

**LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A OF KAUFMAN COUNTY
(Kaufman County, Texas)**

**PRELIMINARY OFFICIAL STATEMENT
DATED: OCTOBER 16, 2023**

**\$5,490,000
UNLIMITED TAX ROAD BONDS
SERIES 2024**

**BIDS TO BE SUBMITTED BY 10:00 A.M., CENTRAL TIME
MONDAY, DECEMBER 18, 2023**

**BONDS TO BE AWARDED BY 5:00 P.M., CENTRAL TIME
MONDAY, DECEMBER 18, 2023**



Financial Advisor

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 16, 2023

This Preliminary Official Statement is subject to completion and amendment and is intended for the solicitation of initial bids to purchase the Bonds (herein defined). Upon the sale of the Bonds, the Official Statement will be completed and delivered to the Initial Purchaser (defined herein).

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW AND IS NOT INCLUDED IN THE ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE "TAX MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

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

NEW ISSUE – Book-Entry-Only

NOT RATED

LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A OF KAUFMAN COUNTY

(A Political Subdivision of the State of Texas Located within Kaufman County)

\$5,490,000

Unlimited Tax Road Bonds

Series 2024

Dated: January 1, 2024

Due: September 1, as shown on inside cover page

Interest Accrues From: Date of Delivery

The \$5,490,000 Unlimited Tax Road Bonds, Series 2024 (the "Bonds"), are obligations of Las Lomas Municipal Utility District No. 4A of Kaufman County (the "District") and are not obligations of the State of Texas; Kaufman County, Texas; the City of Terrell, Texas; the City of Forney, Texas; or any entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Kaufman County, Texas; the City of Terrell, Texas; the City of Forney, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrars, initially, BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds accrues from the initial date of delivery (on or about January 16, 2024) (the "Date of Delivery"), and is payable September 1, 2024, and on each March 1 and September 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date. The Bonds are fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which, in turn, will remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "THE BONDS – Book-Entry-Only System."

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

The Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing roads and improvements in aid thereof to serve the District (the "Road System"). At an election held within the District on May 4, 2019, voters of the District authorized a total of \$122,968,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Road System and a total of \$184,452,000 principal amount for the refunding of such bonds. Following the issuance of the Bonds, \$117,478,000 principal amount of unlimited tax bonds for Road System facilities and \$184,452,000 for the refunding of such bonds will remain authorized but unissued. See "THE BONDS."

The Bonds, when issued, will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied by the District against all taxable property within the District. Investment in the Bonds is subject to special risk factors as described herein. See "RISK FACTORS."

The Bonds are offered when, as, and if issued by the District and are also offered subject, among other things, to the approval of the Attorney General of Texas and of Coats Rose, P.C., Dallas, Texas, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about January 16, 2024.

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

\$5,490,000 UNLIMITED TAX ROAD BONDS, SERIES 2024

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. ___ (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. ___ (b)
2025	\$125,000	___%	___%	___	2037 (c)	\$220,000	___%	___%	___
2026	130,000	___%	___%	___	2038 (c)	235,000	___%	___%	___
2027	140,000	___%	___%	___	2039 (c)	245,000	___%	___%	___
2028	145,000	___%	___%	___	2040 (c)	255,000	___%	___%	___
2029	150,000	___%	___%	___	2041 (c)	270,000	___%	___%	___
2030	160,000	___%	___%	___	2042 (c)	280,000	___%	___%	___
2031 (c)	165,000	___%	___%	___	2043 (c)	295,000	___%	___%	___
2032 (c)	175,000	___%	___%	___	2044 (c)	310,000	___%	___%	___
2033 (c)	185,000	___%	___%	___	2045 (c)	325,000	___%	___%	___
2034 (c)	195,000	___%	___%	___	2046 (c)	340,000	___%	___%	___
2035 (c)	200,000	___%	___%	___	2047 (c)	360,000	___%	___%	___
2036 (c)	210,000	___%	___%	___	2048 (c)	375,000	___%	___%	___

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser. 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 will be 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 September 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 January 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

This document, when further supplemented by adding additional information specifying the interest rates and certain other information relating to the Bonds shall constitute a “final official statement” of the District with respect to the Bonds, as such term is defined in SEC Rule 15c2-12.

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District, c/o Coats Rose, P.C., 16000 N. Dallas Parkway, Suite 350, Dallas, Texas 75248, upon payment of the costs for duplication thereof.

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12, as amended.

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SALE AND DISTRIBUTION OF THE BONDS

Award and Marketing of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost, which was tendered by _____ (the "Initial Purchaser"). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS" on the inside cover page of this Official Statement, at a price of _____% of the principal amount thereof, which resulted in a net effective interest rate of _____%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

Subject to certain restrictions regarding the "hold-the-offering-price" rule as described in the Official Notice of Sale, the District has no control over the reoffering yields or prices of the Bonds or over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked prices of the Bonds may be greater than the difference between the bid and asked prices of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold, or traded in the secondary market.

Subject to certain restrictions described in the Official Notice of Sale, 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.

Securities Laws

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

MUNICIPAL BOND INSURANCE

The District has not made applications for a commitment for municipal bond guaranty insurance on the Bonds. Furthermore, it is not expected that the Bonds would have qualified for insurance had such applications been made.

RATINGS

The District has not made an application for an underlying rating on the Bonds. Furthermore, it is not expected that the District would have been successful in receiving an investment grade underlying rating on the Bonds had an application been made.

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

- The District..... Las Lomas Municipal Utility District No. 4A of Kaufman County (the “District”), a political subdivision of the State of Texas, is located approximately 27 miles east of downtown Dallas and partially within the extraterritorial jurisdiction of the City of Terrell, Texas (“Terrell”) and partially within the extraterritorial jurisdiction of the City of Forney, Texas (“Forney”), together the “Cities”, and within Kaufman County, Texas. See “THE DISTRICT.”
- The Bonds..... The District’s \$5,490,000 Unlimited Tax Road Bonds, Series 2024 (the “Bonds”), are dated January 1, 2024, and mature on September 1 in the years and in the principal amounts as shown on the inside cover page hereof.
- Interest on the Bonds accrues from the initial date of delivery (on or about January 16, 2024) (the “Date of Delivery”), at the rates set forth on the inside cover page hereof, and is payable September 1, 2024, and each March 1 and September 1 thereafter until the earlier of stated maturity or redemption. See “THE BONDS – General.”
- Redemption of the Bonds The Bonds maturing on and after September 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 January 1, 2030, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. See “THE BONDS – Redemption Provisions.”
- Source of Payment..... Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied by the District against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Kaufman County, Texas; the Cities; or any entity other than the District. See “THE BONDS – Source of Payment.”
- Authority for Issuance..... The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution; the general laws of the State of Texas, including particularly Chapters 49 and 54, Texas Water Code, as amended; Chapter 8138 of the Texas Special District Local Laws Code; an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”); and an election held within the boundaries of the District on May 4, 2019.
- Voted Authorization..... At an election on May 4, 2019, voters of the District authorized the District’s issuance of a total of \$77,612,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater, and storm drainage facilities to serve the District (the “Utility System”); \$116,418,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; \$122,968,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a road system to serve the District (the “Road System”); and \$184,452,000 principal amount of unlimited tax bonds of the purpose of refunding

bonds issued by the District for the Road System. The Bonds constitute the District’s first issuance of unlimited tax bonds for the purpose of acquiring or constructing the Road System.

After the issuance of the Bonds, the following voted authorization will remain authorized but unissued: \$77,612,000 principal amount of unlimited tax bonds for the Utility System; \$116,418,000 principal amount of unlimited tax refunding bonds for the Utility System; \$117,478,000 principal amount of unlimited tax bonds for the Road System; and \$184,452,000 principal amount of unlimited tax refunding bonds for the Road System. See “THE BONDS – Authority for Issuance.”

- Payment Record.....The Bonds constitute the first series of unlimited tax bonds issued by the District.
- Use of Bond ProceedsProceeds from the sale of the Bonds will be used to reimburse the Developer (as defined herein) for the road improvements and related engineering and land costs as shown herein. Additionally, a portion of the proceeds of the Bonds will be used to pay eighteen (18) months of capitalized interest and certain costs associated with the issuance of the Bonds. See “THE BONDS – Use and Distribution of Bond Proceeds”
- Qualified Tax-Exempt Obligations.....The District will NOT designate the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended.
- Municipal Bond Insurance and Rating.....The District has not made applications for a commitment for municipal bond insurance on the Bonds, nor has the District made application for a municipal bond rating on the Bonds. See “MUNICIPAL BOND INSURANCE” and “RATINGS.”
- Bond Counsel Coats Rose, P.C., Dallas, Texas.
- Disclosure Counsel McCall, Parkhurst & Horton L.L.P., Houston, Texas.
- Financial Advisor..... Robert W. Baird & Co. Incorporated, Irving, Texas.
- Paying Agent/Registrar BOKF, NA, Dallas, Texas.

THE DISTRICT

Description..... Las Lomas Municipal Utility District No. 4 of Kaufman County (“MUD 4”) was created pursuant to Senate Bill No. 1894, 79th Texas Legislature, Regular Session, codified as Chapter 8138, Texas Special District Local Laws Code, effective June 18, 2005, as a conservation and reclamation district operating pursuant to Article III, Section 52, and Article XVI, Section 59, of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code. MUD 4 was granted road powers by Senate Bill No. 2412, 81st Texas Legislature, Regular Session, effective September 1, 2009, and Chapter 8138, Texas Special District Local Laws Code was thereby amended as such. An election was held on May 13, 2006 whereby voters of MUD 4 approved dividing MUD 4 into Las Lomas Municipal Utility District No. 3 of Kaufman County (“MUD 3”) and MUD 4. An election was held on November 6, 2018, whereby voters of MUD 4 approved dividing MUD 4 into the District, Las Lomas Municipal Utility District No. 4B of Kaufman County (“MUD 4B”), and Las Lomas Municipal Utility District No. 4C of Kaufman County (“MUD 4C”). Creation of the District was confirmed at an election held on May 4, 2019. The

District was created for the purposes of (i) providing, operating, and maintaining facilities to control storm water, distributing potable water, and collecting and treating wastewater and (ii) constructing, maintaining, or operating road projects. The District contains approximately 663.65 total acres and is located entirely within Kaufman County, Texas, Forney Independent School District, partially within the extraterritorial jurisdiction of Terrell and partially within the extraterritorial jurisdiction of Forney. See “THE DISTRICT.”

Authority The rights, powers, privileges, authority and functions of the District are established by (i) the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (ii) Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution; and (iii) Chapter 8138 of the Texas Special District Local Laws Code, as amended. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality (the “TCEQ”). See “THE DISTRICT – General.”

Master District Facilities The District is one of three (3) municipal utility districts collectively comprising approximately 4,384 acres, herein referred to as the “Service Area.” The District, MUD 4B, and MUD 3, collectively referred to herein as the “Participants,” make up the Service Area. MUD 4B acts as the “Master District” and has contracted with each of the Participants to provide regional water, sanitary sewer, drainage and road facilities necessary to serve the Service Area (the “Master District Facilities”). It is expected that the Participants, including the District, will levy a contract tax rate in the future to pay its pro rata share of Master District Facilities. See “THE UTILITY SYSTEM AND THE ROAD SYSTEM—Master District Contract.”

The Developer/Principal Landowner The land within the District was initially purchased by AP Dallas LP (“AP Dallas” or the “Principal Landowner”), a Texas limited partnership, created for the purpose of purchasing and holding land within the District. AP Dallas is managed and controlled by Anthony Properties Management, Inc., a Texas corporation, its general partner. AP Dallas currently owns approximately 198.47 acres within the District. The current developer of land located within the District is AP Sundance LLC, a Texas limited liability company (“AP Sundance” or the “Developer”). AP Sundance is managed and controlled by Anthony Properties Development, Inc., a Texas corporation, its general partner. To date, AP Sundance has purchased approximately 297.01 acres of land within the District from AP Dallas, on which it has developed or plans to develop as the single-family subdivision of Las Lomas West. See “THE DEVELOPER/PRINCIPAL LANDOWNER.”

