 Bond appearing in the registration and transfer books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing such notice.

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the book-entry-only system should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, or on receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity to hold them harmless. Upon the issuance of a new bond the District may require payment of taxes, governmental charges and other expenses (including the fees and expenses of the Paying Agent/Registrar), bond printing costs and legal fees in connection with any such replacement.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar by the District. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall act in the same capacity as the

previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a national or state banking institution, a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as paying agent/registrar for the Bonds.

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are assessed, levied and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and cost of collection. In the Bond Order, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and any parity bonds hereinafter issued. The Bonds are obligations of the District and are not the obligations of the State of Texas; the County; the City; or any entity other than the District.

Payment Record

The Bonds represent the sixth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a System to serve the District. The District has previously issued one series of unlimited tax refunding bonds for the purpose of refunding bonds issued for the purpose of acquiring or constructing the System. The District has never defaulted on the timely payment of principal of and interest on its bonded indebtedness.

Authority for Issuance

The Bonds are the sixth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing the System and the seventh series overall. The District has previously issued one series of unlimited tax refunding bonds for the purpose of refunding bonds issued for the purpose of acquiring or constructing the System. Voters in the District have authorized a total of \$34,975,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System. Additionally, voters in the District have authorized a total of \$52,462,500 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for the purpose of acquiring or constructing the System. Following the issuance of the Bonds, \$14,955,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System and \$52,147,500 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for the purpose of acquiring or constructing the System will remain authorized but unissued. The Bonds, when issued, will constitute legal, valid and binding obligations of the District, payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District.

The Bonds are issued pursuant to an order of the TCEQ; Article XVI, Section 59 of the Texas Constitution, as amended; the general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended; an election held within the District on September 14, 2002, by a majority of the District's participating voters; and the Bond Order adopted by the Board.

Issuance of Additional Debt

Voters in the District have authorized a total of \$34,975,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System. Additionally, voters in the District have authorized a total of \$52,462,500 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for the purpose of acquiring or constructing the System. Following the issuance of the Bonds, \$14,955,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System and \$52,147,500 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for the purpose of acquiring or constructing the System will remain authorized but unissued.

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the District's consulting engineer, LJA Engineering, Inc. (the "Engineer"), following the issuance of the Bonds, the District will have adequate authorized but unissued bonds to repay the Developer the remaining

amounts owed for the existing utility facilities, including the System and extension thereof to serve the remaining undeveloped land within the District. See "THE DEVELOPER," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS – Future Debt."

No Arbitrage

The District will certify, on the date of delivery of the Bonds, that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Registered Owners' Remedies

In the event of default in the payment of principal or interest on the Bonds, the Registered Owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. See "INVESTMENT CONSIDERATIONS – Limitation to Registered Owners' Remedies."

Defeasance

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

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

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

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from District or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Direct and Indirect 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 Direct and Indirect Participants and not of DTC, Paying Agent/Registrar or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Paying Agent/Registrar, disbursement of such

payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

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USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to reimburse the Developer for the improvements and related costs shown below. Additionally, proceeds from the sale of the Bonds will be used to pay certain non-construction costs associated with the issuance of the Bonds, including developer interest, as shown below. Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and the Financial Advisor (hereinafter defined). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor.

Construction Costs

A. District Items

1. Bear Creek Ranch Phase 3 – WSD Construction	\$ 682,880
2. Bear Creek Ranch Phase 4 – WSD Construction	1,794,443
3. Bear Creek Ranch Phase 4 – WSD Construction	120,024
4. Engineering (Items 1-3)	<u>457,549</u>
Total District Items	\$ 3,054,896

B. Developer Contribution Items

1. None	\$ -
Total Developer Contribution Items	\$ -

 Total Construction Costs **\$ 3,054,896**

Non-Construction Costs

A. Legal Fees	\$ 105,875
B. Fiscal Agent Fees	72,700
C. Bond Discount/Premium	(702)
D. Developer Interest	293,630
E. Bond Issuance Expenses	45,878
F. Bond Engineering Fee	50,000
G. Attorney General Fee (0.10% or \$9,500 max)	3,635
H. TCEQ Bond Issuance Fee (0.25%)	<u>9,088</u>

 Total Non-Construction Costs **\$ 580,104**

TOTAL BOND ISSUE REQUIREMENT

\$ 3,635,000

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The Engineer has advised the District that the proceeds of the sale of the Bonds should be sufficient to pay the costs of the above-described facilities; however, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

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THE DISTRICT

Description

The District is a political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created by order of the TCEQ, dated March 21, 2002. The District is vested with all of the rights, privileges, authority, and functions conferred by the general laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered to purchase, construct, operate, acquire, own, and maintain all water and wastewater facilities, improvements and the control and diversion of storm water. The District is additionally empowered to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to issue bonds for such purposes, if approved by District voters and after approval by the City and the TCEQ. The District may also provide for waste collection and disposal service and operate and maintain recreational facilities. The District is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is required to observe certain requirements of the City which limit the purposes for which the District may sell bonds to the acquisition, construction and improvements of waterworks, wastewater and drainage facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the Planning and Zoning Commission of the City and filed in the real property records of the County. Construction and operation of the District's stormwater drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE SYSTEM – Description of the System – *Stormwater Drainage.*"

Management of the District

- Board of Directors -

The District is governed by a board, consisting of five directors, which has control over and management and supervision of all affairs of the District. Directors serve staggered four year terms, with elections held in May of each even numbered year. None of the directors reside in the District, but all own property within the District. The present members and officers of the Board are listed below:

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Pat O'Hanlon	President	2028
Bruce Prine	Vice President	2026
Erik Norgello	Secretary	2028
Steve Maglisceau	Assistant Secretary	2026
Felicia Erwin	Assistant Secretary	2026

- Consultants -

Tax Assessor/Collector: The District's tax assessor and collector is Bob Leared Interests (the "Tax Assessor/Collector"). The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Appraisal District and bills and collects such levy from taxpayers in the District.

Bookkeeper: The District's bookkeeper is L&S District Services, LLC.

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which audited financial statements are filed with the TCEQ annually. A copy of the District's financial statements for the fiscal year ended July 31, 2023 audited by McGrath & Co., PLLC, is included as "APPENDIX A" to this Official Statement. Such firm has been engaged to audit the financial statements of the District for the fiscal year ended July 31, 2024.

Engineer: The consulting engineer retained by the District in connection with the design and construction of the District's facilities is LJA Engineering, Inc.

Bond & General Counsel: The District has engaged Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, as bond counsel (“Bond Counsel”) in connection with the issuance of the District’s Bonds. The fees of Bond Counsel are contingent upon the sale and delivery of the Bonds. Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas also serves as the District’s general counsel.

Disclosure Counsel: The District has engaged Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as disclosure counsel (“Disclosure Counsel”) in connection with the issuance of the District’s Bonds. The fees of Disclosure Counsel are contingent upon the sale and delivery of the Bonds.

Financial Advisor: The District has engaged Robert W. Baird & Co. Incorporated as its financial advisor (the “Financial Advisor”) in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor has participated in the preparation of this Official Statement, however, the Financial Advisor is not obligated to undertake, and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement that has been supplied or provided by third parties.

THE DEVELOPER

The Role of a Developer

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be constructed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone and electric service) and selling improved lots and commercial reserves to builders, developer, or other third parties. In certain instances, the developer will be required to pay up to thirty percent of the cost of constructing certain of the water, wastewater and drainage facilities in a municipal utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of its property within a municipal utility district may have a profound effect on the security of the bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer’s right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

Developer and Principal Landowner

The developer of land within the District is CTMGT Bear Creek, LLC, a Texas limited liability company, and its affiliate CTMGT Bear Creek 4, LLC, a special purpose entity that was formed for the purpose of developing Bear Creek Ranch, Phase 4 (collectively, the “Developer”). The Developer purchased the land it owns and is developing within the District from Double B Land, LP, G&G Development Partnership, Ltd. and B&T Realty Services, LP, each a Texas limited partnership, and the original developers of property in the District (the “Original Developers”), in December 2013.

Developer Financing

Pursuant to various agreements, CTMGT Bear Creek, LLC purchased its land pursuant to a senior loan from the Original Developers in the amount of \$4,162,500. Funds from this loan were also used to develop and construct infrastructure and other improvements on the Developer’s property within the District. The entirety of the loan from the Original Developers has been paid in full with the proceeds of a land secured loan with Citizens National Bank in the amount of \$3,251,000, the current balance of which is \$1,341,166.04. The loan agreement was entered into on September 27, 2016 and modified on September 11, 2023, and bears interest at 8.5% per annum. , CTMGT Bear Creek, LLC is in compliance with the loan agreement.

CTMGT Bear Creek 4, LLC entered into a development loan with UDF IV Acquisitions, L.P. in the amount of \$10,800,000 for the development of Bear Creek Ranch Phase 4. The loan agreement was entered into on October 7, 2022, and bears interest at 10% per annum. The balance as of July 31, 2024 is \$2,374,430. CTMGT Bear Creek 4, LLC is in compliance with the loan agreement.

In addition, CTMGT Bear Creek, LLC also entered into a subordinate land secured loan with United Development Funding IV, a Maryland real estate investment trust (the “Subordinate Lienholder”), in the amount of \$2,270,000, for the acquisition, development and construction of the land, CTMGT Bear Creek, LLC owns and is developing within the District. The loan agreement was entered into on December 27, 2013, and bears interest at 13% per annum. After modification, the loan has a maturity date of December 31, 2024 and has a maximum authorized amount of \$5,000,000. The current balance of the loan is \$1,402,826.09. CTMGT Bear Creek, LLC is in compliance with the loan agreement.

The District can make no prediction as to the ability or likelihood of the Developer’s ability to make full or additional partial payments on the loans in a timely manner or at all. If the Developer were unable to make timely payment of the loans to the lienholders, such repayment failure would likely affect the Developer’s ability to continue its development activities in the District and could limit or foreclose future development in the District. Further, the Developer’s inability to make payments on the loans could also affect the Developer’s ability to make timely payment on taxes levied against the property the Developer owns within the District, which could affect the District’s ability to meet its debt service obligations on the Bonds. Currently, the Developer owns 0.27% of the 2024 Assessed Taxable Value within the District. See “TAX DATA – Principal Taxpayers” herein.

Development within the District

To date, approximately 264.46 acres (983 lots) have been developed as the single-family residential subdivision known as Bear Creek Ranch, Phases 1-4. As of August 1, 2024, the District included 836 completed homes (approximately 820 occupied, 14 unoccupied, and 2 model homes); 58 homes under construction; and 89 vacant developed lots. The remaining land within the District consists of approximately 236.04 acres of undeveloped land available for future development and approximately 47.36 acres consisting of a Right-of-Way for future Loop 9 Highway.

The following table shows the status of construction of single-family housing within the District as of August 1, 2024:

	Section Acreage	Section Lots	Homes Completed	Homes Under Construction	Vacant Lots
Bear Creek Ranch, Phase 1	83.13	288	288	-	-
Bear Creek Ranch, Phase 2	90.85	305	305	-	-
Bear Creek Ranch, Phase 3	47.05	211	211	-	-
Bear Creek Ranch, Phase 4	43.43	179	32	58	89
Totals	264.46	983	836	58	89
Loop 9 Right-of-Way	47.36				
Remaining Developable	236.04				
District Total	547.86				

Homebuilders within the District

The only homebuilder active within the District is D. R. Horton, Inc. Homes within the District range in price from approximately \$288,490 to approximately \$352,990.

