

OFFICIAL STATEMENT DATED NOVEMBER 19, 2019

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF THE DISTRICT AND UNDER THE STATUTES, REGULATIONS, PUBLISHED RULINGS, AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION. INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAXATION. SEE "LEGAL MATTERS" and "TAX MATTERS."

The District has designated the Bonds as "qualified tax-exempt obligations" for financial institutions.

NEW ISSUE – Book Entry Only

S&P (BAM Insured)..... "AA"

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

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

\$2,645,000
Unlimited Tax Utility Bonds
Series 2019

\$3,135,000
Unlimited Tax Road Bonds
Series 2019

Dated: December 1, 2019

Due: March 1, as shown on inside cover page

The \$2,645,000 Unlimited Tax Utility Bonds, Series 2019 (the "Utility Bonds"), and the \$3,135,000 Unlimited Tax Road Bonds, Series 2019 (the "Road Bonds"), are obligations of Kaufman County Municipal Utility District No. 4 (the "District") and are not obligations of the State of Texas; Kaufman County, Texas; the City of Dallas, Texas; or any entity other than the District. The Utility Bonds and Road Bonds are collectively referred to herein as the "Bonds." Neither the full faith and credit nor the taxing power of the State of Texas; Kaufman County, Texas; the City of Dallas, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

The Bonds will be initially registered and delivered only to 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 Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas, or any successor paying agent/registrar (the "Paying Agent/Registrar") directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System."

Principal of the Bonds is payable to the registered owner(s) of the Bonds at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. Interest on the Bonds accrues from December 1, 2019, and is payable on March 1, 2020, and each September 1 and March 1 thereafter until maturity or prior redemption to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each interest payment date. The Bonds are issuable in principal denominations of \$5,000 or any integral multiple thereof in fully registered form only.

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

The Utility Bonds constitute the second series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a water, sewer, and drainage system to serve the District (the "Utility System") and the Road Bonds constitute the second 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 on September 10, 2005, voters of the District authorized \$49,050,000 principal amount of unlimited tax bonds for the Utility System. At an election held on May 10, 2008, voters of the District authorized \$28,930,000 principal amount of unlimited tax bonds for the Road System. Following the issuance of the Bonds, \$42,605,000 principal amount of unlimited tax bonds for Utility System facilities and \$22,800,000 principal amount of unlimited tax bonds for Road System facilities 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 limit as to rate or amount, levied by the District against all taxable property within the District. Investment in the Bonds is subject to risk factors as described herein. See "RISK FACTORS."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under separate municipal bond insurance policies to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY.**



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 December 18, 2019.

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

\$2,645,000 UNLIMITED TAX UTILITY BONDS, SERIES 2019

\$1,070,000 Serial Bonds

Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 48619D (b)	Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 48619D (b)
2021	\$ 75,000	4.500%	1.550%	BY8	2027 (c)	\$90,000	2.000%	2.200%	CE1
2022	75,000	4.500%	1.650%	BZ5	2028 (c)	95,000	2.000%	2.350%	CF8
2023	80,000	4.500%	1.750%	CA9	2029 (c)	95,000	2.250%	2.500%	CG6
2024	80,000	4.000%	1.850%	CB7	2030 (c)	100,000	2.375%	2.650%	CH4
2025 (c)	85,000	2.000%	2.000%	CC5	2031 (c)	105,000	3.000%	2.450%	CJ0
2026 (c)	85,000	2.000%	2.100%	CD3	2032 (c)	105,000	3.000%	2.600%	CK7

(Interest to accrue from December 1, 2019)

\$1,575,000 Term Bonds

\$225,000 Term Bonds Due March 1, 2034 (c) (d), Interest Rate: 3.000% (Price: \$100.983) (a), CUSIP No. 48619D CM3 (b)

\$235,000 Term Bonds Due March 1, 2036 (c) (d), Interest Rate: 3.000% (Price: \$100.587) (a), CUSIP No. 48619D CP6 (b)

\$255,000 Term Bonds Due March 1, 2038 (c) (d), Interest Rate: 3.000% (Price: \$100.193) (a), CUSIP No. 48619D CR2 (b)

\$270,000 Term Bonds Due March 1, 2040 (c) (d), Interest Rate: 3.000% (Price: \$99.696) (a), CUSIP No. 48619D CT8 (b)