The Developer has developed 232 lots on approximately 125.67 acres within the District and continues to own approximately 239.59 acres of undeveloped but developable land within the District. In addition, there are 233 single-family residential lots on approximately 64.91 acres under construction (Phase 2) with an estimated completion by December 31, 2023. See “STATUS OF DEVELOPMENT” and “TAX DATA – Principal Taxpayers.”

Development Status of the District The District consists of approximately 663.65 acres and is being developed as the single-family subdivision of “Las Lomas West”. To date, approximately 125.67 acres have been developed as 232

single-family lots within Phase 1. Additionally, approximately 64.91 acres (233 single-family lots) are currently under development as Phase 2 within the District. As of September 1, 2023, the District included approximately 41 completed homes (approximately 29 occupied, 9 unoccupied, and 3 model homes); approximately 57 homes under construction; and approximately 134 vacant developed lots. In addition, the District consists of an amenity center which lies on approximately 3.50 acres located within Phase 1 and approximately 13.50 acres planned for an elementary school. The remaining land within the District consists of approximately 239.59 developable acres and approximately 233.48 undevelopable acres. See "STATUS OF DEVELOPMENT."

Homebuilders Within the District..... Homebuilders active in the District include First Texas Homes and Chesmar Homes. The homes being marketed in the District range in price from approximately \$398,000 to \$618,000 and range in size from approximately 1,800 square feet to 4,250 square feet. See "STATUS OF DEVELOPMENT - Homebuilders within the District" and "THE DEVELOPER/PRINCIPAL LANDOWNER."

RISK FACTORS

THE BONDS ARE SUBJECT TO CERTAIN RISK FACTORS. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "RISK FACTORS," BEFORE MAKING AN INVESTMENT DECISION.

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SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2023 Taxable Assessed Valuation.....	\$ 22,982,583	(a)
Estimated Valuation as of October 1, 2023.....	\$ 49,522,300	(b)
Direct Debt:		
The Bonds	<u>\$ 5,490,000</u>	
Total.....	\$ 5,490,000	
Estimated Overlapping Debt	<u>\$ 2,573,631</u>	(c)
Total Direct and Estimated Overlapping Debt	\$ 8,063,631	(c)
Direct Debt Ratio:		
As a percentage of the 2023 Taxable Assessed Valuation.....	23.89	%
As a percentage of the Estimate of Value as of October 1, 2023.....	11.09	%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of the 2023 Taxable Assessed Valuation.....	35.09	%
As a percentage of the Estimate of Value as of October 1, 2023.....	16.28	%
Road System Debt Service Fund Balance (as of Date of Delivery)	\$ 401,456	(d)
General Operating Fund Balance (as of October 16, 2023).....	\$ 159,151	(e)
2023 Tax Rates		
Utility System Debt Service	\$0.000	
Road System Debt Service	\$0.000	
Maintenance & Operation	<u>\$1.000</u>	
Total.....	\$1.000	(f)
Estimated Average Annual Debt Service Requirement on the Bonds (2024–2048)	\$ 384,065	(g)
Estimated Maximum Annual Debt Service Requirement on the Bonds (2047).....	\$ 395,831	(g)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay		
Estimated Average Annual Requirement (2024–2048) at 95% Tax Collections:		
Based on the 2023 Taxable Assessed Valuation.....	\$1.76	
Based on the Estimate of Value as of October 1, 2023.....	\$0.82	
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay		
Estimated Maximum Annual Requirement (2047) at 95% Tax Collections:		
Based on the 2023 Taxable Assessed Valuation.....	\$1.82	
Based on the Estimate of Value as of October 1, 2023.....	\$0.85	

-
- (a) Certified taxable assessed value of all taxable property within the District as of January 1, 2023, provided by the Appraisal District (hereinafter defined). See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of October 1, 2023, and includes an estimate of additional taxable value resulting from taxable improvements constructed in the District from January 1, 2023, through October 1, 2023. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."
- (d) Eighteen (18) months of capitalized interest is expected to be deposited into the Road System Debt Service Fund (hereinafter defined) upon closing of the Bonds. Neither Texas law nor the Bond Order (hereinafter defined) requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Utility System (herein defined).
- (e) See "RISK FACTORS – Operating Funds."
- (f) See "TAX DATA – Tax Rate Calculations."
- (g) Debt service on the Bonds is estimated assuming an interest rate of 4.875%. See "DISTRICT DEBT – Debt Service Requirements."

OFFICIAL STATEMENT

relating to

LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A OF KAUFMAN COUNTY

(a political subdivision of the State of Texas, located within Kaufman County)

\$5,490,000

UNLIMITED TAX ROAD BONDS

SERIES 2024

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Las Lomas Municipal Utility District No. 4A of Kaufman County (the "District") of its \$5,490,000 Unlimited Tax Road Bonds, Series 2024 (the "Bonds").

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution; the general laws of the State of Texas, including particularly Chapters 49 and 54, Texas Water Code, as amended; Chapter 8138 of the Texas Special District Local Laws Code, as amended; an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"); and an election held within the boundaries of the District on May 4, 2019.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Order. This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument.

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas; Kaufman County, Texas; the City of Terrell, Texas ("Terrell"); the City of Forney, Texas ("Forney"); or any political subdivision other than the District. The Bonds are secured by the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied by the District upon all taxable property located within the District. See "THE BONDS – Source of Payment." The ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the single-family residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed 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, commercial, retail and multi-family housing development industry in the Dallas-Fort Worth metropolitan area. New construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. New construction can also be affected by energy availability and costs, including oil and gasoline prices, upon which the Texas economy is heavily dependent. 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 "STATUS OF DEVELOPMENT."

Dependence on Major Taxpayers and the Developer: As reflected in this Official Statement under the caption "TAX DATA – Principal Taxpayers," the District's ten principal taxpayers as of January 1, 2023, owned approximately 92.94% of the assessed value of property located in the District. In addition, the Developer (hereinafter defined) and Principal Landowner (hereinafter defined) collectively owned approximately

44.88% of the assessed value of property located in the District as of January 1, 2023. 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 any one or more of the principal District 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 availability of which is uncertain. See "-- Tax Collections and Foreclosure Remedies" below and "THE DEVELOPER/PRINCIPAL LANDOWNER" herein.

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 2023 tax year, the District has levied a total tax rate of \$1.00 per \$100 of assessed valuation comprised of a maintenance and operation tax rate of \$1.00 per \$100 of assessed valuation.

Developer's Obligations to the District: There is no commitment by or legal requirement of the Developer or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any owner of property to proceed at any particular pace with the construction of homes or commercial improvements in the District. Moreover, there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, in the District. Failure to construct taxable improvements would restrict the rate of growth of taxable values in the District and result in higher tax rates.

Maximum Impact on District Tax Rate: 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 within the District to pay their taxes. The taxable assessed valuation as of January 1, 2023, of all taxable property located within the District is \$22,982,583 and the estimate of value as of October 1, 2023, is \$49,522,300. See "TAX DATA." After issuance of the Bonds, the maximum annual debt service requirement on the Bonds (2047) is estimated to be \$395,831, and the average annual debt service requirement on the Bonds (2024–2048) is estimated to be \$384,065. Assuming no decrease to the District's taxable assessed valuation as of January 1, 2023, debt service tax rates of \$1.82 and \$1.76 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the estimated maximum annual debt service requirement and the estimated average annual debt service requirement, respectively. Assuming no decrease from the estimate of value as of October 1, 2023, debt service tax rates of \$0.85 and \$0.82 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the estimated maximum annual debt service requirement and the estimated average annual debt service requirement, respectively. See "DISTRICT DEBT – Debt Service Requirements" and "TAX DATA – Tax Rate Calculations."

Increases in the District's tax rate to rates substantially higher than the levels discussed above may have an adverse impact upon future development of the District, the sale and construction of property within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District.

Vacant Developed Lots: As of September 1, 2023, approximately 134 developed lots within the District remained available for construction. Failure of the Developer and/or homebuilders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of the District issued in the future. Future increases in value will result primarily from the construction of homes by homebuilders. The District makes no representation that the lot sales and building program will be successful.

Operating Funds

The District's only source of operating revenue is maintenance tax revenue. The District does not collect water and wastewater revenues from its residents. The District levied a 2023 maintenance tax of \$1.00 per \$100 of assessed valuation. The District's general fund balance as of October 16, 2023, was \$159,151.17. The revenue produced from a \$1.00 maintenance tax in 2023 or a reduced maintenance tax in subsequent years may not be sufficient to offset the operating expenses of the District. Continued maintenance of a positive general fund balance will depend upon (1) cash subsidies from the Developer and (2) continued development and increased

amounts of maintenance tax revenues. If funds from these sources are not forthcoming, the District would have to increase its maintenance tax rate.

Tax Collections and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by difficulties in collecting ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other 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; or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. See "TAXING PROCEDURES – District's Rights in the Event of Tax Delinquencies."

Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "TAX DATA – Estimated Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property after foreclosure). Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer.

Registered Owners' Remedies

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

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

Bankruptcy Limitation to Registered Owners' Rights

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas law; (2) is insolvent or unable to meet its debts as they mature; (3) desired to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must also obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the Texas Commission on Environmental Quality (the "TCEQ") investigate the financial conditions of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

If the District decides in the future to proceed voluntarily under the federal Bankruptcy Code, the District could develop and file a plan for the adjustment of its debts. If such a plan was confirmed by the bankruptcy court, it could, among other things, affect the Beneficial Owners by reducing or eliminating the interest rate or the principal amount, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Beneficial Owners' claims against the District.

The District may not be placed into bankruptcy involuntarily.

Future Debt

Following the issuance of the Bonds, the District will have \$117,478,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing roads and improvements in aid thereof to serve the District (the "Road System") and \$184,452,000 principal amount for the refunding of such bonds will remain authorized but unissued.

The District also has \$77,612,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a water, sewer, and drainage system to serve the District (the "Utility System") and \$116,418,000 for the refunding of such bonds authorized but unissued. The District expects to submit a bond application to the TCEQ for approval by the first quarter of 2024. The amount of such bond application is yet to be determined.

Following the issuance of the Bonds, the District will owe the Developer approximately \$2,798,937 for expenditures to construct the Utility System on behalf of the District. Following the reimbursement with the proceeds of the Bonds, the District will have fully reimbursed the Developer for all expenditures to construct the Road System. Such expenditures are expected to increase as development continues within the District.

Based on present engineering costs estimates and on development plans supplied by the Developer, in the opinion of the Engineer (hereinafter defined), following the reimbursement to the Developer with the proceeds of the Bonds, the remaining principal amount of authorized but unissued bonds will be sufficient to fully reimburse the Developer for the existing facilities and to finance the water, sewer and drainage facilities and roads necessary to serve the remaining undeveloped but developable land within the District.

Additional bonds may hereafter be approved by the voters of the District. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt to property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Overlapping Master District Debt and Contract Tax

The Master District (hereinafter defined) is responsible for constructing or otherwise obtaining the Master District Facilities (hereinafter defined) for the Service Area (hereinafter defined). Pursuant to the Master District Contract (hereinafter defined), the Master District is authorized to issue Unlimited Contract Tax Revenue Bonds (hereinafter defined) sufficient to complete the acquisition and construction of the Master District Facilities to serve the Service Area. See "THE UTILITY SYSTEM AND THE ROAD SYSTEM – Master District Contract."