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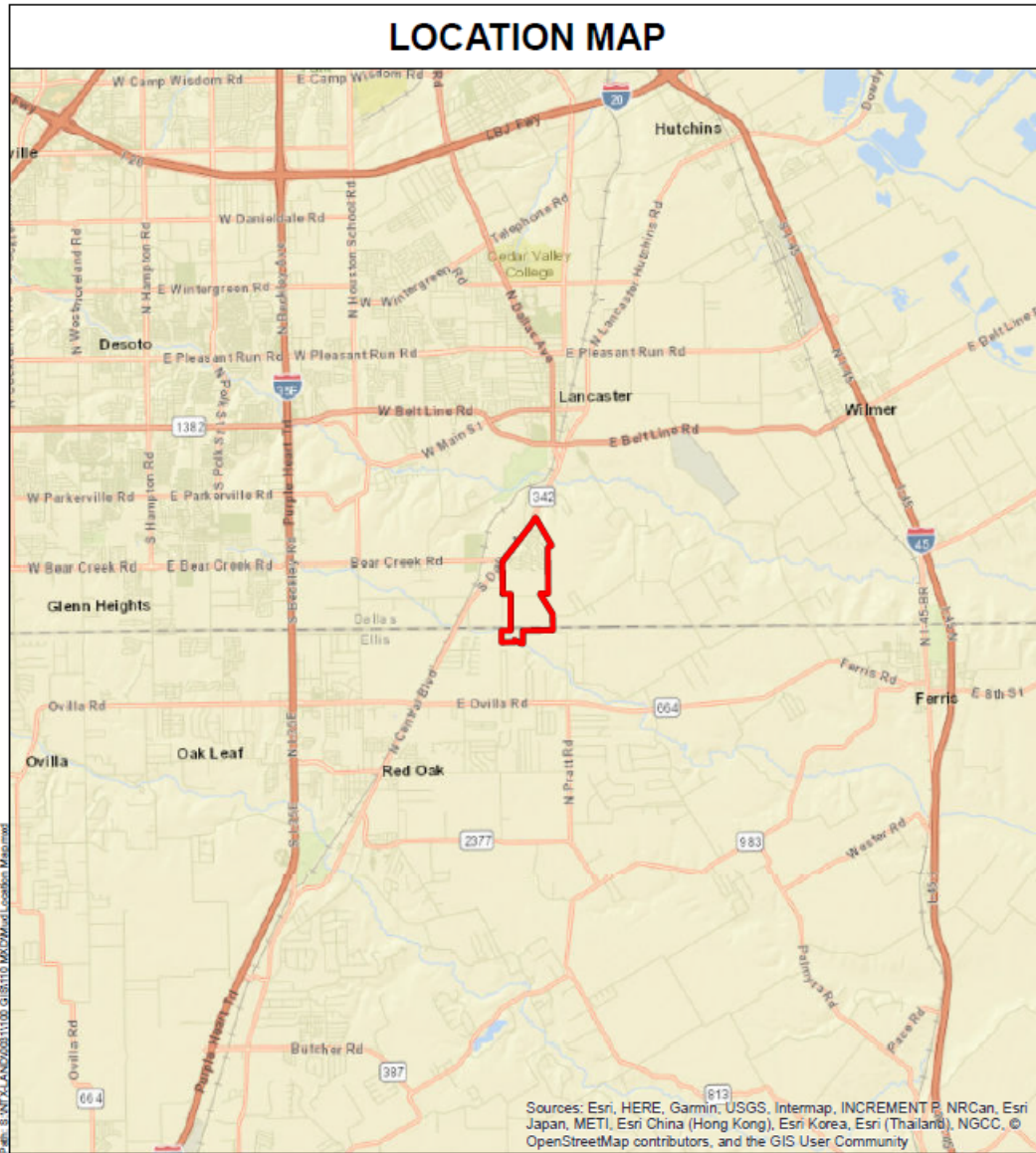
PHOTOGRAPHS WITHIN THE DISTRICT
(Taken May 2024)



PHOTOGRAPHS WITHIN THE DISTRICT
(Taken May 2024)



LOCATION MAP OF THE DISTRICT



LANCASTER MUNICIPAL UTILITY DISTRICT NO. 1
CITY OF LANCASTER
DALLAS COUNTY
APPROX. 547.86 AC.

LJA
LJA ENGINEERING
6060 North Central Expressway, Suite 440
Dallas, Texas 75206
Phone 469.621.0710 TBPE F-1386
LJA.com

TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an amount not to exceed \$1.25 per \$100 of assessed valuation for operation and maintenance purposes. For the 2024 tax year, the District levied a maintenance tax of \$0.400 per \$100 of assessed valuation and a debt service tax rate of \$0.520 per \$100 of assessed valuation.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance and Operations:	\$1.25 per \$100 of assessed valuation.

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all of any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal and interest on the Bonds. For the 2024 tax year, the Board levied a debt service tax rate of \$0.520 per \$100 of assessed valuation.

Maintenance and Operations Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. At an election held within the District on September 14, 2002, the Board was authorized to levy such a maintenance and operations tax in an amount not to exceed \$1.25 per \$100 assessed valuation. For 2024 tax year, the District has levied a maintenance and operations tax at the rate of \$0.40 per \$100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Outstanding Bonds and the Bonds.

Tax Exemption

As discussed in the section entitled "TAXING PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. For the 2024 tax year, the District did not grant a general homestead exemption, but granted a \$20,000 exemption for persons 65 years of age or older or for disabled persons.

Additional Penalties

The District will contract with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than August 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

Historical Tax Collections

The following table illustrates the collection history of the District for the 2019–2024 tax years:

Tax Year	Taxable Assessed Valuation	Tax Rate ^(a)	Adjusted Levy	Percent of Collections Current Year	Current Year Ended 09/30	Percent of Collections 9/30/2024
2019	\$ 109,101,666	1.000000	1,091,017	98.99%	2020	99.87%
2020	120,519,073	0.950000	1,144,931	99.55%	2021	99.79%
2021	125,661,814	0.920000	1,156,089	99.06%	2022	99.68%
2022	173,218,375	0.920000	1,593,609	99.58%	2023	99.75%
2023	210,212,817	0.920000	1,933,958	99.65%	2024	99.65%
2024	232,318,658 ^(c)	0.920000	2,137,332	^(b)	2025	^(b)

^(a) Total tax rate per \$100 of assessed valuation for each respective tax year. See "Tax Rate Distribution" below.

^(b) In the process of collections.

^(c) Such amount includes \$9,955,568 of assessed valuation assigned to properties that remain under review by the Appraisal Review Board (herein defined). Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board, upon which the District will levy its tax.

Tax Rate Distribution

	2024	2023	2022	2021	2020	2019
Debt Service	\$0.520	\$0.480	\$0.590	\$0.500	\$0.540	\$0.200
Maintenance & Operation	<u>0.400</u>	<u>0.440</u>	<u>0.330</u>	<u>0.420</u>	<u>0.410</u>	<u>0.800</u>
Total	\$ 0.920	\$0.920	\$0.920	\$0.920	\$0.950	\$1.000

Analysis of Tax Base

The following table illustrates the District's total assessed value in the tax years 2020–2024 by type of property.

Type of Property	2024 Taxable Assessed Valuation	2023 Taxable Assessed Valuation	2022 Taxable Assessed Valuation	2021 Taxable Assessed Valuation	2020 Taxable Assessed Valuation
Land	\$ 52,689,220	\$ 46,828,950	\$ 43,602,600	\$ 26,131,570	\$ 25,390,880
Improvements	202,391,080	184,295,510	154,294,140	105,420,040	102,936,840
Personal Property	2,343,560	2,151,240	1,888,480	1,414,620	41,350
Exemptions	<u>(25,105,202)</u>	<u>(23,062,883)</u>	<u>(26,566,845)</u>	<u>(7,304,416)</u>	<u>(7,849,997)</u>
Total	\$ 232,318,658	\$ 210,212,817	\$ 173,218,375	\$ 125,661,814	\$ 120,519,073

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Principal Taxpayers

The following represents the principal taxpayers and their respective types of property and assessed values within the District as of the Appraisal District’s original certification of its appraisal rolls for the 2024 tax year:

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2024 Assessed Taxable Value</u>	<u>Percent of Tax Roll</u>
CTMGT Bear Creek 4 LLC ^(a)	Land & Improvements	\$ 622,290	0.27%
Homeowner	Land & Improvements	448,710	0.19%
Homeowner	Land & Improvements	398,080	0.17%
Homeowner	Land & Improvements	395,690	0.17%
Homeowner	Land & Improvements	388,030	0.17%
Homeowner	Land & Improvements	388,030	0.17%
Homeowner	Land & Improvements	384,430	0.17%
Homeowner	Land & Improvements	379,030	0.16%
Homeowner	Land & Improvements	379,030	0.16%
Homeowner	Land & Improvements	<u>374,260</u>	<u>0.16%</u>
Total		\$ 4,157,580	1.79%

^(a) See “THE DEVELOPER – Developer and Principal Landowner.”

Tax Rate Calculations

The tax rate calculations set forth immediately below are presented to indicate the tax rates per \$100 assessed valuation that would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District occurs beyond the 2024 Taxable Assessed Valuation (\$232,318,658). The following further assumes collection of 95% of taxes levied and the sale of no additional bonds.

Average Annual Debt Service Requirement on the	
Outstanding Bonds and the Bonds (2025–2049)	\$ 1,020,145
Tax Rate of \$0.47 on the 2024 Taxable Assessed Valuation produces.....	\$ 1,037,303
Maximum Debt Service Requirement on the	
Outstanding Bonds and the Bonds (2026).....	\$ 1,286,631
Tax Rate of \$0.59 on the 2024 Taxable Assessed Valuation produces.....	\$ 1,302,146

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Estimated Overlapping Taxes

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

Set forth below is a compilation of all 2024 taxes levied by such jurisdictions per \$100 of assessed valuation. The table below does not include any future debt service tax rate that may be levied as a result of the issuance of the Bonds (see "Debt Service Tax" above). Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

<u>Taxing Jurisdiction</u>	<u>2024 Tax Rate Per \$100 of Assessed Taxable Valuation</u>
The District	\$ 0.920000
Dallas County	\$ 0.215500
Dallas County Community College District	\$ 0.105595
Dallas County Hospital District	\$ 0.212000
Dallas County School Equalization	\$ -
Lancaster Independent School District	<u>\$ 1.224400</u>
Total Tax Rate	<u>\$ 2.677495</u>

THE SYSTEM

Regulation

According to the District's Engineer, the System has been designed in conformity with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, Dallas County Engineering Department, Dallas County Flood Control District, and the City. The construction of the System was required to be accomplished in accordance with the standards and specification of such entities and is subject to inspection by the District's Engineer and such agencies. Operation of the District's System is subject to regulation by, among others, the United States Environmental Protection Agency, the TCEQ and the City. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision, which, in turn, could require additional expenditures by the District in order to achieve compliance.

Description of the System

According to the District's Engineer, (a) the total number of connections projected for the District at full development of approximately 547.86 acres within the District is 1,823 equivalent connections and (b) the remaining authorized but unissued bonds will be sufficient in amount to finance improvements to the System required to serve the District at current projected buildout. A description of the primary components of the System follows.

- Water System -

The District receives potable water supply from the City pursuant to a Water Supply Contract between the City and G&G Development Partnership, Ltd. ("G&G"), acting upon behalf of the District. A water trunk line along S.H. 342 distributes water directly to the District's distribution system from the City's water supply facilities. Pursuant to the Water Supply Contract, the District is required to make payment to the City for water supply at such time as a meter is set at each individual connection at 115% of the rate the City sets for water impact fees under the City's Code of Ordinances. The City's fresh water supplies are obtained from the City of Dallas, Texas,

under a contract to purchase wholesale treated water. According to the Engineer, the City's water system is capable of serving the anticipated full development of the District.