By execution of the Master District Contract, the District and each of the Participants (hereinafter defined) are obligated to pay a pro rata share, based on the certified assessed valuation of property within the boundaries of each Participant, of debt service on the Unlimited Contract Tax Revenue Bonds issued by the Master District to finance the Master District Facilities. Each Participant is obligated to make such payments from the proceeds of an annual ad valorem Contract Tax (hereinafter defined), without legal limit as to rate or amount, levied by such Participant for such purpose on taxable property within its boundaries, from revenues derived from the operations of such Participant's water distribution system and wastewater collection system, or from any other lawful source of such Participant's income.

To date, the Master District has not issued any series of Unlimited Contract Tax Revenue Bonds. The Master District is authorized, without additional voter approval, to issue Unlimited Contract Tax Revenue Bonds in an amount necessary to finance the Master District Facilities to serve the Service Area. The District cannot represent whether any of the development planned or occurring within the Service Area served by the Master District Facilities will be successful. The levy of a Contract Tax to substantially higher levels could have an adverse impact upon future development and upon development and home sales within the Service Area, including the District, and the ability of each Participant to collect, and the willingness of owners of property located within the Service Area to pay ad valorem taxes (including the Contract Tax). It is expected that the Participants, including the District, will levy a Contract Tax in the future to pay its pro rata share of Master District Facilities. See "THE UTILITY SYSTEM AND THE ROAD SYSTEM—Master District Contract."

To date, the Master District owes the Developer (hereinafter defined) approximately \$6,865,100 in aggregate for the Master District Facilities.

Bonds issued by the District and the Master District for water, sewer and drainage facilities are subject to prior approval by the TCEQ. Such agency has in place certain "economic feasibility rules" which for districts located in Kaufman County limit the amount of bonds which can be issued to an amount that can be amortized with a tax rate not exceeding \$1.00 per \$100 valuation, including all other obligations of the issuer secured by ad valorem taxes. Bonds to be issued by the District for roads currently are not subject to such "economic feasibility rules" but are subject to a "no growth tax rate limitation" of \$2.50 per \$100 valuation imposed by the Office of the Attorney General of Texas.

Marketability of the Bonds

The District has no understanding with the winning bidder for 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 may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers, since such bonds are more generally bought, sold and traded in the secondary market.

Continuing Compliance with Certain Covenants

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

Future and Proposed Legislation

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

Approval of the Bonds

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

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.

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

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

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

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the DFW Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the DFW Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the DFW Area to

reach attainment with the ozone standards by the EPA's attainment deadlines. These additional controls could have a negative impact on the DFW Area's economic growth and development. As a result of the DFW Area's reclassification, the TCEQ must submit revisions of the SIP to the EPA no later than January 1, 2023, addressing the "moderate" nonattainment classification and by May 2024 addressing the "severe" nonattainment classification.

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

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

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

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

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

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

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

While the *Sackett* decision removed a great deal of uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction, operations of municipal utility districts, including

the 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.

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 that the land and improvements in the District will not sustain damage from such natural disasters.

THE BONDS

General

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

The Bonds are dated January 1, 2024. Interest on the Bonds accrues from the initial date of delivery (on or about January 16, 2024) (the "Date of Delivery"), and is payable on September 1, 2024, and each March 1 and September 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. The Bonds mature on September 1 of the years and in the amounts shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS" on the inside cover page hereof.

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

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

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

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of 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 Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission ("SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the 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 will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, 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. DTC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of AA+ by S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchase of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the Book-Entry-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 the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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 DTC Participant 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.

Paying Agent/Registrar

The Board has selected BOKF, NA, Dallas, Texas as the initial Paying Agent/Registrar for the Bonds. The initial designated payment office for the Bonds is located in Dallas, Texas. Provision is made in the Bond Order for removal of the Paying Agent/Registrar, provided that no such removal shall be effective until a successor paying agent/registrar shall have accepted the duties of the Paying Agent/Registrar under the provisions of the Bond Order. Any successor paying agent/registrar selected by the District shall be 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, shall have a combined capital and surplus of at least \$50,000,000, shall be subject to supervision or examination by federal or state authority, shall be registered as a transfer agent with the SEC and shall have a corporate trust office in the State of Texas.

Record Date

The record date for payment of the interest on any regularly scheduled Interest Payment Date is defined as the 15th day of the month (whether or not a business day) preceding such Interest Payment Date.

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 Bonds 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 the 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 of the same series and in any integral multiple of \$5,000 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 defined for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Mutilated, Lost, Stolen or Destroyed Bonds

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

Authority for Issuance

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution; the general laws of the State of Texas, including particularly Chapters 49 and 54, Texas Water Code, as amended; Chapter 8138 of the Texas Special District Local Laws Code, as amended; the Bond Order; and an election held within the boundaries of the District on May 4, 2019.

Source of Payment

The Bonds are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. In the Bond Order, the District covenants to levy a sufficient tax to pay principal of interest on the Bonds, with full allowance being made for delinquencies, cost of collections, and certain fees. See “TAXING PROCEDURES.” Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See “RISK FACTORS.” The Bonds are obligations solely of the District and are not obligations of the State of Texas; Kaufman County, Texas; the Cities; or any political subdivision or entity other than the District.

Payment Record

The Bonds constitute the first series of unlimited tax bonds issued by the District.

Redemption Provisions

The Bonds maturing on and after September 1, 2031, shall be subject to redemption at the option of the District, in whole or from time to time in part, on January 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by a random selection method in integral multiples of \$5,000 within any one series and maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the

portion of the Bonds so called for redemption and issuance of a new Bond of the same series in the principal amount equal to the portion of such Bond not redeemed.

Issuance of Additional Debt

The Bonds constitute the first series of unlimited tax bonds issued by the District for the Road System. At an election held on May 4, 2019, voters of the District authorized a total of \$122,968,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Road System and \$184,452,000 principal amount for the refunding of such bonds. Following the issuance of the Bonds, \$117,478,000 principal amount of unlimited tax bonds for the Road System and \$184,452,000 for the refunding of such bonds will remain authorized but unissued.

At an election held on May 4, 2019, voters of the District authorized a total of \$77,612,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Utility System and \$116,418,000 principal amount for the refunding of such bonds. To date, the District has not issued any bonds from such authorization. The District expects to submit a bond application to the TCEQ for approval by the first quarter of 2024, the amount of such bond application is yet to be determined.

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District’s voters or the amount ultimately issued by the District. Bonds issued for water, sewer, and drainage purposes are required to be approved by the TCEQ.

The amount of bonds issued and the remaining authorized but unissued bonds following the issuance of the Bonds are summarized below:

<u>Election Date</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Remaining Unissued</u>
05/04/2019	Road System	\$122,968,000	\$5,490,000 (a)	\$117,478,000
05/04/2019	Road System Refunding	\$184,452,000	-	\$184,452,000
05/04/2019	Utility System	\$77,612,000	-	\$77,612,000
05/04/2019	Utility System Refunding	\$116,418,000	-	\$116,418,000

(a) The Bonds.

Amendments to the Bond Order

The District may, without the consent of or notice to any Registered Owners, amend the Bond Order in any manner not detrimental to the interests of the Registered Owners, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the Registered Owners of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of the Bond Order, provided that, without the consent of the Registered Owners of all of the Bonds affected, and provided that it has not failed to make a timely payment of principal of or interest on the Bonds, no such amendment, addition or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, the redemption price thereof, or the rate of interest thereon, change the place or places at, or the coin or currency in which any Bond or the interest thereon is payable, or in any other way modify the terms or sources of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) modify any of the provisions of the Bond Order relating to the amendment thereof, except to increase any percentage provided thereby or to provide that certain other provisions of the Bond Order cannot be modified or waived without the consent of the holder of each Bond affected thereby. In addition, a state, consistent with federal law, may, in the exercise of its police power, make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

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.

Annexation

Chapter 42, Texas Local Government Code, provides that, within the limits described therein, the unincorporated area contiguous to the corporate limits of any municipality comprises that municipality’s extraterritorial jurisdiction (“ETJ”). The size of an ETJ depends in part on the municipality’s population. With certain exceptions, a municipality may annex territory only within the confines of its ETJ. When a municipality annexes additional territory, the municipality’s ETJ expands in conformity with such annexation.

The District lies partially within the extraterritorial jurisdiction of Terrell and partially within the extraterritorial jurisdiction of Forney. As such, under existing law, the District may be annexed for full purposes by the respective city without the District’s consent, subject to compliance by the respective city with various requirements of Chapter 43 of the Texas Local Government Code, as amended. If the District is annexed, the respective city must assume the District’s assets and obligations (including the Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the respective city is a policy-making matter within the discretion of the Mayor and City Councils of the respective city, and therefore, the District makes no representation that the respective city will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the Cities to make debt service payments should annexation occur.

Consolidation

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

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 or payment (paying agent) for obligations of the District payable from revenues or from ad valorem taxes or both, or a commercial bank or trust company designated in the proceedings authorizing such discharge amounts sufficient to provide for payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book-entry form and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or

redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

Funds

The Bond Order establishes the fund for capital projects pertaining to the Road System (the "Road Capital Projects Fund") and the fund for debt service pertaining to the Road System (the "Road System Debt Service Fund"). Eighteen (18) months of capitalized interest on the Bonds will be deposited into the Road System Debt Service Fund upon closing of the Bonds. All remaining proceeds of the Bonds will be deposited in the Road Capital Projects Fund. The Road System Debt Service Fund, which constitutes a trust fund for the benefit of the Registered Owners of bonds issued for the Road System, including the Bonds, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on bonds issued for the Road System, including the Bonds. Amounts on deposit in the Road System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of bonds issued for the Road System, including the Bonds.

Registered Owners' Remedies

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

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Use and Distribution of Bond Proceeds

Proceeds from the sale of the Bonds will be used to reimburse the Developer for the Road System improvements and associated rights-of-way costs set out below. Proceeds of the Bonds will also be used to pay eighteen (18) months of capitalized interest on the Bonds, developer interest, and other costs of issuance associated with the Bonds.

<u>Construction Costs</u>	<u>District's Share</u>
A. Phase 1 - Grading	\$ 602,162
B. Las Lomas Phase 1 - Roads	2,949,858
C. Engineering and Testing	<u>484,564</u>
Total Construction Costs	<u>\$ 4,036,584</u>
<u>Non-Construction Costs</u>	
A. Legal Fees	\$ 149,800
B. Financial Advisor	109,800
C. Interest Costs	
1. Capitalized Interest (18 months)	473,513
2. Developer Interest	494,280
D. Underwriter's Discount (3.00%)	164,700
E. Bond Issuance Expense	35,343
F. Bond Engineering Report	20,490
G. Attorney General's Fee	5,490
G. Contingency	<u>72,057</u>
Total Non-Construction Costs	<u>\$ 1,453,415</u>
TOTAL BOND ISSUE REQUIREMENT	\$ 5,490,000

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 costs for such purposes.

In the instance that the estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for the Road System.

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THE DISTRICT

General

Las Lomas Municipal Utility District No. 4 of Kaufman County (“MUD 4”) was created pursuant to Senate Bill No. 1894, 79th Texas Legislature, Regular Session, codified as Chapter 8138, Texas Special District Local Laws Code, effective June 18, 2005, as a conservation and reclamation district operating pursuant to Article III, Section 52, and Article XVI, Section 59, of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code. MUD 4 was granted road powers by Senate Bill No. 2412, 81st Texas Legislature, Regular Session, effective September 1, 2009, and Chapter 8138, Texas Special District Local Laws Code was thereby amended as such. An election was held on May 13, 2006 whereby voters of MUD 4 approved dividing MUD 4 into Las Lomas Municipal Utility District No. 3 of Kaufman County and MUD 4. An election was held on November 6, 2018, whereby voters of MUD 4 approved dividing MUD 4 into Las Lomas Municipal Utility District No. 4A of Kaufman County (the “District”), Las Lomas Municipal Utility District No. 4B of Kaufman County, and Las Lomas Municipal Utility District No. 4C of Kaufman County. Creation of the District was confirmed at an election held on May 4, 2019. The District was created for the purposes of (i) providing, operating, and maintaining facilities to control storm water, distributing potable water, and collecting and treating wastewater and (ii) constructing, maintaining, or operating road projects. The District contains approximately 663.65 total acres and is located entirely within Kaufman County, Texas, Forney Independent School District, and partially within the extraterritorial jurisdiction of Terrell and partially within the extraterritorial jurisdiction of Forney.

Description

The District is located 27 miles east of downtown Dallas and partially within the extraterritorial jurisdiction of Terrell and partially within the extraterritorial jurisdiction of Forney, together the “Cities”. The District is generally bordered by US Highway 80 on the north, MUD 4B (hereinafter defined) to the east, and an existing subdivision and vacant land to the west. The District is located in the Forney Independent School District.

Management of the District

The District is governed by a Board of five directors and has control over, management, and supervision of all affairs of the District. None of the present members of the Board reside within the District but all members of the Board own real property located within the boundaries of the District. All directors serve four-year staggered terms:

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Matthew McDonald	President	2024
Donald Allard	Vice President	2024
Terry Durbin	Secretary	2024
Mike Higgins	Assistant Secretary	2026
Machelle Davenport	Assistant Secretary	2026

The District does not have any employees but contracts for certain necessary services as described below:

Tax Assessor/Collector: The District’s Tax Assessor/Collector is the Kaufman County Tax Office.

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

Utility System Operator: The District’s operator is Inframark.

Auditor: As required by the Texas Water Code, the District has engaged an independent auditor to audit the District’s financial statements annually, which annual audit is filed with the TCEQ. A copy of the District’s audit prepared by McCall Gibson Swedlund Barfoot PLLC for the fiscal year ended July 31, 2023, is included as “APPENDIX A” to this Official Statement.

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

Bond Counsel: Coats Rose, P.C. (“Bond Counsel”) serves as bond counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and

delivery of the Bonds. In addition, Coats Rose, P.C. serves as general counsel to the District on matters other than the issuance of bonds.

Disclosure Counsel: The District has engaged McCall, Parkhurst & Horton L.L.P., Houston, Texas as Disclosure Counsel in connection with the issuance of the Bonds. The fee to be paid to Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

Financial Advisor: Robert W. Baird & Co. Incorporated serves as the District’s financial advisor (the “Financial Advisor”). The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold, and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

STATUS OF DEVELOPMENT

The District consists of approximately 663.65 acres and is being developed as the single-family subdivision of “Las Lomas West”. To date, approximately 125.67 acres have been developed as 232 single-family lots within Phase 1. As of September 1, 2023, the District included approximately 41 completed homes (approximately 29 occupied, 9 unoccupied, and 3 model homes); approximately 57 homes under construction; and approximately 134 vacant developed lots. Additionally, approximately 64.91 acres (233 single-family lots) are currently under development as Phase 2. In addition, the District consists of an amenity center which lies on approximately 3.50 acres located within Phase 1 and approximately 13.50 acres planned for an elementary school.

The remainder of the District includes approximately 239.59 acres of developable land that is planned for additional residential subdivisions and commercial development and approximately 233.48 acres of undevelopable land.

The table below summarizes the development within the District as of September 1, 2023.

Subdivision	Acreage	Section Lots	Homes Completed	Homes Under Construction	Vacant Lots
Las Lomas West, Phase 1 (a)	125.67	232	41	57	134
Total	125.67	232	41	57	134
Residential Developed (b)	125.67				
Residential Under Construction (c)	64.91				
Undevelopable	233.48				
Remaining Developable (d)	239.59				
District Total	663.65				

- (a) Includes approximately 3.50 acres on which the amenity center is located.
- (b) Acreage for open spaces and roads is included in the total acreage for each subdivision.
- (c) Consists of Las Lomas West, Phase 2 (233 lots on 64.91 acres).
- (d) See “THE DEVELOPER/PRINCIPAL LANDOWNER – The Developer/Principal Landowner.”

Homebuilders within the District

Homebuilders active in the District include First Texas Homes and Chesmar Homes. The homes being marketed in the District range in price from approximately \$398,000 to \$618,000 and range in size from approximately 1,800 square feet to 4,250 square feet.

LAS LOMAS

The District is part of the approximately 4,384-acre master-planned community being developed as “Las Lomas,” which is comprised of the District, Las Lomas Municipal Utility District No. 3 of Kaufman County (“MUD 3”), and Las Lomas Municipal Utility District No. 4B of Kaufman County (“MUD 4B”).

To date, approximately 125.67 acres (232 lots) within the District have been developed as Las Lomas West, Phase 1. As of September 1, 2023, Las Lomas West, Phase 1 included 41 completed homes, 57 homes under construction and 134 vacant developed lots. Additionally, approximately 64.91 acres (233 single-family lots)

are currently under development as Las Lomas West, Phase 2. Las Lomas West also includes an amenity center which lies on approximately 3.50 acres located within Phase 1 of the District and approximately 13.50 acres planned for an elementary school site donated to Forney Independent School District, each of which are located within the District.

MUD 3 is comprised of approximately 288 acres and MUD 4B is comprised of approximately 3,432 acres. MUD 4B includes a WWTP (hereinafter defined) that serves the Service Area (hereinafter defined). Such plant is situated on approximately 10.10 acres. The remaining land within MUD 3 and MUD 4B is currently undeveloped and consists of approximately 2,098.30 acres of developable land and approximately 1,323.60 acres of undevelopable land. The developable land is planned for future development for a variety of uses, including single-family and multi-family residential, commercial, retail and industrial.

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PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(September 2023)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(September 2023)



THE DEVELOPER/PRINCIPAL LANDOWNER

The Role of a Developer

In general, the activities of a developer in a municipal utility district, such as the District, include the following: acquiring the land within the district, designing the subdivision, the utilities and streets to be constructed in the subdivision, and 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; and selling improved lots and commercial reserves to builders and other developers or other third parties. Pursuant to the rules of the TCEQ, a developer can be required to pay up to 30% of the cost of constructing certain water, wastewater and drainage facilities in a municipal utility district. The relative success or failure of a developer to perform such activities in the development of 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 municipal utility district to develop the property that it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a municipal utility district.

The Developer/Principal Landowner

The land within the District was initially purchased by AP Dallas LP ("AP Dallas" or the "Principal Landowner"), a Texas limited partnership, created for the purpose of purchasing and holding land within the District. AP Dallas is managed and controlled by Anthony Properties Management, Inc., a Texas corporation, its general partner. AP Dallas currently owns approximately 198.47 acres within the District. The current developer of land located within the District is AP Sundance LLC, a Texas limited liability company ("AP Sundance" or the "Developer"). AP Sundance is managed and controlled by Anthony Properties Development, Inc., a Texas corporation, its general partner. To date, AP Sundance has purchased approximately 297.01 acres of land within the District from AP Dallas, on which it has developed or plans to develop as the single-family subdivision of Las Lomas West.

The Developer has developed 232 lots on approximately 125.67 acres within the District and continues to own approximately 239.59 acres of undeveloped but developable land within the District. In addition, there are 233 single-family residential lots on approximately 64.91 acres under construction (Phase 2) with an estimated completion by December 31, 2023. See "STATUS OF DEVELOPMENT" and "TAX DATA – Principal Taxpayers."

The Developer is a single-purpose entity formed for the purpose of developing land it owns in the District. The District makes no representation as to the likelihood of the planned development to occur or the pace at which the planned development might occur. The Developer is a thinly capitalized corporation whose assets consist primarily of the land within the District and receivables due from the District for development costs. The Developer has minimal net revenues. Neither the Developer nor any affiliated company is responsible for, is liable for or has made any commitment for payment of the Bonds or other obligations of the District, the description of financial arrangements herein should not be construed as an implication to that effect. Neither the Developer nor any affiliated company has any legal commitment to the District or to owners of the Bonds to continue development of the land within the District and the Developer or the Principal Landowner may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of the Developer is subject to change at any time. Because of the foregoing, financial information concerning the Developer will neither be updated nor provided following issuance of the Bonds, except as described herein under "CONTINUING DISCLOSURE INFORMATION." See "RISK FACTORS – Factors Affecting Taxable Values and Tax Payments – *Dependence on Taxpayers and Developers.*"

Development Financing

The Developer has obtained a development loan from American National Bank of Texas to finance the development of Las Lomas West Phase 2. The loan has a maximum principal balance of \$12,515,353, a maturity date of June 23, 2025, and is secured by certain lots and acreage owned by the Developer within the District. The outstanding balance of the loan as of September 1, 2023 was \$1,077,683.24, and according to the Developer, it is in compliance with all material conditions of the loan.

Lot-Sales Contracts

The Developer has entered into lot-sales contracts with each of Chesmar Homes, LLC (“Chesmar Homes”) and First Texas Homes, Inc. (“First Texas Homes”). The contracts for the sale of lots with the builders require that earnest money be deposited with a title company, typically 10% of the total price of the completed lots. The sales contracts establish certain required lot purchases quarterly, with the earnest money deposit being returned to the builders upon purchase of the last lots under each contract. Generally, a developer’s sole remedy for builders not purchasing lots in accordance with the contracts is cancellation of the contract and retention of the remaining earnest money on deposit.

According to the Developer, each of the builders is in compliance with their respective lot-sales contracts. As of September 1, 2023, the total number of lots contracted and purchased by each builder is listed below:

<u>Homebuilder</u>	<u>Total Lots Contracted</u>	<u>Total Lots Purchased</u>
Chesmar Homes	233	89
First Texas Homes	233	86
Totals	466	175

THE UTILITY SYSTEM AND THE ROAD SYSTEM

Regulation

According to the Engineer, the Utility System and the Road System have been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the Cities, and Kaufman County. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies and, the water and sanitary sewer system has been inspected by the TCEQ.

Master District Contract

The District is one of three (3) municipal utility districts collectively comprising approximately 4,384 acres, herein referred to as the “Service Area.” The District, MUD 4B, and MUD 3, collectively referred to herein as the “Participants,” make up the Service Area.

Effective January 29, 2019, the District and the Master District entered into the following contracts: (i) a “Contract for Financing, Operating and Maintenance of Regional Water, Sanitary Sewer and Drainage Facilities and Other Services” and (ii) a “Contract for Financing, Operating, and Maintenance of Paved Roads and Turnpikes and Other Services” (collectively referred to herein as the “Master District Contract”). At an election held on May 4, 2019, the voters of the District approved the Master District Contract and the levy of a Contract Tax sufficient to pay its pro rata share of the Master District Facilities.

Pursuant to the Master District Contract, the Master District is authorized to issue unlimited contract tax revenue bonds to complete the acquisition and construction of the Master District Facilities (the “Unlimited Contract Tax Revenue Bonds”). The Master District Contract provides that all Participants shall pay a pro rata share of debt service on the Unlimited Contract Tax Revenue Bonds issued by the Master District based upon each Participant’s assessed valuation as a percentage of the total certified assessed valuation of the Service Area. Each Participant is obligated to make such payments from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by such Participant for such purpose on taxable property within its boundaries (the “Contract Tax”), which is not limited as to rate or amount, from revenues derived from the operations of such Participant’s water distribution system and wastewater collection system, or from any other lawful source of such Participant’s income. Each Participant’s pro rata share of debt service requirements will be calculated annually by the Master District; however, the levy of a Contract Tax or other available means of payment is the sole responsibility of each Participant for the purpose of paying its pro rata share of debt service on Unlimited Contract Tax Revenue Bonds. It is expected that the Participants, including the District, will levy a Contract Tax rate in the future to pay its pro rata share of Master District Facilities.