- Wastewater System -

Pursuant to a waste disposal contract (the "Waste Disposal Contract") between the City and G&G on behalf of the District, the City has agreed to reserve for the District sufficient wastewater treatment capacity to serve 1,400 connections. Pursuant to the Waste Disposal Contract, the District is required to make payment to the City for wastewater treatment capacity at such time as a meter is set at each individual connection at 115% of the rate the City sets for wastewater impact fees under the City's Code of Ordinances. The City and the Trinity River Authority ("TRA") have an agreement for the transportation, treatment and disposal of wastewater from the City. The District will transport its wastewater to the TRA interceptor line located in Ten Mile Creek utilizing an 18" gravity main located within the S.H. 342 right-of-way. This TRA interceptor line transports wastewater to the Ten Mile Creek Regional Wastewater Plant. According to the Engineer, the District's wastewater capacity is capable of serving 1,400 equivalent single family connections, which is sufficient to serve the Bear Creek Ranch, Phases 1-4. Additional wastewater capacity may be required for additional development beyond Bear Creek Ranch, Phases 1-4.

- Stormwater Drainage System -

Storm drainage is conveyed to inlets by way of a concrete curb and gutter street. The inlets are connected to storm drainage systems that outfall into existing creeks. The storm drainage system is designed to convey a 100-year storm event.

Rate Order

The District's utility rate order, which became effective July 23, 2018, is subject to change from time to time by the Board and is summarized, in part, below:

- Water Rates (Residential) -

First 1,000 gallons	\$17.60 minimum
1,000 to 14,999 gallons	\$2.90/1,000 gallons
15,000 to 29,999 gallons	\$3.60/1,000 gallons
30,000 gallons or more	\$4.50/1,000 gallons

- Sewer Rates -

First 1,000 gallons	\$10.39 minimum
Over 1,000 gallons	\$5.92/1,000 gallons

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General Fund Operating Statement

The following statement sets forth in condensed form the historical results of operation of the System. Such summary has been prepared by the Financial Advisor for inclusion herein based upon information obtained from the District's audited financial statements. The figures for the 12-month period ending July 31, 2024 are unaudited and obtained from the District's bookkeeper. Reference is made to such statements for further and more complete information. See "APPENDIX A."

	Fiscal Year Ended July 31					
	2024 ^(a)	2023	2022	2021	2020	2019
REVENUES						
Water Service	\$ 344,683	\$ 416,972	\$ 380,583	\$ 280,500	\$ 268,615	\$ 248,108
Sewer Service	317,053	387,832	332,175	250,338	228,587	243,600
Property Taxes	959,176	578,295	524,938	504,175	865,030	430,803
Penalties & Interest	18,148	23,954	20,067	16,510	22,749	20,697
Garbage Service	125,243	160,443	122,325	110,950	110,598	100,437
Tap Connection & Inspection	178,945	56	262,650	72	145	16,434
Miscellaneous	-	26,620	34,612	16,900	18,592	1,228
Investment Earnings	<u>108,978</u>	<u>67,244</u>	<u>380,583</u>	<u>6,466</u>	<u>31,524</u>	<u>36,538</u>
TOTAL REVENUES	<u>\$2,052,225</u>	<u>\$ 1,661,416</u>	<u>\$ 1,684,653</u>	<u>\$ 1,185,911</u>	<u>\$ 1,545,840</u>	<u>\$ 1,097,845</u>
EXPENDITURES						
Purchased Services	\$ 1,021,923	\$ 906,759	\$ 482,246	\$ 261,509	\$ 199,984	\$ 265,401
Professional Fees	190,329	185,640	130,511	148,969	153,157	71,596
Contracted Services	363,450	438,859	341,782	263,666	250,262	233,591
Repairs and Maintenance	195	205,372	258,221	169,575	164,892	62,987
Utilities		192	196	196	180	213
Administrative	18,838	28,124	65,194	33,751	18,995	12,045
Other	772	2,737	3,910	17,030	5,171	4,262
Capital Outlay	<u>-</u>	<u>654,427</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 1,595,507</u>	<u>\$ 2,422,110</u>	<u>\$ 1,282,060</u>	<u>\$ 894,696</u>	<u>\$ 792,641</u>	<u>\$ 650,095</u>
NET REVENUE (DEFICIT)	<u>\$ 456,718</u>	<u>\$ (760,694)</u>	<u>\$ 402,593</u>	<u>\$ 291,215</u>	<u>\$ 753,199</u>	<u>\$ 447,750</u>

(a) Unaudited figures as of July 31, 2024 obtained from the District's bookkeeper.

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DISTRICT DEBT

2024 Taxable Assessed Valuation.....	\$232,318,658	(a)
Direct Debt:		
The Outstanding Bonds	\$ 13,730,000	
The Bonds	<u>3,635,000</u>	
Total.....	\$ 17,365,000	
Estimated Overlapping Debt	<u>6,824,542</u>	(b)
Total Direct and Estimated Overlapping Debt	\$ 24,189,542	(b)
Direct Debt Ratio:		
As a percentage of the 2024 Taxable Assessed Valuation.....	7.47	%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of the 2024 Taxable Assessed Valuation.....	10.41	%
General Operating Fund Balance (as of October 15, 2024).....	\$ 2,787,954	
Debt Service Fund Balance (as of October 15, 2024).....	\$ 454,150	(c)
Capital Projects Fund Balance (as of October 15, 2024)	\$ 38,742	
2024 District Tax Rate per \$100 of Assessed Valuation:		
Debt Service	\$ 0.520	
Maintenance & Operation.....	<u>\$ 0.400</u>	
Total.....	\$ 0.920	(d)
Average Annual Debt Service Requirement		
on the Outstanding Bonds and the Bonds (2025–2049)	\$ 1,020,145	(e)
Maximum Annual Debt Service Requirement		
on the Outstanding Bonds and the Bonds (2026).....	\$ 1,286,631	(e)
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual		
Debt Service Requirement on the Outstanding Bonds and Bonds (2025–2049):		
Based on the 2024 Taxable Assessed Valuation at 95% Tax Collections.....	\$ 0.47	
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual		
Debt Service Requirement on the Outstanding Bonds and Bonds (2026):		
Based on the 2024 Taxable Assessed Valuation at 95% Tax Collections.....	\$ 0.59	
Single-Family Homes as of August 1, 2024 (including 58 under construction)	894	

- (a) Represents the assessed valuation of all taxable property within the District as of January 1, 2024, provided by the Appraisal District (herein defined). Such amount includes \$9,955,568 of assessed valuation assigned to properties that remain under review by the Appraisal Review Board (herein defined). Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board, upon which the District will levy its tax. See "TAX DATA" and "TAXING PROCEDURES."
- (b) See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."
- (c) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund.
- (d) See "TAX DATA."
- (e) See "DISTRICT DEBT – Debt Service Requirements Schedule."

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Debt Service Requirements Schedule

The following sets forth the debt service requirements of the Outstanding Bonds, as well as the principal and interest requirements of the Bonds.

Calendar Year	Outstanding Debt Service ^(a)	The Bonds			Total Debt Service
		Principal	Interest	Debt Service	
2025	\$ 1,026,266	\$ -	\$ 108,111	\$ 108,111	\$ 1,134,377
2026	1,022,881	90,000	173,750	263,750	1,286,631
2027	1,023,475	95,000	167,675	262,675	1,286,150
2028	1,017,888	95,000	161,263	256,263	1,274,150
2029	1,016,625	100,000	154,850	254,850	1,271,475
2030	1,016,188	105,000	148,100	253,100	1,269,288
2031	1,015,013	110,000	141,013	251,013	1,266,025
2032	1,017,813	115,000	133,588	248,588	1,266,400
2033	1,019,763	120,000	125,825	245,825	1,265,588
2034	1,015,769	125,000	120,575	245,575	1,261,344
2035	1,015,944	130,000	115,263	245,263	1,261,206
2036	1,019,275	135,000	109,738	244,738	1,264,013
2037	1,016,494	140,000	104,000	244,000	1,260,494
2038	1,019,000	150,000	98,050	248,050	1,267,050
2039	1,015,531	155,000	91,675	246,675	1,262,206
2040	1,015,594	160,000	85,088	245,088	1,260,681
2041	587,225	170,000	78,288	248,288	835,513
2042	589,075	175,000	71,063	246,063	835,138
2043	590,913	185,000	63,625	248,625	839,538
2044	591,575	190,000	55,763	245,763	837,338
2045	381,281	200,000	47,688	247,688	628,969
2046	380,969	210,000	38,938	248,938	629,906
2047	210,638	220,000	29,750	249,750	249,750
2048	-	225,000	20,125	245,125	245,125
2049	-	235,000	10,281	245,281	245,281
Total	\$ 19,414,554	\$ 3,635,000	\$ 2,454,080	\$ 6,089,080	\$25,503,634

^(a) As of delivery of the Bonds.

Average Annual Requirement on the Outstanding Bonds and the Bonds (2025-2049)	\$ 1,020,145
Maximum Annual Requirement on the Outstanding Bonds and the Bonds (2026)	\$ 1,286,631

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Estimated Direct and Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from several sources, including information contained in “Texas Municipal Reports” published by the Municipal Advisory Council of Texas. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes of debt service, and the tax burden for operation, maintenance and/or general purposes is not included in these figures.

Taxing Jurisdiction	Outstanding Debt as of 9/30/2024	Overlapping	
		Percent	Amount
Dallas County	\$ 198,645,000	0.06%	\$ 111,797
Dallas County Community College District	318,675,000	0.05%	174,992
Dallas County Hospital District	527,660,000	0.06%	296,089
Dallas County School Equalization	-	0.00%	0
Lancaster Independent School District	162,602,531	3.84%	<u>6,214,665</u>
Total Estimated Overlapping Debt			<u>\$ 6,824,542</u>
The District.....			<u>\$17,365,000</u> ^(a)
Total Direct & Estimated Overlapping Debt.....			<u>\$24,189,542</u> ^(a)

^(a) Includes the Bonds.

Debt Ratios

	Percentage of 2024 Assessed Taxable Valuation
Direct Debt ^(a)	7.47%
Direct and Estimated Overlapping Debt ^(a)	10.41%

^(a) Includes the Bonds.

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TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS – Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under "THE BONDS – Source of Payment." Under Texas law, the Board is also authorized to levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations if authorized by its voters. See "TAX DATA – Tax Rate Limitation."

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized herein.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Appraisal District has the responsibility for appraising property for all taxing units within the County, including the District. Such appraisal values are subject to review and change by the Dallas Central Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll as approved by the Appraisal Review Board must be used by the District in establishing its tax roll and tax rate.

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. Property owned by a disabled veteran or a veteran who died while on active duty has been granted an exemption up to \$3,000 of assessed value. Partially exempt to between to between \$5,000 and \$12,000 of assessed value, depending upon the disability rating of the veteran, is property owned by a disabled veteran or spouse or certain children. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Also exempt, if approved by the Board or through a process of petition and referendum by the District's voters, are residential homesteads of person sixty-five (65) years or older and of certain disabled persons to the extent of \$3,000 of appraised value or more. The District's tax assessor/collector is authorized by statute to disregard such exemptions for the elderly and disabled if granting the exemptions would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemptions by the District.

A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization at some or no cost to the veteran. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000, if any exemption is granted, from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has never adopted a general homestead exemption. In addition, the District may by its own action exempt residential homesteads of persons 65 years of age or older and certain disabled persons, to the extent deemed advisable by the Board. For the 2024 tax year, the District did not grant a general homestead exemption, but granted a \$20,000 exemption for persons 65 years of age or older or for disabled persons.

Freeport Goods and Goods-in-Transit Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit Exemption" may apply to certain tangible personal property that is acquired in or imported into Texas for assembling, storing, manufacturing or fabrication purposes which is destined to be forwarded to another location in Texas not later than 175 days after acquisition or importation, so long as the location where said goods are detained is not directly or indirectly owned by the owner of the goods. A taxpayer may not claim both a Freeport Goods Exemption and a Goods-in-Transit Exemption on the same property.