The Master District is authorized, without additional voter approval, to issue Unlimited Contract Tax Revenue Bonds in an amount necessary to finance the Master District Facilities to serve the Service Area. The District

cannot represent whether any of the development planned or occurring within the Service Area served by the Master District Facilities will be successful. To date, the Master District has not issued any series of Unlimited Contract Tax Revenue Bonds.

Each Participant is responsible for constructing its internal Utility System and Road System. The internal facilities are financed with unlimited ad valorem tax bonds sold by each Participant, such as the Bonds. The Master District Facilities will be constructed in stages to meet the needs of a continually expanding population within the Service Area. In the event that the Master District fails to meet its obligations under the Master District Contract to provide Master District Facilities, each of the other Participants has the right pursuant to its Master District Contract to design, acquire, construct, or expand the Master District Facilities needed to provide service to such Participant, and convey such Master District Facilities to the Master District in consideration of payment by the Master District of the actual capital costs expended by such Participant for such Master District Facilities.

The District is further obligated to pay monthly charges for water and sewer services rendered pursuant to the Master District Contract. The monthly charges will be used to pay the District's share of operation and maintenance expenses of the Master District Facilities and to provide for an operation and maintenance reserve equivalent to three (3) months of operation and maintenance expenses. The District's share of operation and maintenance expenses and reserve requirements is determined by dividing the total number of equivalent single family residential connections ("ESFCs") for all of the Participants within the service area by the number of ESFCs for the District, as of the first day of each month. The District's monthly payment for operation and maintenance expenses is calculated by multiplying the District's pro rata share by the actual operation and maintenance expenses of the Master District.

Pursuant to the Master District Contract, the District is obligated to establish and maintain rates, fees and charges for services provided by the District's water distribution system and wastewater collection system, together with taxes levied and funds received from any other lawful sources, sufficient at all times to pay the District's operation and maintenance expenses, and the District's obligations pursuant to the Master District Contract, including the District's pro rata share of the Master District's debt service requirements and monthly charges. All sums payable by the District pursuant to the Master District Contract are to be paid by the District without set off, counterclaim, abatement, suspension or diminution. If the District fails to pay its share of these costs in a timely manner, the Master District Contract provides that the Master District shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in the Master District's Facilities by the District in addition to the Master District's other remedies. As a practical matter, the District has no alternative provider of these services rendered under the Master District Contract.

Description of the Utility System

Water Supply and Distribution: Drinking water is provided by Talty Special Utility District ("Talty SUD") to the Service Area, including the District. Talty SUD constructed a 12" water line along Sage Hill Parkway and Helms Trail connecting the Service Area to Talty SUD's existing water infrastructure. The purpose of the water system constructed by Talty SUD is to serve the Service Area, including the District, and surrounding properties outside the District.

Wastewater Treatment: Pursuant to the Master District Contract, the Master District provides regional wastewater treatment services for the Service Area, including the District. The sewer discharge permit is currently 0.5 million gallons per day ("mgd"). At full buildout, the District is projected to use approximately 0.55 mgd. The Master District is currently seeking a capacity expansion to 0.95 mgd and has committed to provide sewer capacity to the District equivalent to 100% (~0.55 mgd) of its projected use at full buildout.

The Developer, for the benefit of the Master District has entered into a certain Equipment Lease Agreement dated September 20, 2019, amended by a First Amendment to the Equipment Lease Agreement dated July 14, 2020 (the "WWTP Contract") with AUC Group, Inc. ("AUC").

Pursuant to the WWTP Contract, AUC will provide a wastewater treatment plant ("WWTP") that can be expanded to accommodate future development phases and demand for wastewater treatment. The initial WWTP is currently under construction and is expected to be completed and operational by January 1, 2024. In the interim, the District is currently pumping and hauling until the WWTP becomes active. Once completed, the WWTP will have the capacity to treat 250,000 gallons per day ("GPD"), which is sufficient to serve

approximately 1,087 ESFCs based on average daily flow (“ADF”) of 230 GPD per living unit equivalent (“LUE”). Currently, the wastewater treatment plant (“WWTP”) only serves the District.

Drainage: The District area generally drains to the east to Big Brushy Creek, which flows from north to south along the east boundary of the District. A 100-year flood plain was defined in the Big Brushy Creek Flood Study prepared for Cardinal Strategies Engineering Services, LLC and dated September 30, 2019. None of the developable land is located within the 100-year flood plain.

Historical Operations of the Utility System

The following is a summary of the District’s general operating fund for the previous two (2) fiscal years. The figures for the fiscal years ended July 31, 2022, through July 31, 2023, were obtained from the District’s annual financial reports, reference to which is hereby made. See “APPENDIX A.” The District is required by statute to have a certified public accountant prepare and file an annual audit of its financial records with the TCEQ.

	<u>Fiscal Year Ending July 31,</u>	
	<u>2023</u>	<u>2022</u>
REVENUES:		
Property Taxes	\$ 181,844	\$ 57,065
Connection & Inspection Fees	61,540	-
Interest & Miscellaneous Revenues	<u>1,446</u>	<u>14</u>
TOTAL REVENUES	\$ 244,830	\$ 57,079
EXPENDITURES:		
Professional Fees	\$ 50,130	\$ 22,191
Contract Services	10,568	4,073
Repairs & Maintenance	6,905	-
Other	<u>44,017</u>	<u>8,871</u>
TOTAL EXPENDITURES	\$ 111,620	\$ 35,135
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 133,210</u>	<u>\$ 21,944</u>
OTHER FINANCING SOURCES:		
Annexation Deposit	\$ 250,000	\$ -
Developer Advances	\$ (250,000)	\$ 42,000
Beginning Fund Balance	\$ 41,113	\$ (22,831)
Ending Fund Balance	\$ 174,323	\$ 41,113

Description of the Road System

All roads inside the District will be curbed and paved with reinforced concrete. Collector roads will connect the neighborhoods inside the District and provide main access to and from the District. The District will own and maintain the interior roads within the District. The major thoroughfare roads will be owned and maintained by the Master District.

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DISTRICT DEBT
SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2023 Taxable Assessed Valuation.....	\$ 22,982,583	(a)
Estimated Valuation as of October 1, 2023.....	\$ 49,522,300	(b)
Direct Debt:		
The Bonds	\$ 5,490,000	
Total.....	\$ 5,490,000	
Estimated Overlapping Debt	\$ 2,573,631	(c)
Total Direct and Estimated Overlapping Debt	\$ 8,063,631	(c)
Direct Debt Ratio:		
As a percentage of the 2023 Taxable Assessed Valuation.....	23.89	%
As a percentage of the Estimate of Value as of October 1, 2023.....	11.09	%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of the 2023 Taxable Assessed Valuation.....	35.09	%
As a percentage of the Estimate of Value as of October 1, 2023.....	16.28	%
Road System Debt Service Fund Balance (as of Date of Delivery)	\$ 401,456	(d)
General Operating Fund Balance (as of October 16, 2023).....	\$ 159,151	(e)
2023 Tax Rates		
Utility System Debt Service	\$0.000	
Road System Debt Service	\$0.000	
Maintenance & Operation	<u>\$1.000</u>	
Total.....	\$1.000	(f)
Estimated Average Annual Debt Service Requirement on the Bonds (2024–2048)	\$ 384,065	(g)
Estimated Maximum Annual Debt Service Requirement on the Bonds (2047).....	\$ 395,831	(g)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay		
Estimated Average Annual Requirement (2024-2048) at 95% Tax Collections:		
Based on the 2023 Taxable Assessed Valuation.....	\$1.76	
Based on the Estimate of Value as of October 1, 2023.....	\$0.82	
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay		
Estimated Maximum Annual Requirement (2047) at 95% Tax Collections:		
Based on the 2023 Taxable Assessed Valuation.....	\$1.82	
Based on the Estimate of Value as of October 1, 2023.....	\$0.85	

- (a) Certified taxable assessed value of all taxable property within the District as of January 1, 2023, provided by the Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of October 1, 2023, and includes an estimate of additional taxable value resulting from taxable improvements constructed in the District from January 1, 2023, through October 1, 2023. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."
- (d) Eighteen (18) months of capitalized interest is expected to be deposited into the Road System Debt Service Fund upon closing of the Bonds. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Utility System.
- (e) See "RISK FACTORS – Operating Funds."
- (f) See "TAX DATA – Tax Rate Calculations."
- (g) Debt service on the Bonds is estimated assuming an interest rate of 4.875%. See "DISTRICT DEBT – Debt Service Requirements."

Direct and Estimated Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt 9/30/2023	Overlapping	
		Percent	Amount
Kaufman County	\$ 180,050,000	0.10 %	\$ 177,202
Forney Independent School District	1,134,401,925	0.21 %	<u>2,396,430</u>
Total Estimated Overlapping Debt			\$ 2,573,631
Direct Debt (a)			<u>\$ 5,490,000</u>
Total Direct and Estimated Overlapping Debt (a)			\$ 8,063,631

(a) The Bonds.

Debt Ratios

Direct Debt Ratio (a):

As a percentage of the 2023 Taxable Assessed Valuation.....	23.89 %
As a percentage of the Estimate of Value as of October 1, 2023.....	11.09 %

Direct and Estimated Overlapping Debt Ratio (b):

As a percentage of the 2023 Taxable Assessed Valuation.....	35.09 %
As a percentage of the Estimate of Value as of October 1, 2023.....	16.28 %

(a) The Bonds.

(b) Includes the Bonds.

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Debt Service Requirements

The following schedule sets forth the annual principal and estimated interest requirements of the Bonds, assuming an interest rate of 4.875%. Totals may not sum due to rounding.

Calendar Year	The Bonds:		Total Debt Service
	Principal	Interest	
2024	\$ -	\$ 167,273	\$ 167,273
2025	125,000	267,638	392,638
2026	130,000	261,544	391,544
2027	140,000	255,206	395,206
2028	145,000	248,381	393,381
2029	150,000	241,313	391,313
2030	160,000	234,000	394,000
2031	165,000	226,200	391,200
2032	175,000	218,156	393,156
2033	185,000	209,625	394,625
2034	195,000	200,606	395,606
2035	200,000	191,100	391,100
2036	210,000	181,350	391,350
2037	220,000	171,113	391,113
2038	235,000	160,388	395,388
2039	245,000	148,931	393,931
2040	255,000	136,988	391,988
2041	270,000	124,556	394,556
2042	280,000	111,394	391,394
2043	295,000	97,744	392,744
2044	310,000	83,363	393,363
2045	325,000	68,250	393,250
2046	340,000	52,406	392,406
2047	360,000	35,831	395,831
2048	375,000	18,281	393,281
Total	\$ 5,490,000	\$ 4,111,636	\$ 9,601,636

Estimated Average Annual Debt Service Requirement (2024–2048)..... \$384,065
 Estimated Maximum Annual Debt Service Requirement (2047)..... \$395,831

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TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds, and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully above under "THE BONDS – Source of Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and for the payment of certain contractual obligations. The District levied a total tax of \$1.00 per \$100 of assessed valuation for the 2023 tax year composed of a maintenance and operations tax rate of \$1.00. See "TAX DATA – Tax Rate Limitation."

Property Tax Code and County-Wide Appraisal District

The Texas 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 responsibility for reviewing and equalizing the values established by the Appraisal District. The Kaufman Central Appraisal District (the "Appraisal District") has the responsibility of appraising property for all taxing units within Kaufman County, including the District. Such appraisal values will be subject to review and change by the Kaufman Central Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

The Property Tax Code requires the appraisal district, by May 15 of each year, or as soon thereafter as practicable, to prepare appraisal records of property as of January 1 of each year based upon market value. The chief appraiser must give written notice before May 15, or as soon thereafter as practicable, to each property owner whose property value is appraised higher than the value in the prior tax year or the value rendered by the property owner, or whose property was not on the appraisal roll the preceding year, or whose property was reappraised in the current tax year. Notice must also be given if ownership of the property changed during the preceding year. The appraisal review board has the ultimate responsibility for determining the value of all taxable property within the District; however, any property owner who has timely filed notice with the appraisal review board may appeal a final determination by the appraisal review board by filing suit in a Texas district court. Prior to such appeal or any tax delinquency date, however, the property owner must pay the tax due on the value of that portion of the property involved that is not in dispute or the amount of tax imposed in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. In such event, the value of the property in question will be determined by the court, or by a jury, if requested by any party. In addition, taxing units, such as the District, are entitled to challenge certain matters before the appraisal review board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records of the granting in whole or in part of certain exemptions. A taxing unit may not, however, challenge the valuation of individual properties.

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

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: 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; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. To date, the District has not adopted any optional exemptions.

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

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 transferred 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 Exemption

The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by July 1. The District has not adopted a general homestead exemption.

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. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

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 (collectively, the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026, the Appraisal Cap 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 on July 22, 2023; however, the provisions described hereinabove will take effect January 1, 2024.

Disaster Exemption

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

Notice and Hearing Procedures

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

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board on an annual basis. For the 2023 tax year, the District was classified as a Developing District by the Board. 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.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a timely petition for review in district court. In such event, the property value in question may 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.

Tax Abatement

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

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 District currently has a contract with Kaufman County to bill and collect its taxes. The date of delinquency may be postponed if the tax bills are mailed after January 1. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board based on valuation of property within the District as of the preceding January 1.

Taxes are due September 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. 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 of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person at least sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas Law is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in equal installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes within the District in the preceding 24 months.

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 in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims 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 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 proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two (2) years for residential and agricultural property and six (6) months for commercial property and all other types of property after the purchasers deed at the foreclosure sale is filed in the county records.

TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the 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 for operation and maintenance purposes. The District levied a total tax of \$1.00 per \$100 of assessed valuation for the 2023 tax year composed of a maintenance and operations tax rate of \$1.00. It is anticipated that the District's tax rate will be composed of a maintenance and operations tax rate, a Contract Tax rate, and a debt service tax rate in the future.

Tax Rate Limitation

Utility System Debt Service:	Unlimited (no legal limit as to rate or amount).
Road System Debt Service:	Unlimited (no legal limit as to rate or amount).
Contract Tax:	Unlimited (no legal limit as to rate or amount).
Maintenance:	\$1.00 per \$100 of assessed valuation.

Debt Service Taxes

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. The District has not yet levied a debt service tax rate. The District anticipates levying a debt service tax rate in tax year 2024 and thereafter.

Upon closing and delivery of the Bonds, eighteen (18) months of capitalized interest on the Bonds will be deposited into the Road System Debt Service Fund.

Maintenance Taxes

The Board 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. The Board is authorized by the District's voters to levy such maintenance tax in an amount not to exceed \$1.00 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. In 2023, the District levied a maintenance tax of \$1.00 per \$100 of assessed valuation. See "TAX DATA -Tax Rate Distribution" below.

Tax Exemption

As discussed in the section entitled "TAXING PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation.

Additional Penalties

The District has contracted 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 twenty percent (20%) penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than June 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 2021 through 2023 tax years:

<u>Tax Year</u>	<u>Certified Taxable Value</u>	<u>Tax Rate (a)</u>	<u>Adjusted Tax Levy</u>	<u>Collections Current Year</u>	<u>Current Year Ending 9/30</u>	<u>Collections 9/30/2023</u>
2021 (a)	\$ 5,706,470	\$1.000	\$ 57,065	100.00%	2022	100.00%
2022	18,226,820	1.000	182,668	100.00%	2023	100.00%
2023	22,982,583	1.000	229,826	(b)	2024	(b)

(a) The District levied its first tax rate for the 2021 tax year.

(b) In process of collection.

Tax Rate Distribution

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Road System Debt Service	\$ -	\$ -	\$ -
Utility System Debt Service	-	-	-
Maintenance and Operations	1.000	1.000	1.000
Total	\$1.000	\$1.000	\$ 1.000

Analysis of Tax Base

The following table illustrates the District’s total taxable assessed value in the 2021 through 2023 tax years by type of property.

<u>Type of Property</u>	<u>2023 Assessed Valuation</u>	<u>2022 Assessed Valuation</u>	<u>2021 Assessed Valuation (a)</u>
Land	\$ 18,808,824	\$ 18,368,026	\$ 5,807,775
Improvements	4,558,462	-	-
Personal Property	-	-	-
Exemptions	(384,703)	(101,206)	(101,305)
Total	\$ 22,982,583	\$ 18,266,820	\$ 5,706,470

(a) First year the District levied taxes.

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Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2023, from original certification of the 2023 tax rolls by Appraisal District:

Taxpayer	Type of Property	Assessed Valuation 2023 Tax Roll	Percent of 2023 Tax Roll
AP Sundance LLC (a)	Land & Improvements	\$ 8,389,800	36.51%
Chesmar Homes LLC (b)	Land & Improvements	4,869,495	21.19%
First Texas Homes Inc (b)	Land & Improvements	3,406,779	14.82%
AP Dallas LP (a)	Land	1,925,130	8.38%
Origins Restoration LLMB LLC	Land & Improvements	1,036,190	4.51%
Homeowner	Land & Improvements	434,060	1.89%
Homeowner	Land & Improvements	397,537	1.73%
Homeowner	Land & Improvements	317,783	1.38%
Homeowner	Land & Improvements	292,007	1.27%
Homeowner	Land & Improvements	291,288	1.27%
Total		\$ 21,360,069	92.94%

- (a) See "THE DEVELOPER/PRINCIPAL LANDOWNER" herein.
- (b) See "STATUS OF DEVELOPMENT - Homebuilders within the District" herein.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the debt service tax rates per \$100 of taxable assessed valuation that would be required to meet certain debt service requirements on the Bonds if no growth in the District's tax base occurs beyond the taxable assessed valuation as of January 1, 2023 (\$22,982,583), or the estimate of value as of October 1, 2023 (\$49,522,300). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

Estimated Maximum Annual Debt Service Requirement (2047)	\$395,831
Debt Service Tax Rate of \$1.82 on the 2023 Taxable Assessed Valuation produces	\$397,369
Debt Service Tax Rate of \$0.85 on the Estimate of Value as of October 1, 2023 produces	\$399,893
Estimated Average Annual Debt Service Requirement (2024-2048)	\$384,065
Debt Service Tax Rate of \$1.76 on the 2023 Taxable Assessed Valuation produces	\$384,269
Debt Service Tax Rate of \$0.82 on the Estimate of Value as of October 1, 2023 produces	\$385,779

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 - Direct and Estimated Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is a compilation of all 2023 taxes levied by such jurisdictions per \$100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

	2023 Tax Rate Per \$100 of Assessed Value
The District	\$1.000000
Kaufman County Emergency Service District No. 6	\$0.033865
Kaufman County	\$0.328958
Kaufman County Road and Bridge	\$0.082500
Forney Independent School District	\$1.280000
Total Estimated Tax Rate	\$2.725323

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from an annual ad valorem tax levied without limit as to rate or amount upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of Bond Counsel that, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. The legal opinion will further state that the interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions as described below under "TAX MATTERS." The legal opinion of Bond Counsel will be printed on the Bonds, if certificated Bonds are issued. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Disclosure Counsel.

Coats Rose, P.C., Dallas, Texas, serves as Bond Counsel and General Counsel to the District. The legal fees paid to Bond Counsel, Disclosure Counsel, and General Counsel for services rendered in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

No Material Adverse Change

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

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature 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 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.

TAX MATTERS

Tax Exemption

On the date of initial delivery of the Bonds, Coats Rose, P.C., Dallas, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, except that such interest is taken into account in determining the annual

adjusted financial statement of income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986 (the "Code")) for the purpose of determining the alternative minimum tax imposed on corporations, and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Code (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

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

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds is not equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (1) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (2) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

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

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount

allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

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

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

Collateral Federal Income Tax Consequences

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

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

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

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation. Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

Not-Qualified Tax-Exempt Obligations

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer

that is a “financial institution” allocable to tax-exempt obligations, other than “private activity bonds,” that are designated by a “qualified small issuer” as “qualified tax-exempt obligations.” A “qualified small issuer” is any governmental issuer (together with any “on-behalf of” and “subordinate” issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term “financial institution” as any “bank” described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person’s trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to “qualified tax-exempt obligations” provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a “bank,” as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase “qualified tax-exempt obligations” shall be reduced by twenty percent (20%) as a “financial institution preference item.”

The District will not designate the Bonds as “qualified tax-exempt obligations” within the meaning of section 265(b) of the Code.

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission (“SEC”) regarding the District’s continuing disclosure obligations because the District does not have more than \$10,000,000 in aggregate amount of bonds outstanding and no person is committed by contract or other arrangement with respect to payment of the bonds. As required by the Rule, and 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 or any successor to its function as a repository (the “MSRB”), 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 District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by United States Securities and Exchange Commission 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.

In addition, the District has agreed to provide information with respect to the Developer, any person or entity to whom the Developer voluntarily assigns (except as collateral) the right to receive a payment out of the proceeds from the sale of the bonds of the District, and each other person or entity, if any, to whom the District voluntarily makes or agrees or has agreed to make a payment out of such proceeds. The information provided will be of the general type included in this Official Statement under the headings “DISTRICT DEBT” (except under the subheadings “Estimated Direct and Overlapping Debt Statement”), “TAX DATA,” and with respect to the Developer, the information found under “TAX DATA – Principal Taxpayers.” The District will be obligated to provide information concerning the Developer and any such other person or entity only if and so long as (1) such person owns more than 20% of the taxable property within the District by value, as reflected by the most recently certified tax rolls (and without effect to special valuation provisions), (2) such person has made tax or other payments to the District which were used or available to pay more than 20% of the District’s debt service requirements in the applicable fiscal year, or (3) at the end of such fiscal year such person is obligated to the District to provide or pay the District facilities or debt in an amount which exceeds 20% of the amount of the District’s bonds then outstanding.

The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2024. Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation and audited if the audit report is completed within the period during

which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period and audited financial statements when the audit report becomes available.

The District's 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 events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms "material" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under federal securities laws. Neither the Bonds nor the Bond Order make any provision for debt service reserves or liquidity enhancement. 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 Municipal Securities Rulemaking Board consistent with the Rule. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to 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 certain events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its

continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

OFFICIAL STATEMENT

General

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

The District's audited financial statements for the year ended July 31, 2023, were prepared by McCall Gibson Swedlund Barfoot PLLC, and have been included herein as "APPENDIX A." McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountant, has consented to the publication of such financial statements in this Preliminary Official Statement.

Experts

The information contained in this Official Statement relating to development and the status of development within the District generally and, in particular, the information in the section captioned "THE DEVELOPER/PRINCIPAL LANDOWNER," "LAS LOMAS," and "STATUS OF DEVELOPMENT" has been provided by the Developer and has been included herein in reliance upon the authority and knowledge of such party concerning the matters described therein.

The information contained in this Official Statement relating to engineering and to the description of the Utility System and the Road System, and, in particular, that engineering information included in the sections entitled "THE BONDS", "THE DISTRICT," "LAS LOMAS," and "THE UTILITY SYSTEM AND THE ROAD SYSTEM" has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as 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 the Official Statement

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the 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.