Valuation of Property for Taxation

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

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

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

15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

During the 2nd Special Session, convened on June 27, 2023, the Texas Legislature passed Senate Bill 2 ("SB 2"), which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,000,000 (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026, the Maximum Property Value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in consumer price index, as applicable, to the Maximum Property Value. SB 2 was signed into law by the Governor of Texas (the "Governor") on July 22, 2023. The provisions described hereinabove took effect January 1, 2024, after the constitutional amendment proposed by H.J.R. 2, 88th Legislature, 2nd Called Session, 2023, was approved by voters at an election held on November 7, 2023.

District and Taxpayer Remedies

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

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

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units

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

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, plus any unused increment rates, as calculated and described in Section 26.013 of the Property Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

Developing Districts

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

The District

A determination as to the District's status as a Special Taxing Unit, Developed District or Developing District is made by the Board of Directors on an annual basis. For the 2024 tax year, the District was determined to be a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including such taxes for a period of three (3) years to five (5) years for agricultural use, timberland or open space land prior to the loss of the designation.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: (a) the valuation of property within the District as of the preceding January 1, and (b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due February 1, or when billed,

whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional twenty percent (20%) penalty for collection costs of a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. Further, a person who is 65 years of age or older or disabled is entitled by law to pay current taxes on his residential homestead in installments or to receive a deferral or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead.

Property owners affected by a disaster may pay property taxes in four equal installments following the disaster. In addition, effective as of September 1, 2017, certain classes of disabled veterans may receive a deferral or abatement of delinquent taxes without penalty during the time they own or occupy the property as their residential homestead.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, which has the power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units (see "TAX DATA – Estimated Overlapping Taxes"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceeding which restrict the collection of taxpayer debts. See "INVESTMENT CONSIDERATIONS – General" and "INVESTMENT CONSIDERATIONS – Tax Collections and Foreclosure Remedies."

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and are not obligations of the State of Texas; Dallas County, Texas (the "County"); the City of Lancaster, Texas (the "City"); or any other political subdivision, will be secured by a continuing direct annual ad valorem property tax, without legal limitation as to rate or amount, on all taxable property located within the District (See "THE BONDS – Source of Payment"). The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by the registered owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will

accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "Limitation to Registered Owners' Remedies" below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development within the District is directly related to the vitality of the residential housing industry within the County. New residential housing construction can be significantly affected by factors such as general economic activity, interest rates, credit availability, energy costs, construction costs, the level of unemployment and consumer demand. Decreased levels of such construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District. See "THE DEVELOPER – Development within the District."

Location and Access: The District is located in the southern part of the County, approximately two miles south of the downtown of the City. Located at the intersection of State Highway 342 and Bear Creek Road, the District is within the extraterritorial jurisdiction of the City. See "THE DISTRICT."

Principal Landowners' Obligations to the District: As reflected in this Official Statement under the caption "TAX DATA – Principal Taxpayers," the District's ten principal taxpayers as of January 1, 2024, owned property located in the District with an aggregate assessed valuation of \$4,157,580, which comprised approximately 1.79% of the District's total assessed valuation. The District cannot represent that its tax base will in the future be (i) distributed among a significantly larger number of taxpayers or (ii) less concentrated in property owned by a relatively small number of property owners, than it is currently. Failure by one or more of the District's principal property owners to make full and timely payments of taxes due may have an adverse effect on the investment quality or security of the Bonds. If several of the principal taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meet its debt service requirements.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. For the 2024 tax year, the District levied a maintenance tax of \$0.40 per \$100 of assessed valuation and a debt service tax rate of \$0.520 per \$100 of assessed valuation.

Competition: The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. Many of the other developments are generally accessible by the same commuter routes and served by the same employment centers, school districts and retail establishments causing the developments to compete with one another for the same pool of buyers at similar price points and amenity levels

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

Developer Under No Obligation to the District: The Developer has informed the District of its current plans to continue to develop land in the District for residential purposes. However, the Developer is not obligated to implement such plan on any particular schedule or at all. Thus, the furnishing of information related to the proposed development by the Developer should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer, or any other subsequent landowners to whom a party may sell all or a portion of their holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developer's right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer. Failure to construct taxable improvements on developed lots and tracts and failure of the Developer to develop its land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developer for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developer will be or what effect, if any, such conditions may have on its ability to pay taxes. See "THE DEVELOPER" and "DEVELOPMENT WITHIN THE DISTRICT."

Impact on District Tax Rates: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2024 Taxable Assessed Valuation of property located within the District is \$232,318,658. See "TAX DATA".

After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds (herein defined) and the Bonds will be \$1,286,631 (2026) and the average annual debt service requirement on the Outstanding Bonds and the Bonds will be \$1,020,145 (2025–2049). Assuming no increase to, nor decrease from, the 2024 Taxable Assessed Valuation of \$232,318,658, a tax rate of \$0.59 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding Bonds and the Bonds, and a tax rate of \$0.47 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the average annual debt service requirement on the Outstanding Bonds and the Bonds.

Tax Collections and Foreclosure Remedies

The District has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. See "TAXING PROCEDURES."

Limitation to Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the registered owner(s) of the Bonds (the "Registered Owner(s)") have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interest of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of registered owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the U.S. Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of registered owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is generally authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or has negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under Texas law, a municipal utility district, such as the District, must obtain the approval of the TCEQ as a condition to seeking relief under the U.S. Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

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

A special purpose district, such as the District, cannot be placed into bankruptcy involuntarily.

Changes in Tax Legislation

Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending, or future legislation.

Marketability

The District has no understanding with the initial purchaser of the Bonds (the "Initial Purchaser") regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price for the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

Continuing Compliance with Certain Covenants

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

Future Debt

The Bonds are the sixth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing water, sewer, and drainage facilities to serve the District (the "System") and the seventh series overall. The District has previously issued one series of unlimited tax refunding bonds for the purpose of refunding bonds issued for the purpose of acquiring or constructing the System. Voters in the District have authorized a total of \$34,975,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System. Additionally, voters in the District have authorized a total of \$52,462,500 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for the purpose of acquiring or constructing the System. Following the issuance of the Bonds, \$14,955,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System and \$52,147,500 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for the purpose of acquiring or constructing the System will remain authorized but unissued.

The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of a continuing, direct annual ad valorem property tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The District also has the right to issue certain other additional bonds, special projects bonds, and other obligations, as described in the Bond Order. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Approval of the Bonds

As required by law, engineering plans, specifications and estimates of construction costs for the facilities and services to be purchased or constructed by the District with the proceeds of the Bonds have been approved, subject to certain conditions, by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS." In addition, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery.

Neither the TCEQ nor the Attorney General of Texas passes upon or guarantees the safety of the Bonds as an investment, nor have such authorities passed upon the adequacy or accuracy of the information contained in this Official Statement.

Annexation and Consolidation

Under Texas law, the territory within the District may be annexed by the City without the consent of the District or its residents. If annexation by the City does occur, the District would be abolished within 90 days after annexation. If the District is abolished, the City must assume the assets, functions and obligations of the District, including the Bonds. No representation is made concerning the likelihood of annexation or the ability of the City to make debt service payments should annexation occur. The District has the right to consolidate with other districts and, in connection therewith, to provide for the consolidation of the System with the water and sewer systems of the district or districts with which it is consolidating. Should any such consolidation occur, the net revenues from the operation of the consolidated system would be applied to the payment of principal, interest, redemption price and bank charges on the combination unlimited tax bonds of the District, if any, and of the district or districts with which the District is consolidated without prejudice to any series of bonds, except that bonds with subordinate liens on net revenues shall continue to be subordinate. No representations are made that the District will ever consolidate the System with other systems.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by difficulties in collecting ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures; (b) a bankruptcy court's stay of tax collection proceedings against a taxpayer; (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property; or (d) the taxpayer's right to redeem the property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. See "TAXING PROCEDURES."

Environmental Regulations

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

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
- Restricting the manner in which wastes are treated and released into the air, water, and soils;
- Restricting or regulating the use of wetlands or other properties; or
- Requiring remedial action to prevent or mitigate pollution.

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

Air Quality Issues: Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the TCEQ may impact new industrial, commercial and residential development in the District and surrounding area. Under the Clean Air Act ("CAA") Amendments of 1990, the Dallas-Fort Worth area ("DFW Area")—Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Tarrant, and Wise Counties, and Rockwall County for the purposes of the 2008 Ozone Standards only—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion ("ppb")) and eight-hour

(84 ppb) standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While Texas has been able to demonstrate steady progress and improvements in air quality in the DFW Area, the DFW Area remains subject to CAA nonattainment requirements.

The DFW Area is currently designated as a serious ozone nonattainment area under the 1997 Ozone Standards. On April 6, 2020 the EPA published final action of redesignation of the DFW to “attainment” for the 1997 Ozone Standards, which terminated the serious nonattainment area “anti-backsliding” requirements and left the DFW Area subject only to the nonattainment area requirements under the 2008 Ozone Standard and the 2015 Ozone Standard. However, the EPA stated that it lacked authority to redesignate areas to attainment under revoked standards. The 1997 Ozone Standards have been revoked.

On October 7, 2022, the EPA published final notice reclassifying the DFW Area from “serious” to “severe” under the 2008 Ozone Standard, effective November 7, 2022. As the DFW Area is now designated a “severe” nonattainment area, it must meet the attainment date of July 20, 2027 with an attainment year of 2026. The “severe” nonattainment classification provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

On June 20, 2024, as requested by Texas Governor Greg Abbott, the EPA published final notice reclassifying the DFW Area from “moderate” to “serious” under the 2015 Ozone Standard, effective July 22, 2024. The requirements for an area designated as “series” vary and establish several attainment deadlines ranging from January 1, 2026 to January 1, 2028, with such deadlines applicable to the specific requirements of the EPA’s final action.

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the DFW Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the DFW Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the DFW Area to reach attainment with the ozone standards by the EPA’s attainment deadlines. These additional controls could have a negative impact on the DFW Area’s economic growth and development. As a result of the DFW Area’s reclassification, the TCEQ must submit revisions of the SIP to the EPA no later than January 1, 2026, addressing the “series” nonattainment classification.

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

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

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than 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) (“CGP”), with an effective date of March 5, 2023, 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. The CGP has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

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

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

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

Potential Impact of Natural Disaster

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

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from such natural disasters.

Bond Insurance Risk Factors

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

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

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the 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 is given that the long-term ratings of the Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "RATINGS."

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

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

Specific Flood Type Risks

The District may be subject to the following risks:

Ponding (or Pluvial) Flood: Ponding, or pluvial, flooding occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can exceed the drainage capacity of a drainage system, which may result in water within the drainage system becoming trapped and diverted onto streets and nearby property until it is able to reach a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, levee or reservoir.

Riverine (or Fluvial) Flood: Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet-flow over land. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash flooding can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

Reappraisal of Property

When requested by a local taxing unit, such as the District, the Appraisal District is required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1. Beginning on the date of the disaster and for the remainder of the year, the taxing unit applies its tax rate to the reappraised market value of the property. The District has not requested a reappraisal of property.

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of Texas payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District and based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect, and to the effect that interest on the Bonds is excludable from gross income, as defined in Section 61 of the Internal Revenue Code of 1986, as amended (the "Code") of the holders for federal tax purposes under existing law, statutes, regulations, published rulings, and court decisions and interest on the Bonds is not subject to the federal alternative minimum tax.

Bond Counsel has reviewed the information appearing in this Official Statement under the captions "THE DISTRICT - General," "THE BONDS" (except under the subheading "Registered Owner's Remedies"), "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION," solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District or Developer for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

No-Litigation Certificate

The District will furnish to the initial purchaser of the Bonds (the "Initial Purchaser") a certificate, dated as of the date of delivery of the Bonds, executed by both the Board President or Board Vice President and Board Secretary or Board Assistant Secretary, to the effect that no litigation of any nature has been filed or is to their knowledge then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution, or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

No Material Adverse Change

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

TAX MATTERS

In the opinion of Sanford Kuhl Hagan Kugle Parker Kahn LLP, Bond Counsel, (i) interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law and (ii) interest on the Bonds will not be subject to the alternative minimum tax on individuals.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The

opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or Beneficial Owners to incur significant expense.