/s/ _____
Matthew McDonald
President, Board of Directors
Las Lomas Municipal Utility District No. 4A of Kaufman
County

ATTEST:

/s/ _____
Terry Durbin
Secretary, Board of Directors
Las Lomas Municipal Utility District No. 4A of Kaufman County

APPENDIX A
AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

**LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A
OF KAUFMAN COUNTY**

KAUFMAN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2023

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

**LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A
OF KAUFMAN COUNTY**

KAUFMAN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2023

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McCALL GIBSON SWEDLUND BARFOOT PLLC
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Las Lomas Municipal Utility District No. 4A
of Kaufman County
Kaufman County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Las Lomas Municipal Utility District No. 4A of Kaufman County (the "District") as of and for the year ended July 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of July 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Board of Directors
Las Lomas Municipal Utility District No. 4A
of Kaufman County

Supplementary Information

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

October 16, 2023

**LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A
OF KAUFMAN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2023**

Management's discussion and analysis of the financial performance of Las Lomas Municipal Utility District No. 4A of Kaufman County provides an overview of the District's financial activities for the fiscal year ended July 31, 2023. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund type. The General Fund accounts for resources not accounted for in another fund, maintenance tax revenues, service revenues, professional fees, contracted services, and administrative costs.

**LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A
OF KAUFMAN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2023**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information required by the Texas Commission on Environmental Quality.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$255,306 as of July 31, 2023. A portion of the District's net position reflects its net investment in capital assets which includes roads, water, wastewater, and drainage facilities less any debt used to acquire those assets that is still outstanding.

**LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A
OF KAUFMAN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table provides a summary of the Statement of Net Position for the years ended July 31, 2023, and July 31, 2022:

	<u>Summary of Changes in the Statement of Net Position</u>		
	2023	2022	Change Positive (Negative)
Current Assets	\$ 189,296	\$ 46,802	\$ 142,494
Capital Assets (Net of Depreciation)	<u>7,820,201</u>	<u>7,998,920</u>	<u>(178,719)</u>
Total Assets	<u>\$ 8,009,497</u>	<u>\$ 8,045,722</u>	<u>\$ (36,225)</u>
Due to Developer	\$ 8,249,830	\$ 8,249,830	\$
Other Liabilities	<u>14,973</u>	<u>5,689</u>	<u>(9,284)</u>
Total Liabilities	<u>\$ 8,264,803</u>	<u>\$ 8,255,519</u>	<u>\$ (9,284)</u>
Net Position:			
Net Investment in Capital Assets	\$ (222,173)	\$ (43,454)	\$ (178,719)
Unrestricted	<u>(33,133)</u>	<u>(166,343)</u>	<u>133,210</u>
Total Net Position	<u>\$ (255,306)</u>	<u>\$ (209,797)</u>	<u>\$ (45,509)</u>

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

	<u>Summary of Changes in the Statement of Activities</u>		
	2023	2022	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 181,844	\$ 57,065	\$ 124,779
Service Revenues	61,540		61,540
Other Revenues	<u>1,446</u>	<u>14</u>	<u>1,432</u>
Total Revenues	<u>\$ 244,830</u>	<u>\$ 57,079</u>	<u>\$ 187,751</u>
Total Expenses	<u>290,339</u>	<u>78,589</u>	<u>(211,750)</u>
Change in Net Position	\$ (45,509)	\$ (21,510)	\$ (23,999)
Net Position, Beginning of Year	<u>(209,797)</u>	<u>(188,287)</u>	<u>(21,510)</u>
Net Position, End of Year	<u>\$ (255,306)</u>	<u>\$ (209,797)</u>	<u>\$ (45,509)</u>

**LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A
OF KAUFMAN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The District's only fund is the General Fund which had a current year increase of \$133,210, primarily due to property tax revenues and connection revenues exceeding professional fees, contracted services, and administrative costs paid during the current fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board adopted an unappropriated budget for the General Fund for the current fiscal year. Actual revenues were \$15,830 higher than budgeted revenues and actual expenditures were \$22,841 higher than budgeted expenditures which resulted in a negative budget variance of \$7,011. See the budget to actual comparison for further information.

CAPITAL ASSETS

Capital assets include water, wastewater, drainage, and road infrastructure located in the District which will be utilized to provide services to District residents. Capital assets and accumulated depreciation as of July 31, 2023, are summarized in the following table:

Capital Assets At Year-End			
	2023	2022	Change Positive (Negative)
Capital Assets Subject to Depreciation:			
Water System	\$ 1,253,532	\$ 1,253,532	\$
Wastewater System	1,069,972	1,069,972	
Drainage System	2,360,392	2,360,392	
Roads	3,358,478	3,358,478	
Less Accumulated Depreciation	(222,173)	(43,454)	(178,719)
Total Net Capital Assets	\$ 7,820,201	\$ 7,998,920	\$ (178,719)

LONG-TERM DEBT

As of July 31, 2023, the District has not issued any bonds. The District has recorded an amount due to Developer of \$8,249,830 which consists of payments made by the Developer for utilities and road infrastructure as well as District operating advances. Reimbursement to the Developer is anticipated to come from proceeds of bonds issued by the District. See also Note 5 for information on bond authorization.

**LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A
OF KAUFMAN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2023**

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Las Lomas Municipal Utility District No. 4A of Kaufman County, c/o Coats Rose, P.C., 16000 North Dallas Parkway, Suite 350, Dallas, Texas 75248.

**LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A
OF KAUFMAN COUNTY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
JULY 31, 2023**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash	\$ 189,296	\$	\$ 189,296
Capital Assets (Net of Accumulated Depreciation)		<u>7,820,201</u>	<u>7,820,201</u>
TOTAL ASSETS	<u>\$ 189,296</u>	<u>\$ 7,820,201</u>	<u>\$ 8,009,497</u>
 LIABILITIES			
Accounts Payable	\$ 14,573	\$	\$ 14,573
Due to Developer		8,249,830	8,249,830
Security Deposits	<u>400</u>		<u>400</u>
TOTAL LIABILITIES	<u>\$ 14,973</u>	<u>\$ 8,249,830</u>	<u>\$ 8,264,803</u>
 FUND BALANCE			
Unrestricted	<u>\$ 174,323</u>	<u>\$ (174,323)</u>	<u>\$ -0-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 189,296</u>		
 NET POSITION			
Net Investment in Capital Assets		\$ (222,173)	\$ (222,173)
Unrestricted		<u>(33,133)</u>	<u>(33,133)</u>
TOTAL NET POSITION		<u>\$ (255,306)</u>	<u>\$ (255,306)</u>

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

**LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A
OF KAUFMAN COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JULY 31, 2023**

Total Fund Balance - Governmental Fund	\$	174,323
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		7,820,201
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer		<u>(8,249,830)</u>
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Total Net Position - Governmental Activities	\$	<u>(255,306)</u>
--	----	------------------

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

**LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A
OF KAUFMAN COUNTY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JULY 31, 2023**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
Property Taxes	\$ 181,844	\$	\$ 181,844
Connection and Inspection Fees	61,540		61,540
Interest and Miscellaneous Revenues	1,446		1,446
TOTAL REVENUES	<u>\$ 244,830</u>	<u>\$ -0-</u>	<u>\$ 244,830</u>
EXPENDITURES/EXPENSES			
Service Operations:			
Professional Fees	\$ 50,130	\$	\$ 50,130
Contracted Services	10,568		10,568
Repairs and Maintenance	6,905		6,905
Depreciation		178,719	178,719
Other	44,017		44,017
TOTAL EXPENDITURES/EXPENSES	<u>\$ 111,620</u>	<u>\$ 178,719</u>	<u>\$ 290,339</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	<u>\$ 133,210</u>	<u>\$ (178,719)</u>	<u>\$ (45,509)</u>
OTHER FINANCING SOURCES (USES)			
Annexation Deposit	\$ 250,000	\$ (250,000)	\$
Developer Payment	(250,000)	250,000	
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCE	\$ 133,210	\$ (133,210)	\$
CHANGE IN NET POSITION		(45,509)	(45,509)
FUND BALANCE/NET POSITION - AUGUST 1, 2022	<u>41,113</u>	<u>(250,910)</u>	<u>(209,797)</u>
FUND BALANCE/NET POSITION - JULY 31, 2023	<u>\$ 174,323</u>	<u>\$ (429,629)</u>	<u>\$ (255,306)</u>

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

**LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A
OF KAUFMAN COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2023**

Net Change in Fund Balance - Governmental Fund	\$	133,210
--	----	---------

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

Governmental funds do not account for depreciation. In governmental activities, capital assets are depreciated over the estimated useful lives.		(178,719)
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Change in Net Position - Governmental Activities	\$	<u>(45,509)</u>
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The accompanying notes to the financial statements are an integral part of this report.

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**LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 1. CREATION OF DISTRICT

Las Lomas Municipal Utility District No. 4 of Kaufman County (“MUD 4”) was created pursuant to Senate Bill No. 1894, 79th Texas Legislature, Regular Session, codified as Chapter 8138, Texas Special District Local Laws Code, effective June 18, 2005, as a conservation and reclamation district operating pursuant to Article III, Section 52, and Article XVI, Section 59, of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code. An election was held on November 6, 2018, whereby voters of MUD 4 approved dividing MUD 4 into Las Lomas Municipal Utility District No. 4A of Kaufman County (the “District”), Las Lomas Municipal Utility District No. 4B of Kaufman County, and Las Lomas Municipal Utility District No. 4C of Kaufman County. Creation of the District was confirmed at an election held on May 4, 2019. The District is empowered to purchase, operate and maintain all facilities, plants, and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, roads, and parks and recreation services for its residents.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

**LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

These classifications are defined as follows:

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

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

Government-Wide Financial Statements

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

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

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

LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Fund

The District has one governmental fund and considers it to be a major fund.

General Fund – To account for resources not accounted for in another fund, maintenance tax revenues, service revenues, professional fees, contracted services, and administrative costs.

Basis of Accounting

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

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

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

**LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which includes certain utility and road infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Assets are capitalized if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation over the estimated useful lives ranging from 10 to 45 years.

Budgeting

The District adopts a budget on an annual basis which is prepared using the same method of accounting as for financial reporting. The General Fund budget was not amended for the current fiscal year. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund is intended to present the budgeted amounts compared to the actual amounts of revenues and expenditures for each year.

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that the directors are considered to be employees for federal payroll tax purposes only.

Measurement Focus

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

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources.

LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

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

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. The District does not have any restricted fund balances.

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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

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

At fiscal year end, the carrying amount of the District's deposits was \$189,296 and the bank balance was \$193,953. The District was not exposed to custodial credit risk at year-end.

Investments

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

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

As of July 31, 2023, the District did not own any investments.

**LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 4. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant changes in coverage from the prior year and settlements have not exceeded coverage in the past two years.

NOTE 5. BONDS VOTED

The District has the authority to issue bonds in the maximum aggregate amount as follows: \$77,612,000 for water, sewer, drainage and storm sewer facilities as well as organization and administration costs and \$116,418,000 for refunding of such bonds and \$122,968,000 for road infrastructure and \$184,452,000 for refunding of such bonds.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the current fiscal year is summarized in the following table:

	August 1, 2022	Increases	Decreases	July 31, 2023
Capital Assets Subject to Depreciation				
Water System	\$ 1,253,532	\$	\$	\$ 1,253,532
Wastewater System	1,069,972			1,069,972
Drainage System	2,360,392			2,360,392
Roads	3,358,478			3,358,478
Total Capital Assets Subject to Depreciation	\$ 8,042,374	\$ - 0 -	\$ -0-	\$ 8,042,374
Less Accumulated Depreciation				
Water System	\$ 9,769	\$ 27,856	\$	\$ 37,625
Wastewater System	8,338	23,777		32,115
Drainage System	18,395	52,453		70,848
Roads	6,952	74,633		81,585
Total Accumulated Depreciation	\$ 43,454	\$ 178,719	\$ -0-	\$ 222,173
Total Capital Assets, Net of Accumulated Depreciation	\$ 7,998,920	\$ (178,719)	\$ -0-	\$ 7,820,201

**LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 7. MAINTENANCE TAX

On May 4, 2019, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed \$1.00 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's systems and other operating and maintenance expenses. During the current fiscal year, the District levied an ad valorem maintenance tax rate of \$1.00 per \$100 of assessed valuation, which resulted in a tax levy of \$181,844 on the adjusted taxable valuation of \$18,184,380 for the 2022 tax year.