Proposed Tax Legislation

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

Tax Accounting Treatment of Original Issue Discount Bonds

The issue price of certain of the Bonds (the "Original Issue Discount Bonds") may be less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter

stated (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes the original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to the original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

The foregoing is based on the assumptions that (a) the Initial Purchaser has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the inside cover of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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

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

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000 for tax-exempt obligations.

The District has designated the Bonds as "qualified tax-exempt obligations" and will represent that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2024 is not expected to exceed \$10,000,000 and that the

District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2024.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following covenants for the benefit of the holders of the Bonds. The District is required to observe these covenants for so long as it remains obligated to pay the Bonds. Under the covenants, the District will be obligated to provide certain updated financial information and operating data annually, as well as timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB") or any successor to its function as a repository, through its Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide certain updated financial information and operating data to the EMMA annually.

The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "DISTRICT DEBT," "TAX DATA," and "APPENDIX A." The District will update and provide this information within six months after the end of each of its fiscal years.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 of the Securities Exchange Act (the "Rule"). The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in "APPENDIX A" or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's fiscal year end is currently July 31. Accordingly, it must provide updated information by January 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change.

Event Notices

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, 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 IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule, the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, or the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the District, 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 District,

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

Availability of Information

The District has agreed to provide the foregoing notices to the MSRB. The District is required to file its continuing disclosure information using EMMA, which is the format currently prescribed by the MSRB and has been established by the MSRB to make such continuing disclosure information available to investors free of charge. Investors may access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

The Developer has agreed to provide to the District the information that the District has agreed to provide with respect to the Developer. The Developer has also agreed with the District that it will not assign any of its rights to receive payment from the District out of proceeds of the Bonds (except as collateral), unless the assignee assumes the Developer's agreement to provide such information, but the Developer may sell its property within the District without any such assumption. The District's ability to provide information about the Developer or others, as well as the accuracy and completeness of such information, is completely dependent on such persons' compliance with their contractual agreements with the District.

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

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with its previous continuing disclosure agreements made in accordance with the Rule.

OFFICIAL STATEMENT

General

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

Experts

The information contained in this Official Statement relating to engineering and to the description of the System, and, in particular, that engineering information included in the sections entitled "THE BONDS – Use and Distribution of Bond Proceeds," "THE DISTRICT – Description," "THE DEVELOPER – Development within the District," and "THE SYSTEM" has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as an expert in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by the Tax Assessor/Collector and the Appraisal District. Such information has been included herein in reliance upon the Tax Assessor/Collector's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of property appraisal.

Certification as to Official Statement

The District, acting by and through its Board in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements, and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, descriptions, and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

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

CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of Lancaster Municipal Utility District No. 1 as of the date shown on the cover page.

/s/ Pat O'Hanlon
President, Board of Directors
Lancaster Municipal Utility District No. 1

ATTEST:

/s/ Erik Norgello
Secretary, Board of Directors
Lancaster Municipal Utility District No. 1

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

**LANCASTER COUNTY MUNICIPAL
UTILITY DISTRICT NO. 1**

DALLAS COUNTY, TEXAS

FINANCIAL REPORT

July 31, 2023

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McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Lancaster Municipal Utility District No. 1
Dallas County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Lancaster Municipal Utility District No. 1 (the "District"), as of and for the year ended July 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Lancaster Municipal Utility District No. 1, as of July 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

***Board of Directors
Lancaster Municipal Utility District No. 1
Dallas County, Texas***

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison 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

***Board of Directors
Lancaster Municipal Utility District No. 1
Dallas County, Texas***

certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

W. G. Gatt & Co., P.C.

Houston, Texas
November 1, 2023

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Management's Discussion and Analysis

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***Lancaster Municipal Utility District No. 1
Management's Discussion and Analysis
July 31, 2023***

Using this Annual Report

Within this section of the financial report of Lancaster Municipal Utility District No. 1 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended July 31, 2023. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

***Lancaster Municipal Utility District No. 1
Management's Discussion and Analysis
July 31, 2023***

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes, or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at July 31, 2023, was \$1,805,155. A comparative summary of the District's overall financial position, as of July 31, 2023 and 2022, is as follows:

	2023	2022
Current and other assets	\$ 5,372,798	\$ 9,305,453
Capital assets	11,842,433	8,298,135
Total assets	<u>17,215,231</u>	<u>17,603,588</u>
 Total deferred outflows of resources	 <u>134,554</u>	 <u>144,904</u>
 Current liabilities	 743,448	 720,680
Long-term liabilities	14,801,182	16,512,408
Total liabilities	<u>15,544,630</u>	<u>17,233,088</u>
 Net position		
Net investment in capital assets	(1,475,819)	(4,159,669)
Restricted	490,583	472,602
Unrestricted	2,790,391	4,202,471
Total net position	<u>\$ 1,805,155</u>	<u>\$ 515,404</u>

***Lancaster Municipal Utility District No. 1
Management's Discussion and Analysis
July 31, 2023***

The total net position of the District increased during the current fiscal year by \$1,289,751. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2023</u>	<u>2022</u>
Revenues		
Property taxes, penalties and interest	\$ 1,655,791	\$ 1,182,240
Water and sewer service	804,804	712,758
Other	287,920	428,578
Total revenues	<u>2,748,515</u>	<u>2,323,576</u>
Expenses		
Current service operations	1,826,185	1,361,317
Debt interest and fees	557,168	310,331
Developer interest		4,617
Debt issuance costs		499,551
Depreciation and amortization	278,128	241,771
Total expenses	<u>2,661,481</u>	<u>2,417,587</u>
Change in net position before other item	87,034	(94,011)
Other item		
Change in estimate of due to developer	<u>1,202,717</u>	<u> </u>
Change in net position	1,289,751	(94,011)
Net position, beginning of year	<u>515,404</u>	<u>609,415</u>
Net position, end of year	<u>\$ 1,805,155</u>	<u>\$ 515,404</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of July 31, 2023, were \$5,101,649, which consists of \$2,796,386 in the General Fund, \$459,287 in the Debt Service Fund, and \$1,845,976 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of July 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Total assets	<u>\$ 3,034,870</u>	<u>\$ 3,963,996</u>
Total liabilities	\$ 227,079	\$ 239,311
Total deferred inflows	11,405	11,638
Total fund balance	<u>2,796,386</u>	<u>3,713,047</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 3,034,870</u>	<u>\$ 3,963,996</u>

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A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	<u>2023</u>	<u>2022</u>
Total revenues	\$ 1,661,416	\$ 1,684,653
Total expenditures	<u>(2,422,110)</u>	<u>(1,282,060)</u>
Revenues over/(under) expenditures	(760,694)	402,593
Other changes in fund balance	<u>(155,967)</u>	
Net change in fund balance	<u>\$ (916,661)</u>	<u>\$ 402,593</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy and the provision of water and sewer services to customers within the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.
- Water and sewer revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of July 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Total assets	<u>\$ 491,952</u>	<u>\$ 473,971</u>
Total liabilities	\$ 1,369	\$ 1,369
Total deferred inflows	31,296	28,375
Total fund balance	459,287	444,227
Total liabilities, deferred inflows and fund balance	<u>\$ 491,952</u>	<u>\$ 473,971</u>

A comparative summary of the Debt Service Fund's activities for the current and prior fiscal year is as follows:

	<u>2023</u>	<u>2022</u>
Total revenues	\$ 1,063,154	\$ 630,638
Total expenditures	<u>(1,048,094)</u>	<u>(639,303)</u>
Revenues over/(under) expenditures	<u>\$ 15,060</u>	<u>\$ (8,665)</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. The difference between these financial resources and debt service

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requirements resulted in changes in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of July 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Total assets	<u>\$ 1,845,976</u>	<u>\$ 4,867,486</u>
Total fund balance	<u>\$ 1,845,976</u>	<u>\$ 4,867,486</u>

A comparative summary of activities in the Capital Projects Fund for the current and prior fiscal year is as follows:

	<u>2023</u>	<u>2022</u>
Total revenues	\$ 21,257	\$ 810
Total expenditures	<u>(3,198,734)</u>	<u>(800,480)</u>
Revenues under expenditures	(3,177,477)	(799,670)
Other changes in fund balance	<u>155,967</u>	<u>5,740,000</u>
Net change in fund balance	<u>\$ (3,021,510)</u>	<u>\$ 4,940,330</u>

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2022 Unlimited Tax Bonds in the prior year.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$1,020,922 less than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

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Capital assets held by the District at July 31, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Capital assets not being depreciated		
Land and improvements	\$ 255,821	\$ 255,821
Construction in progress	3,405,867	237,868
	<u>3,661,688</u>	<u>493,689</u>
Capital assets being depreciated/amortized		
Infrastructure	9,428,463	9,428,463
Impact fees	1,589,675	935,248
	<u>11,018,138</u>	<u>10,363,711</u>
Less accumulated depreciation/amortization		
Infrastructure	(2,418,850)	(2,209,330)
Impact fees	(418,543)	(349,935)
	<u>(2,837,393)</u>	<u>(2,559,265)</u>
Depreciable capital assets, net	<u>8,180,745</u>	<u>7,804,446</u>
Capital assets, net	<u>\$ 11,842,433</u>	<u>\$ 8,298,135</u>

The District's construction in progress is for construction and engineering fees related to the utilities and grading improvements to serve Bear Creek Ranch, Phase 4.

Long-Term Debt and Related Liabilities

As of July 31, 2023, the District owes approximately \$1,164,779 to developers for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 6, the District has an additional commitment in the amount of \$3,910,172 for projects under construction by the developers. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At July 31, 2023 and 2022, the District had total bonded debt outstanding as shown below:

Series	<u>2023</u>	<u>2022</u>
2015 Refunding	\$ 2,230,000	\$ 2,360,000
2016	2,180,000	2,240,000
2017	1,210,000	1,260,000
2019	3,030,000	3,125,000
2022	5,595,000	5,740,000
	<u>\$ 14,245,000</u>	<u>\$ 14,725,000</u>

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At July 31, 2023, the District had \$18,590,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$52,147,500 for refunding purposes.

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and water/sewer services and the projected cost of operating the District and providing services to customers. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	<u>2023 Actual</u>	<u>2024 Budget</u>
Total revenues	\$ 1,661,416	\$ 1,564,200
Total expenditures	<u>(2,422,110)</u>	<u>(1,925,509)</u>
Revenues under expenditures	(760,694)	(361,309)
Other changes in fund balance	<u>(155,967)</u>	<u></u>
Net change in fund balance	(916,661)	(361,309)
Beginning fund balance	<u>3,713,047</u>	<u>2,796,386</u>
Ending fund balance	<u><u>\$ 2,796,386</u></u>	<u><u>\$ 2,435,077</u></u>

Property Taxes

The District's property tax base increased approximately \$34,189,000 for the 2023 tax year from \$176,023,572 to \$210,212,817. This increase was primarily due to new construction in the District. For the 2023 tax year, the District will levy a maintenance tax rate of \$0.44 per \$100 of assessed value and a debt service tax rate of \$0.48 per \$100 of assessed value, for a total combined tax rate of \$0.92 per \$100. Tax rates for the 2022 tax year were \$0.33 per \$100 for maintenance and operations and \$0.59 per \$100 for debt service for a combined total of \$0.92 per \$100 of assessed value.

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Basic Financial Statements

Lancaster Municipal Utility District No. 1
Statement of Net Position and Governmental Funds Balance Sheet
July 31, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 1,589,672	\$ 237,738	\$ 1,859,976	\$ 3,687,386	\$ -	\$ 3,687,386
Investments	1,270,000	220,000		1,490,000		1,490,000
Taxes receivable, net	11,405	31,296		42,701		42,701
Customer service receivables	132,110			132,110		132,110
Internal balances	16,336	(2,336)	(14,000)			
Other receivables	15,347	5,254		20,601		20,601
Capital assets not being depreciated					3,661,688	3,661,688
Capital assets, net					8,180,745	8,180,745
Total Assets	\$ 3,034,870	\$ 491,952	\$ 1,845,976	\$ 5,372,798	11,842,433	17,215,231
Deferred Outflows of Resources						
Deferred difference on refunding					134,554	134,554
Liabilities						
Accounts payable	\$ 115,489	\$ -	\$ -	\$ 115,489		115,489
Other payables		1,369		1,369		1,369
Customer deposits	110,390			110,390		110,390
Builder deposits	1,200			1,200		1,200
Due to developer					1,164,779	1,164,779
Long-term debt						
Due within one year					515,000	515,000
Due after one year					13,636,403	13,636,403
Total Liabilities	227,079	1,369		228,448	15,316,182	15,544,630
Deferred Inflows of Resources						
Deferred property taxes	11,405	31,296		42,701	(42,701)	
Fund Balances/Net Position						
Fund Balances						
Restricted		459,287	1,845,976	2,305,263	(2,305,263)	
Unassigned	2,796,386			2,796,386	(2,796,386)	
Total Fund Balances	2,796,386	459,287	1,845,976	5,101,649	(5,101,649)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,034,870	\$ 491,952	\$ 1,845,976	\$ 5,372,798		
Net Position						
Net investment in capital assets					(1,475,819)	(1,475,819)
Restricted for debt service					490,583	490,583
Unrestricted					2,790,391	2,790,391
Total Net Position					\$ 1,805,155	\$ 1,805,155

See notes to basic financial statements.

Lancaster Municipal Utility District No. 1

**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended July 31, 2023**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	\$ 416,972	\$ -	\$ -	\$ 416,972	\$ -	\$ 416,972
Sewer service	387,832			387,832		387,832
Property taxes	578,295	1,033,353		1,611,648	2,688	1,614,336
Penalties and interest	23,954	17,501		41,455		41,455
Garbage service	160,443			160,443		160,443
Tap connection and inspection	56			56		56
Miscellaneous	26,620			26,620		26,620
Investment earnings	67,244	12,300	21,257	100,801		100,801
Total Revenues	1,661,416	1,063,154	21,257	2,745,827	2,688	2,748,515
Expenditures/Expenses						
Current service operations						
Purchased services	906,759			906,759		906,759
Professional fees	185,640		30,420	216,060		216,060
Contracted services	438,859	17,082		455,941		455,941
Repairs and maintenance	205,372			205,372		205,372
Utilities	192			192		192
Administrative	28,124	10,685		38,809		38,809
Other	2,737		315	3,052		3,052
Capital outlay	654,427		3,167,999	3,822,426	(3,822,426)	
Debt service						
Principal		480,000		480,000	(480,000)	
Interest and fees		540,327		540,327	16,841	557,168
Depreciation and amortization					278,128	278,128
Total Expenditures/Expenses	2,422,110	1,048,094	3,198,734	6,668,938	(4,007,457)	2,661,481
Revenues Over/(Under) Expenditures/Expenses						
	(760,694)	15,060	(3,177,477)	(3,923,111)	4,010,145	87,034
Other Financing Sources/(Uses)						
Internal transfers	(155,967)		155,967			
Other Item						
Change in estimate of due to developer					1,202,717	1,202,717
Net Change in Fund Balances	(916,661)	15,060	(3,021,510)	(3,923,111)	3,923,111	
Change in Net Position					1,289,751	1,289,751
Fund Balances/Net Position						
Beginning of the year	3,713,047	444,227	4,867,486	9,024,760	(8,509,356)	515,404
End of the year	\$ 2,796,386	\$ 459,287	\$ 1,845,976	\$ 5,101,649	\$ (3,296,494)	\$ 1,805,155

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Lancaster Municipal Utility District No. 1 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created, and established pursuant to an order of the Texas Commission on Environmental Quality dated March 12, 2002, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on March 25, 2002, and the first bonds were issued on October 24, 2007.

The District’s primary activities include construction, maintenance and operation of water, sewer, and drainage facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll, or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major” funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer, and drainage facilities.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use 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. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Note 1 – Summary of Significant Accounting Policies (continued)

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset unless a legal right of offset exists. At July 31, 2023, an allowance of \$747 was provided for possible uncollectible property taxes. An allowance for uncollectible utility accounts was not considered necessary.

Unbilled Service Revenues

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables, and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$50,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, and impact fees paid to the City of Lancaster, are depreciated or amortized using the straight-line method as follows:

Assets	Useful Life
Infrastructure	45 years
Impact fees	Remaining life of contract

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Deferred outflows of financial resources at the government-wide level are from a refunding bond transaction in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense.

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District’s restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and property taxes levied for debt service in the Debt Service Fund.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the value of unbilled utility revenues and receivables; the useful lives and impairment of capital assets; the value of amounts due to developer and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Lancaster Municipal Utility District No. 1
Notes to Financial Statements
July 31, 2023

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental funds	\$ 5,101,649
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 14,679,826	
Less accumulated depreciation and amortization	<u>(2,837,393)</u>	
Change due to capital assets		11,842,433

The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the *Statement of Net Position* and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.

	134,554
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Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the *Statement of Net Position*.

	(1,164,779)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of bond payable, net of discount.

	(14,151,403)
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Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.

Property taxes receivable	29,125	
Penalty and interest receivable	<u>13,576</u>	
Change due to property taxes		42,701

Total net position - governmental activities	<u><u>\$ 1,805,155</u></u>
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Lancaster Municipal Utility District No. 1
Notes to Financial Statements
July 31, 2023

Note 2 – Adjustment from Governmental to Government-wide Basis (continued)

Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities*

Net change in fund balances - total governmental funds \$ (3,923,111)

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes. 2,688

Governmental funds report capital outlays for developer reimbursements as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset.

Capital outlays	\$ 3,822,426	
Depreciation/amortization expense	<u>(278,128)</u>	
		3,544,298

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.

Principal payments	480,000	
Interest expense accrual	<u>(16,841)</u>	
		463,159

Revisions in the estimate of due to developer do not provide financial resources in the funds; but result in a gain or a loss in *Statement of Activities*. 1,202,717

Change in net position of governmental activities	<u><u>\$ 1,289,751</u></u>
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Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash and certificates of deposit) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District’s deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District’s written investment policy establishes additional requirements for collateralization of deposits.

Lancaster Municipal Utility District No. 1
Notes to Financial Statements
July 31, 2023

Note 3 – Deposits and Investments (continued)

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers’ acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District’s investment program should be managed. This policy further restricts the types of investments in which the District may invest.

As of July 31, 2023, the District’s investments consist of the following:

<u>Type</u>	<u>Fund</u>	<u>Carrying Value</u>
Certificates of deposit	General	\$ 1,270,000
	Debt Service	220,000
		<u>\$ 1,490,000</u>

The District’s investments in certificates of deposit are reported at cost.

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at July 31, 2023, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
Debt Service Fund	General Fund	\$ 1,164	Maintenance tax transfers in excess of collections due to value adjustment refunds
General Fund	Debt Service Fund	3,500	Debt service expenses paid by the General Fund
General Fund	Capital Projects Fund	14,000	Construction costs paid by the General Fund

Lancaster Municipal Utility District No. 1
Notes to Financial Statements
July 31, 2023

Note 4 – Interfund Balances and Transactions (continued)

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

In the previous fiscal year, the District recorded an internal balance between the General Fund and Capital Projects Fund for engineering fees paid by the General Fund. It was anticipated that the General Fund would be reimbursed by the Capital Projects Fund during the current year. Since the reimbursement did not take place, the internal balance was eliminated, which resulted in an internal transfer in the amount of \$155,967 being reported between the funds.

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended July 31, 2023, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 255,821	\$ -	\$ 255,821
Construction in progress	237,868	3,167,999	3,405,867
	<u>493,689</u>	<u>3,167,999</u>	<u>3,661,688</u>
Capital assets being depreciated/amortized			
Infrastructure	9,428,463		9,428,463
Impact fees	935,248	654,427	1,589,675
	<u>10,363,711</u>	<u>654,427</u>	<u>11,018,138</u>
Less accumulated depreciation/amortization			
Infrastructure	(2,209,330)	(209,520)	(2,418,850)
Impact fees	(349,935)	(68,608)	(418,543)
	<u>(2,559,265)</u>	<u>(278,128)</u>	<u>(2,837,393)</u>
Subtotal depreciable capital assets, net	<u>7,804,446</u>	<u>376,299</u>	<u>8,180,745</u>
Capital assets, net	<u>\$ 8,298,135</u>	<u>\$ 3,544,298</u>	<u>\$ 11,842,433</u>

Depreciation/amortization expense for the current year was \$278,128.

Lancaster Municipal Utility District No. 1
Notes to Financial Statements
July 31, 2023

Note 6 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, and drainage facilities. Under the agreements, the developers will advance funds for the construction of facilities to serve the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

The District’s developers have also advanced funds to the District for operating expenses.

Changes in the estimated amounts due to developers during the year are as follows:

Due to developers, beginning of year	\$ 2,367,496
Change in estimate of due to developer	<u>(1,202,717)</u>
Due to developers, end of year	<u><u>\$ 1,164,779</u></u>

During the current year, the District revised its estimate of the amounts due to developers for certain capital assets. As a result, the District recorded a reduction of due to developers in the amount of \$1,202,717 on the *Statement of Net Position* and recognized a gain on the *Statement of Activities*.

In addition, the District will owe the developers approximately \$3,910,172, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Percentage Completed
Bear Creek Ranch, Phase 4, grading improvements	\$ 749,730	79.8%
Bear Creek Ranch, Phase 4, utility improvements*	<u>3,160,442</u>	71.4%
	<u><u>\$ 3,910,172</u></u>	

*Developer portion only

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 14,245,000
Unamortized discounts	<u>(93,597)</u>
	<u><u>\$ 14,151,403</u></u>
Due within one year	<u><u>\$ 515,000</u></u>

Lancaster Municipal Utility District No. 1
Notes to Financial Statements
July 31, 2023

Note 7 – Long-Term Debt (continued)

The District’s bonds payable at July 31, 2023, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2015 Refunding	\$ 2,230,000	\$ 3,055,000	2.00% - 4.25%	August 1, 2016/2036	February 1, August 1	August 1, 2022
2016	2,180,000	2,480,000	2.00% - 3.50%	August 1, 2018/2039	February 1, August 1	August 1, 2023
2017	1,210,000	1,475,000	1.75% - 4.00%	August 1, 2019/2040	February 1, August 1	August 1, 2024
2019	3,030,000	3,380,000	2.00% - 3.00%	August 1, 2020/2044	February 1, August 1	August 1, 2024
2022	5,595,000	5,740,000	4.00% - 5.00%	August 1, 2023/2046	February 1, August 1	July 1, 2028
	<u>\$ 14,245,000</u>					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At July 31, 2023, the District had authorized but unissued bonds in the amount of \$18,590,000 for water, sewer and drainage facilities and \$52,147,500 for refunding purposes.