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

NOTE 8. REGIONAL FACILITIES

The District and Las Lomas Municipal Utility District No. 4B of Kaufman County (the "Master District") have executed two contracts: 1.) Contract for Financing, Operating and Maintenance of Regional Water, Sanitary Sewer and Drainage Facilities and Other Services; and 2.) Contract for Financing, Operating and Maintenance of Paved Roads and Turnpikes and Other Services (collectively, the "Contracts"). The Contracts both have an effective date of January 29, 2019, and a term of 50 years. At an election held on May 4, 2019, District voters approved the Contracts as well as the levy of a contract tax sufficient to make payments of monthly charges and debt service requirements.

The Master District and the District have agreed to contract in such a manner that the Master District will be able to provide the water, sanitary sewer, drainage services, road facilities, and all other services permitted by law to all Districts within the Service Area. The Master District intends to enter into contracts substantially identical to this Contract with all other conservation and reclamation districts located within the Service Area, and will undertake to perform its obligations and exercise its rights under all such contracts in a manner which does not unfairly discriminate against the District.

The Master District will be the owner of the Master District Facilities. The Master District will render monthly bills to the District for the District's share of the Monthly Charges. The District's share of the Monthly Charges will be determined by multiplying the total number of actual Equivalent Single Family Residential Connections within the District on the first day of the previous month by the monthly unit cost per Equivalent Single Family Residential Connection shown in the budget.

**LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 8. REGIONAL FACILITIES (Continued)

The Master District is authorized to issue up to \$193,785,000 of Master District Bonds to finance the construction of water, sanitary sewer and drainage facilities and \$105,747,000 of Master District Bonds to finance the construction of road facilities as needed to serve all Participants in the Service Area.

NOTE 9. UNREIMBURSED DEVELOPER COSTS

The District and the Developers have entered into agreements which require the Developers to fund costs associated with water, sanitary sewer and drainage facilities, roads, and operating advances. Reimbursement to the Developers for these projects and operating advances is contingent upon approval from the Commission and the future sale of bonds. The following table summarizes the current year activity.

Due to Developers, beginning of year	\$	8,249,830
Current year additions/reimbursements		-0-
Due to Developers, end of year	\$	8,249,830

NOTE 10. CONTRACT FOR WATER SERVICE

AP Sundance LLC (the "Developer"), on behalf of the District and AP Dallas Limited Partnership, entered into a contract with Talty Special Utility District ("Talty SUD") effective February 25, 2020. Talty SUD, which owns and operates a water utility system supplying potable water to the public under Certificate of Convenience and Necessity ("CCN") No. 10850, has agreed to furnish water utility service to the District. The Developer will pay for the costs of all on-site improvements and water system improvements necessary to provide water to the District and, after completion, these improvements will be conveyed to Talty SUD for ownership and maintenance.

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**LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A
OF KAUFMAN COUNTY**

REQUIRED SUPPLEMENTARY INFORMATION

JULY 31, 2023

**LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A
OF KAUFMAN COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JULY 31, 2023**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 179,000	\$ 181,844	\$ 2,844
Connection and Inspection Fees	50,000	61,540	11,540
Interest and Miscellaneous Revenues	<u> </u>	<u>1,446</u>	<u>1,446</u>
TOTAL REVENUES	<u>\$ 229,000</u>	<u>\$ 244,830</u>	<u>\$ 15,830</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 58,000	\$ 50,130	\$ 7,870
Contracted Services	16,200	10,568	5,632
Repairs and Maintenance	<u> </u>	<u>6,905</u>	<u>(6,905)</u>
Other	<u>14,579</u>	<u>44,017</u>	<u>(29,438)</u>
TOTAL EXPENDITURES	<u>\$ 88,779</u>	<u>\$ 111,620</u>	<u>\$ (22,841)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 140,221</u>	<u>\$ 133,210</u>	<u>\$ (7,011)</u>
OTHER FINANCING SOURCES (USES)			
Annexation Deposit	\$	\$ 250,000	\$ 250,000
Developer Payment	<u> </u>	<u>(250,000)</u>	<u>(250,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCE	\$ 140,221	\$ 133,210	\$ (7,011)
FUND BALANCE - AUGUST 1, 2022	<u>41,113</u>	<u>41,113</u>	<u> </u>
FUND BALANCE - JULY 31, 2023	<u>\$ 181,334</u>	<u>\$ 174,323</u>	<u>\$ (7,011)</u>

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**LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A
OF KAUFMAN COUNTY**

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

JULY 31, 2023

**LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A
OF KAUFMAN COUNTY
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2023**

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

<input type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input type="checkbox"/> Drainage
<input type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input type="checkbox"/> Security
<input type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input checked="" type="checkbox"/> Participates in a regional system – See Note 8		
<input checked="" type="checkbox"/> Contract for water service is with Talty SUD – See Note 10		

2. RETAIL SERVICE PROVIDERS

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

The following rates are based on the rate order approved August 26, 2021.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Volume Charge</u>	<u>Usage Levels</u>
WASTEWATER:	\$ 35.00	-0-	N	\$ 5.00*	*Volume charge for all consumption per month

*Volume charges are based on winter average (December, January and February) water consumption.

Note: The District will also add the TCEQ regulatory assessment of 0.50% to each customer bill.

See accompanying independent auditor’s report.

**LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A
OF KAUFMAN COUNTY
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2023**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	_____	_____	x 1.0	_____
≤ ³ / ₄ "	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1½"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water Connections	<u>N/A</u>	<u>N/A</u>		<u>N/A</u>
Total Wastewater Connections	<u>N/A</u>	<u>N/A</u>	x 1.0	<u>N/A</u>

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited) Not Applicable

See accompanying independent auditor's report.

**LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A
OF KAUFMAN COUNTY
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2023**

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Kaufman County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ in which District is located:

City of Terrell, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

**LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A
OF KAUFMAN COUNTY
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2023**

PROFESSIONAL FEES:	
Auditing	\$ 8,000
Legal	<u>42,130</u>
TOTAL PROFESSIONAL FEES	<u>\$ 50,130</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 1,035
Operations and Billing	7,714
Tax Assessment, Collection, and Appraisal District Costs	<u>1,819</u>
TOTAL CONTRACTED SERVICES	<u>\$ 10,568</u>
REPAIRS AND MAINTENANCE	<u>\$ 6,905</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 4,198
Insurance	3,808
Website, Travel and Other	<u>2,411</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 10,417</u>
OTHER EXPENDITURES:	
Settlement Payments	\$ 30,000
Connection and Inspection Fees	<u>3,600</u>
TOTAL OTHER EXPENDITURES	<u>\$ 33,600</u>
TOTAL EXPENDITURES	<u><u>\$ 111,620</u></u>

See accompanying independent auditor's report.

**LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A
OF KAUFMAN COUNTY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2023**

	Maintenance Taxes	
TAXES RECEIVABLE -		
AUGUST 1, 2022	\$ -0-	
Adjustments to Beginning		
Balance	_____	\$ -0-
Original 2022 Tax Levy	\$ 181,169	
Adjustment to 2022 Tax Levy	_____	181,844
TOTAL TO BE		
ACCOUNTED FOR		\$ 181,844
 TAX COLLECTIONS:		
Prior Years	\$ -0-	
Current Year	_____	181,844
 TAXES RECEIVABLE -		
JULY 31, 2023		\$ -0-

See accompanying independent auditor's report.

**LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A
OF KAUFMAN COUNTY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2023**

	2022	2021
PROPERTY VALUATIONS:		
Land	\$ 18,367,730	\$ 5,807,775
Exemptions	(183,350)	(101,305)
TOTAL PROPERTY VALUATIONS	\$ 18,184,380	\$ 5,706,470
TAX RATES PER \$100 VALUATION:		
Maintenance	\$ 1.00	\$ 1.00
TOTAL TAX RATES PER \$100 VALUATION	\$ 1.00	\$ 1.00
ADJUSTED TAX LEVY*	\$ 181,844	\$ 57,065
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	100.00 %	100.00 %

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

Note: The maximum maintenance tax rate of \$1.00 per \$100 assessed valuation was approved by voters on May 4, 2019.

See accompanying independent auditor's report.

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**LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A
OF KAUFMAN COUNTY
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - TWO YEARS**

	Amounts	
	2023	2022
REVENUES		
Property Taxes	\$ 181,844	\$ 57,065
Connection and Inspection Fees	61,540	
Interest and Miscellaneous Revenues	1,446	14
TOTAL REVENUES	\$ 244,830	\$ 57,079
EXPENDITURES		
Professional Fees	\$ 50,130	\$ 22,191
Contracted Services	10,568	4,073
Repairs and Maintenance	6,905	
Other	44,017	8,871
TOTAL EXPENDITURES	\$ 111,620	\$ 35,135
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 133,210	\$ 21,944
OTHER FINANCING SOURCES (USES)		
Annexation Deposit	\$ 250,000	\$
Developer Advances (Payment)	(250,000)	42,000
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ 42,000
NET CHANGE IN FUND BALANCE	\$ 133,210	\$ 63,944
BEGINNING FUND BALANCE (DEFICIT)	41,113	(22,831)
ENDING FUND BALANCE	\$ 174,323	\$ 41,113
TOTAL ACTIVE RETAIL WATER CONNECTIONS	N/A	N/A
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	N/A	N/A

See accompanying independent auditor's report.

Percentage of Total Revenues			
<u>2023</u>		<u>2022</u>	
74.3	%	100.0	%
25.1			
0.6			
<u>100.0</u>	%	<u>100.0</u>	%
20.5	%	38.9	%
4.3		7.1	
2.8			
<u>18.0</u>		<u>15.5</u>	
<u>45.6</u>	%	<u>61.5</u>	%
<u>54.4</u>	%	<u>38.5</u>	%

See accompanying independent auditor's report.

**LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A
OF KAUFMAN COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2023**

District Mailing Address - Las Lomas Municipal Utility District No. 4A of Kaufman County
c/o Coats Rose, P.C.
16000 North Dallas Parkway, Suite 350
Dallas, Texas 75248

District Telephone Number - (972) 982-8461

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>July 31, 2023</u>	Expense Reimbursements for the year ended <u>July 31, 2023</u>	<u>Title</u>
Matt McDonald	05/20 05/24 (Elected)	\$ 750	\$ 48	President
Donald Allard	05/20 05/24 (Elected)	\$ 750	\$ 96	Vice President
Terry Durbin	05/20 05/24 (Elected)	\$ 750	\$ 54	Secretary
Mike Higgens	05/22 05/26 (Elected)	\$ 750	\$ 109	Assistant Secretary
Machelle Davenport	05/22 05/26 (Elected)	\$ 900	\$ 115	Assistant Secretary

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

Submission date of most recent District Registration Form: January 6, 2023

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

See accompanying independent auditor's report.

**LAS LOMAS MUNICIPAL UTILITY DISTRICT NO. 4A
OF KAUFMAN COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2023**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended July 31, 2023</u>	<u>Title</u>
Coats Rose, P.C.	04/03/07	\$ 42,130	General Counsel
McCall Gibson Swedlund Barfoot PLLC	11/02/22	\$ 8,000	Auditor
L & S District Services, LLC	04/27/16	\$ 1,035 \$ -0-	Bookkeeper/ Investment Officer
Petitt Barraza, LLC	11/02/22	\$ -0-	Engineer
Robert W. Baird Co. Incorporated	01/29/19	\$ -0-	Financial Advisor
Inframark, LLC	08/10/22	\$ 18,218	Operator

See accompanying independent auditor's report.