The change in the District’s long-term debt during the year is as follows:

Bonds payable, beginning of year	\$ 14,725,000
Bonds retired	(480,000)
Bonds payable, end of year	<u>\$ 14,245,000</u>

Lancaster Municipal Utility District No. 1
Notes to Financial Statements
July 31, 2023

Note 7 – Long-Term Debt (continued)

The debt service payment due August 1 was made during the current fiscal year. The following schedule was prepared presuming this practice will continue. As of July 31, 2023, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2024	\$ 515,000	\$ 513,821	\$ 1,028,821
2025	530,000	496,266	1,026,266
2026	545,000	477,881	1,022,881
2027	565,000	458,476	1,023,476
2028	580,000	437,887	1,017,887
2029	600,000	416,625	1,016,625
2030	620,000	396,187	1,016,187
2031	640,000	375,013	1,015,013
2032	665,000	352,812	1,017,812
2033	690,000	329,763	1,019,763
2034	710,000	305,768	1,015,768
2035	735,000	280,944	1,015,944
2036	765,000	254,275	1,019,275
2037	790,000	226,492	1,016,492
2038	820,000	199,000	1,019,000
2039	845,000	170,530	1,015,530
2040	875,000	140,594	1,015,594
2041	480,000	107,225	587,225
2042	500,000	89,074	589,074
2043	520,000	70,911	590,911
2044	540,000	51,575	591,575
2045	350,000	31,281	381,281
2046	365,000	15,973	380,973
	<u>\$ 14,245,000</u>	<u>\$ 6,198,373</u>	<u>\$ 20,443,373</u>

Note 8 – Property Taxes

On September 14, 2002, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.25 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

Lancaster Municipal Utility District No. 1
Notes to Financial Statements
July 31, 2023

Note 8 – Property Taxes (continued)

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

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2023 fiscal year was financed through the 2022 tax levy, pursuant to which the District levied property taxes of \$0.92 per \$100 of assessed value, of which \$0.33 was allocated to maintenance and operations and \$0.59 was allocated to debt service. The resulting tax levy was \$1,619,417 on the adjusted taxable value of \$176,023,572.

Net property taxes receivable, at July 31, 2023, consisted of the following:

Current year taxes receivable	\$ 11,719
Prior years taxes receivable	18,153
Less allowance for uncollectible accounts	<u>(747)</u>
	29,125
Penalty and interest receivable	<u>13,576</u>
Net property taxes receivable	<u><u>\$ 42,701</u></u>

Note 9 – Water Supply and Wastewater Contracts

The District has entered into a Water Supply Contract and a Waste Disposal Contract (the “Contracts”) with the City of Lancaster (the “City”) for water supply and wastewater treatment and disposal services to serve customers within the District. Pursuant to the terms of these Contracts, the District is required to pay capital contribution fees for each individual connection at 115% of the rate of the City sets for other customers.

The City bills the District each month for services provided to the District. During the current fiscal year, the District incurred expenses of \$906,759.

Note 10 – Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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Required Supplementary Information

*Lancaster Municipal Utility District No. 1
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund
 For the Year Ended July 31, 2023*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	\$ 327,000	\$ 416,972	\$ 89,972
Sewer service	330,000	387,832	57,832
Property taxes	523,396	578,295	54,899
Penalties and interest	20,000	23,954	3,954
Garbage service	118,250	160,443	42,193
Tap connection and inspection	250	56	(194)
Miscellaneous	43,750	26,620	(17,130)
Investment earnings	6,200	67,244	61,044
Total Revenues	<u>1,368,846</u>	<u>1,661,416</u>	<u>292,570</u>
Expenditures			
Current service operations			
Purchased services	456,800	906,759	(449,959)
Professional fees	169,500	185,640	(16,140)
Contracted services	337,200	438,859	(101,659)
Repairs and maintenance	242,500	205,372	37,128
Utilities	400	192	208
Administrative	54,285	28,124	26,161
Other	3,900	2,737	1,163
Capital outlay		654,427	(654,427)
Total Expenditures	<u>1,264,585</u>	<u>2,422,110</u>	<u>(1,157,525)</u>
Revenues Over/(Under) Expenditures	104,261	(760,694)	(864,955)
Other Financing Uses			
Internal transfers		(155,967)	(155,967)
Net Change in Fund Balance	104,261	(916,661)	(1,020,922)
Fund Balance			
Beginning of the year	3,713,047	3,713,047	
End of the year	<u>\$ 3,817,308</u>	<u>\$ 2,796,386</u>	<u>\$ (1,020,922)</u>

Lancaster Municipal Utility District No. 1
Notes to Required Supplementary Information
July 31, 2023

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

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Texas Supplementary Information

Lancaster Municipal Utility District No. 1
TSI-1. Services and Rates
July 31, 2023

1. Services provided by the District During the Fiscal Year:

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

2. Retail Service Providers

a. Retail Rates for a 5/8" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	\$ 17.60	1,000	N	\$ 2.90	0 to 14,999
				\$ 3.60	15,000 to 29,999
				\$ 4.50	30,000 to no limit
Wastewater:	\$ 10.39	N/A	N	\$ 5.92	0 to no limit

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 46.60 Wastewater \$ 69.59

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	805	802	x 1.0	802
1"			x 2.5	
1.5"			x 5.0	
2"	3	3	x 8.0	24
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	808	805		826
Total Wastewater	805	802	x 1.0	802

See accompanying auditor's report.

Lancaster Municipal Utility District No. 1
TSI-1. Services and Rates
July 31, 2023

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

* Gallons purchased:	<u>122,946,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>87,788,000</u>	(Gallons billed / Gallons purchased)
		<u>71.40%</u>

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

Does the District have Debt Service standby fees? Yes No

If yes, Date of the most recent commission Order: _____

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

If yes, Date of the most recent commission Order: _____

5. Location of District:

Is the District located entirely within one county? Yes No

County(ies) in which the District is located: Dallas County

Is the District located within a city? Entirely Partly Not at all

City(ies) in which the District is located: _____

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

Entirely Partly Not at all

ETJs in which the District is located: City of Lancaster

Are Board members appointed by an office outside the district? Yes No

If Yes, by whom? _____

* Water purchased from the City of Lancaster

See accompanying auditor's report.

Lancaster Municipal Utility District No. 1
TSI-2 General Fund Expenditures
For the Year Ended July 31, 2023

Purchased services	<u>\$ 906,759</u>
Professional fees	
Legal	96,070
Audit	14,500
Engineering	75,070
	<u>185,640</u>
Contracted services	
Bookkeeping	13,122
Operator	180,194
Garbage collection	244,743
Tap connection and inspection	800
	<u>438,859</u>
Repairs and maintenance	<u>205,372</u>
Utilities	<u>192</u>
Administrative	
Directors fees	4,184
Insurance	5,371
Other	18,569
	<u>28,124</u>
Other	<u>2,737</u>
Capital outlay	<u>654,427</u>
Total expenditures	<u><u>\$ 2,422,110</u></u>

See accompanying auditor's report.

Lancaster Municipal Utility District No. 1
TSI-3. Investments
July 31, 2023

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Interest Receivable</u>
General				
Certificate of deposit	4.36%	10/22/23	\$ 1,120,000	\$ 1,968
Certificate of deposit	4.89%	04/22/24	150,000	13,379
			<u>1,270,000</u>	<u>15,347</u>
Debt Service				
Certificate of deposit	4.54%	01/20/24	220,000	5,254
			<u>220,000</u>	<u>5,254</u>
Total - All Funds			<u>\$ 1,490,000</u>	<u>\$ 20,601</u>

See accompanying auditor's report.

Lancaster Municipal Utility District No. 1
TSI-4. Taxes Levied and Receivable
July 31, 2023

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 11,638	\$ 15,487	\$ 27,125	
Adjustments	(2,816)	(2,514)	(5,330)	
Adjusted Receivable	8,822	12,973	21,795	
2022 Original Tax Levy	559,903	1,001,039	1,560,942	
Adjustments	20,975	37,500	58,475	
Adjusted Tax Levy	580,878	1,038,539	1,619,417	
Total to be accounted for	589,700	1,051,512	1,641,212	
Tax collections:				
Current year	576,674	1,031,024	1,607,698	
Prior years	1,621	2,768	4,389	
Total Collections	578,295	1,033,792	1,612,087	
Taxes Receivable, End of Year	\$ 11,405	\$ 17,720	\$ 29,125	
Taxes Receivable, By Years				
2022	\$ 4,204	\$ 7,515	\$ 11,719	
2021	1,697	2,020	3,717	
2020	1,115	1,468	2,583	
2019 and prior	4,389	6,717	11,106	
Taxes Receivable, End of Year	\$ 11,405	\$ 17,720	\$ 29,125	
	2022	2021	2020	2019
Property Valuations:				
Land	\$ 44,352,600	\$ 26,131,570	\$ 25,390,880	\$ 19,439,880
Improvements	157,350,550	105,420,040	102,921,790	95,267,180
Personal Property	1,888,380	1,414,620	41,350	76,430
Exemptions	(27,567,958)	(7,557,156)	(8,046,337)	(5,806,734)
Total Property Valuations	\$ 176,023,572	\$ 125,409,074	\$ 120,307,683	\$ 108,976,756
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.33	\$ 0.42	\$ 0.41	\$ 0.80
Debt service tax rates	0.59	0.50	0.54	0.20
Total Tax Rates per \$100 Valuation	\$ 0.92	\$ 0.92	\$ 0.95	\$ 1.00
Adjusted Tax Levy:	\$ 1,619,417	\$ 1,153,763	\$ 1,142,923	\$ 1,089,768
Percentage of Taxes Collected to Taxes Levied **	99.28%	99.68%	99.77%	99.88%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.25 on September 14, 2002

** Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

See accompanying auditor's report.

Lancaster Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2015 Refunding--by Years
July 31, 2023

<u>Due During Fiscal Years Ending</u>	<u>Principal Due August 1</u>	<u>Interest Due February 1, August 1</u>	<u>Total</u>
2024	\$ 135,000	\$ 85,959	\$ 220,959
2025	145,000	81,503	226,503
2026	145,000	76,719	221,719
2027	150,000	71,463	221,463
2028	155,000	66,025	221,025
2029	165,000	60,212	225,212
2030	170,000	54,025	224,025
2031	175,000	47,650	222,650
2032	180,000	40,650	220,650
2033	190,000	33,450	223,450
2034	200,000	25,850	225,850
2035	205,000	17,850	222,850
2036	215,000	9,137	224,137
	<u>\$ 2,230,000</u>	<u>\$ 670,493</u>	<u>\$ 2,900,493</u>

See accompanying auditor's report.

Lancaster Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2016--by Years
July 31, 2023

<u>Due During Fiscal Years Ending</u>	<u>Principal Due August 1</u>	<u>Interest Due February 1, August 1</u>	<u>Total</u>
2024	\$ 60,000	\$ 69,987	\$ 129,987
2025	60,000	68,788	128,788
2026	70,000	67,437	137,437
2027	70,000	65,688	135,688
2028	75,000	63,587	138,587
2029	75,000	61,338	136,338
2030	80,000	59,087	139,087
2031	90,000	56,688	146,688
2032	95,000	53,987	148,987
2033	95,000	51,138	146,138
2034	100,000	48,287	148,287
2035	110,000	45,288	155,288
2036	115,000	41,713	156,713
2037	345,000	37,974	382,974
2038	360,000	25,900	385,900
2039	380,000	13,300	393,300
	<u>\$ 2,180,000</u>	<u>\$ 830,187</u>	<u>\$ 3,010,187</u>

See accompanying auditor's report.

Lancaster Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2017--by Years
July 31, 2023

<u>Due During Fiscal Years Ending</u>	<u>Principal Due August 1</u>	<u>Interest Due February 1, August 1</u>	<u>Total</u>
2024	\$ 50,000	\$ 45,025	\$ 95,025
2025	50,000	43,625	93,625
2026	50,000	42,125	92,125
2027	50,000	40,575	90,575
2028	50,000	38,975	88,975
2029	50,000	37,325	87,325
2030	50,000	35,325	85,325
2031	50,000	33,325	83,325
2032	50,000	31,325	81,325
2033	50,000	29,325	79,325
2034	50,000	27,450	77,450
2035	50,000	25,575	75,575
2036	45,000	23,638	68,638
2037	45,000	21,894	66,894
2038	45,000	20,150	65,150
2039	40,000	18,406	58,406
2040	435,000	16,856	451,856
	<u>\$ 1,210,000</u>	<u>\$ 530,919</u>	<u>\$ 1,740,919</u>

See accompanying auditor's report.

Lancaster Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2019--by Years
July 31, 2023

<u>Due During Fiscal Years Ending</u>	<u>Principal Due August 1</u>	<u>Interest Due February 1, August 1</u>	<u>Total</u>
2024	\$ 100,000	\$ 72,169	\$ 172,169
2025	100,000	70,169	170,169
2026	105,000	68,169	173,169
2027	110,000	66,069	176,069
2028	115,000	63,869	178,869
2029	120,000	61,569	181,569
2030	120,000	59,169	179,169
2031	125,000	56,769	181,769
2032	130,000	54,269	184,269
2033	135,000	51,669	186,669
2034	140,000	48,800	188,800
2035	145,000	45,650	190,650
2036	150,000	42,206	192,206
2037	155,000	38,643	193,643
2038	165,000	34,769	199,769
2039	170,000	30,643	200,643
2040	175,000	26,394	201,394
2041	180,000	21,144	201,144
2042	190,000	15,743	205,743
2043	195,000	10,755	205,755
2044	205,000	5,637	210,637
	<u>\$ 3,030,000</u>	<u>\$ 944,274</u>	<u>\$ 3,974,274</u>

See accompanying auditor's report.

Lancaster Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2022--by Years
July 31, 2023

<u>Due During Fiscal Years Ending</u>	<u>Principal Due August 1</u>	<u>Interest Due February 1, August 1</u>	<u>Total</u>
2024	\$ 170,000	\$ 240,681	\$ 410,681
2025	175,000	232,181	407,181
2026	175,000	223,431	398,431
2027	185,000	214,681	399,681
2028	185,000	205,431	390,431
2029	190,000	196,181	386,181
2030	200,000	188,581	388,581
2031	200,000	180,581	380,581
2032	210,000	172,581	382,581
2033	220,000	164,181	384,181
2034	220,000	155,381	375,381
2035	225,000	146,581	371,581
2036	240,000	137,581	377,581
2037	245,000	127,981	372,981
2038	250,000	118,181	368,181
2039	255,000	108,181	363,181
2040	265,000	97,344	362,344
2041	300,000	86,081	386,081
2042	310,000	73,331	383,331
2043	325,000	60,156	385,156
2044	335,000	45,938	380,938
2045	350,000	31,281	381,281
2046	365,000	15,973	380,973
	<u>\$ 5,595,000</u>	<u>\$ 3,222,500</u>	<u>\$ 8,817,500</u>

See accompanying auditor's report.

Lancaster Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
July 31, 2023

<u>Due During Fiscal Years Ending</u>	<u>Principal Due August 1</u>	<u>Interest Due February 1, August 1</u>	<u>Total</u>
2024	\$ 515,000	\$ 513,821	\$ 1,028,821
2025	530,000	496,266	1,026,266
2026	545,000	477,881	1,022,881
2027	565,000	458,476	1,023,476
2028	580,000	437,887	1,017,887
2029	600,000	416,625	1,016,625
2030	620,000	396,187	1,016,187
2031	640,000	375,013	1,015,013
2032	665,000	352,812	1,017,812
2033	690,000	329,763	1,019,763
2034	710,000	305,768	1,015,768
2035	735,000	280,944	1,015,944
2036	765,000	254,275	1,019,275
2037	790,000	226,492	1,016,492
2038	820,000	199,000	1,019,000
2039	845,000	170,530	1,015,530
2040	875,000	140,594	1,015,594
2041	480,000	107,225	587,225
2042	500,000	89,074	589,074
2043	520,000	70,911	590,911
2044	540,000	51,575	591,575
2045	350,000	31,281	381,281
2046	365,000	15,973	380,973
	<u>\$ 14,245,000</u>	<u>\$ 6,198,373</u>	<u>\$ 20,443,373</u>

See accompanying auditor's report.

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Lancaster Municipal Utility District No. 1
TSI-6. Change in Long-Term Bonded Debt
July 31, 2023

	Bond Issue			
	Series 2015 Refunding	Series 2016	Series 2017	Series 2019
Interest rate	2.00% - 4.25%	2.00% - 3.50%	1.75% - 4.00%	2.00% - 3.00%
Dates interest payable	2/1; 8/1	2/1; 8/1	2/1; 8/1	2/1; 8/1
Maturity dates	8/1/16 - 8/1/36	8/1/18 - 8/1/39	8/1/19 - 8/1/40	8/1/20 - 8/1/44
Beginning bonds outstanding	\$ 2,360,000	\$ 2,240,000	\$ 1,260,000	\$ 3,125,000
Bonds retired	(130,000)	(60,000)	(50,000)	(95,000)
Ending bonds outstanding	<u>\$ 2,230,000</u>	<u>\$ 2,180,000</u>	<u>\$ 1,210,000</u>	<u>\$ 3,030,000</u>
Interest paid during fiscal year	<u>\$ 89,859</u>	<u>\$ 71,188</u>	<u>\$ 46,325</u>	<u>\$ 75,019</u>
Paying agent's name and city	BOKF, N.A., Austin Texas			
Series 2015 and 2016	UMB Bank, N.A., Dallas Texas			
Series 2017	Zions Bancorporation, National Association, Houston, Texas			
Series 2019 and 2022				
	Water, Sewer and Drainage			
Bond Authority:	Bonds	Refunding Bonds		
Amount Authorized by Voters	\$ 34,975,000	\$ 52,462,500		
Amount Issued	(16,385,000)	(315,000)		
Remaining To Be Issued	<u>\$ 18,590,000</u>	<u>\$ 52,147,500</u>		

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investment balances as of July 31, 2023: \$ 457,738

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 888,842

See accompanying auditor's report.

<u>Bond Issue</u>	
<u>Series 2022</u>	<u>Totals</u>
4.00% - 5.00%	
2/1; 8/1	
8/1/23 - 8/1/46	
\$ 5,740,000	\$ 14,725,000
(145,000)	(480,000)
<u>\$ 5,595,000</u>	<u>\$ 14,245,000</u>
<u>\$ 255,507</u>	<u>\$ 537,898</u>

Lancaster Municipal Utility District No. 1

TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund

For the Last Five Fiscal Years

	Amounts				
	2023	2022	2021	2020	2019
Revenues					
Water service	\$ 416,972	\$ 380,583	\$ 280,500	\$ 268,615	\$ 248,108
Sewer service	387,832	332,175	250,338	228,587	243,600
Property taxes	578,295	524,938	504,175	865,030	430,803
Penalties and interest	23,954	20,067	16,510	22,749	20,697
Garbage service	160,443	122,325	110,950	110,598	100,437
Tap connection and inspection	56	262,650	72	145	16,434
Miscellaneous	26,620	34,612	16,900	18,592	1,228
Investment earnings	67,244	7,303	6,466	31,524	36,538
Total Revenues	<u>1,661,416</u>	<u>1,684,653</u>	<u>1,185,911</u>	<u>1,545,840</u>	<u>1,097,845</u>
Expenditures					
Current service operations					
Purchased services	906,759	482,246	261,509	199,984	265,401
Professional fees	185,640	130,511	148,969	153,157	71,596
Contracted services	438,859	341,782	263,666	250,262	233,591
Repairs and maintenance	205,372	258,221	169,575	164,892	62,987
Utilities	192	196	196	180	213
Administrative	28,124	65,194	33,751	18,995	12,045
Other	2,737	3,910	17,030	5,171	4,262
Capital outlay	654,427				
Total Expenditures	<u>2,422,110</u>	<u>1,282,060</u>	<u>894,696</u>	<u>792,641</u>	<u>650,095</u>
Revenues Over/(Under) Expenditures	<u>\$ (760,694)</u>	<u>\$ 402,593</u>	<u>\$ 291,215</u>	<u>\$ 753,199</u>	<u>\$ 447,750</u>
Total Active Retail Water Connections	<u>808</u>	<u>804</u>	<u>690</u>	<u>594</u>	<u>594</u>
Total Active Retail Wastewater Connections	<u>805</u>	<u>801</u>	<u>687</u>	<u>591</u>	<u>591</u>

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
25%	23%	24%	18%	23%
23%	20%	21%	15%	22%
35%	31%	43%	56%	40%
1%	1%	1%	1%	2%
10%	7%	9%	7%	9%
*	16%	*	*	1%
2%	2%	1%	1%	*
4%	*	1%	2%	3%
100%	100%	100%	100%	100%

55%	29%	22%	13%	24%
11%	8%	13%	10%	7%
26%	20%	22%	16%	21%
12%	15%	14%	11%	6%
*	*	*	*	*
2%	4%	3%	1%	1%
*	*	1%	*	*
39%				
145%	76%	75%	51%	59%
(45%)	24%	25%	49%	41%

Lancaster Municipal Utility District No. 1

TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund

For the Last Five Fiscal Years

	Amounts				
	2023	2022	2021	2020	2019
Revenues					
Property taxes	\$ 1,033,353	\$ 623,668	\$ 658,142	\$ 217,331	\$ 643,791
Penalties and interest	17,501	6,092	19,851	3,297	8,184
Investment earnings	12,300	878	1,358	14,113	19,502
Total Revenues	<u>1,063,154</u>	<u>630,638</u>	<u>679,351</u>	<u>234,741</u>	<u>671,477</u>
Expenditures					
Tax collection services	27,767	20,813	19,630	19,329	19,550
Debt service					
Principal	480,000	325,000	320,000	300,000	220,000
Interest and fees	540,327	293,490	300,980	296,852	229,794
Total Expenditures	<u>1,048,094</u>	<u>639,303</u>	<u>640,610</u>	<u>616,181</u>	<u>469,344</u>
Revenues Over/(Under) Expenditures	<u>\$ 15,060</u>	<u>\$ (8,665)</u>	<u>\$ 38,741</u>	<u>\$ (381,440)</u>	<u>\$ 202,133</u>

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
97%	99%	97%	93%	96%
2%	1%	3%	1%	1%
1%	*	*	6%	3%
100%	100%	100%	100%	100%
3%	3%	3%	8%	3%
45%	52%	47%	128%	33%
51%	47%	44%	126%	34%
99%	102%	94%	262%	70%
1%	(2%)	6%	(162%)	30%

Lancaster Municipal Utility District No. 1
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended July 31, 2023

Complete District Mailing Address:	<u>1980 Post Oak Boulevard, Suite 1300, Houston, TX 77056</u>
District Business Telephone Number:	<u>(713) 850-9000</u>
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	<u>May 18, 2020</u>
Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution -- TWC Section 49.0600)	<u>\$ 7,200</u>

<u>Names:</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees of Office Paid *</u>	<u>Expense Reimburse- ments</u>	<u>Title at Year End</u>
Board Members				
Pat O’Hanlon	05/24 - 05/24	\$ 971	\$ 203	President
Bruce Prine	05/22 - 05/26	1,121	126	Vice President
Erik Norgello	05/20 - 05/24	971	199	Secretary
Steve Maglisceau	05/22 - 05/26			Assistant Secretary
Felicia Erwin	12/21 - 05/26	1,121	315	Assistant Secretary
Consultants				
Sanford Kuhl Hagan Kugle Parker Kahn LLP <i>General legal fees</i>	2010	<u>Amounts Paid</u> \$ 103,917		Attorney
Inframark, LLC	2005	454,758		Operator
L&S District Services	2002	14,981		Bookkeeper
Bob Leared Interests, Inc.	2003	10,636		Tax Collector
Dallas Central Appraisal District	Legislation	4,500		Property Valuation
LJA Engineering, Inc.	2018	123,153		Engineer
McGrath & Co., PLLC	2017	20,000		Auditor
Robert W. Baird & Co. Incorporated	2018			Financial Advisor

* *Fees of Office* are the amounts actually paid to a director during the District's fiscal year.

See accompanying auditor's report.

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AG. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

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

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

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

This Policy sets forth in full the undertaking of AG, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY INC.

By _____
Authorized Officer

1633 Broadway, New York, N.Y. 10019

(212) 974-0100

Form 500 (8/24)