\$590,000 Term Bonds Due March 1, 2044 (c) (d), Interest Rate: 3.000% (Price: \$99.145) (a), CUSIP No. 48619D CX9 (b)

\$3,135,000 UNLIMITED TAX ROAD BONDS, SERIES 2019

\$1,960,000 Serial Bonds

Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 48619D (b)	Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 48619D (b)
2021	\$ 90,000	3.000%	1.600%	CY7	2030 (c)	\$115,000	2.375%	2.500%	DH3
2022	90,000	3.000%	1.700%	CZ4	2031 (c)	120,000	2.500%	2.600%	DJ9
2023	95,000	3.000%	1.800%	DA8	2032 (c)	125,000	2.500%	2.650%	DK6
2024	95,000	3.000%	1.900%	DB6	2033 (c)	130,000	2.500%	2.700%	DL4
2025 (c)	100,000	3.000%	2.000%	DC4	2034 (c)	135,000	2.625%	2.750%	DM2
2026 (c)	105,000	3.000%	2.100%	DD2	2035 (c)	140,000	2.625%	2.800%	DN0
2027 (c)	105,000	3.000%	2.200%	DE0	2036 (c)	145,000	2.750%	2.850%	DP5
2028 (c)	110,000	3.000%	2.300%	DF7	2037 (c)	145,000	2.750%	2.900%	DQ3
2029 (c)	115,000	3.000%	2.400%	DG5					

(Interest to accrue from December 1, 2019)

\$1,175,000 Term Bonds

\$635,000 Term Bonds Due March 1, 2041 (c) (d), Interest Rate: 3.000% (Price: \$100.000) (a), CUSIP No. 48619D DU4 (b)

\$540,000 Term Bonds Due March 1, 2044 (c) (d), Interest Rate: 3.000% (Price: \$99.485) (a), CUSIP No. 48619D DX8 (b)

- (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 have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on March 1, 2025, 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 March 1, 2024, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds – *Optional Redemption*."
- (d) Subject to mandatory redemption by lot or other customary method of random selection on March 1 in the years and in the amounts as set forth herein under "THE BONDS – Redemption of the Bonds – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement 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., 14755 Preston Road, Suite 600, Dallas, Texas 75254, 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 of 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 final official statement for purposes of, and as that term is defined in, SEC Rule 15c2-12, as amended.

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

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SALE AND DISTRIBUTION OF THE BONDS

Award and Marketing of the Bonds

After requesting competitive bids for the Utility Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by SAMCO Capital markets, Inc. (the "Utility Bonds Initial Purchaser") to purchase the Utility Bonds bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" at a price of 97.000000% of the par value thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 3.141574%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

After requesting competitive bids for the Road Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by RBC Capital Markets (the "Road Bonds Initial Purchaser") to purchase the Road Bonds bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" at a price of 97.000000% of the par value thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 3.081065%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

The Utility Bonds Initial Purchaser and the Road Bonds Initial Purchaser are collectively referred to as the "Initial Purchaser" throughout this Official Statement.

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 THIS OFFERING, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT 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 United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon 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 acts 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 jurisdictions.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as "APPENDIX

B” to this Official Statement. The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$552.8 million, \$130.8 million and \$422.1 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM’s most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM’s website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

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

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM’s analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM’s website at buildamerica.com/creditsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector

designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

RATING

The Bonds are expected to receive an insured rating of "AA" from S&P solely in reliance upon the issuance of the Policy issued by BAM at the time of the delivery of the Bonds. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). Furthermore, a security rating is not a recommendation to buy, sell, or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned to the Bonds other than the rating of S&P.

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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 IssuerKaufman County Municipal Utility District No. 4 (the “District”), a political subdivision of the State of Texas, is located approximately 21 miles east of downtown Dallas and wholly in the extraterritorial jurisdiction of the City of Dallas, Texas (the “City”), and within Kaufman County, Texas. The District is part of the approximately 1,038 acre master-planned community known as “Devonshire.” See “THE DISTRICT.”

The IssueThe District’s \$2,645,000 Unlimited Tax Utility Bonds, Series 2019 (the “Utility Bonds”), are dated December 1, 2019, and mature on March 1 in the years and in the principal amounts as shown on the inside cover page hereof. The District’s \$3,135,000 Unlimited Tax Road Bonds, Series 2019 (the “Road Bonds”), are also dated December 1, 2019, and mature on March 1 in the years and in the principal amounts as shown on the inside cover page hereof. The Utility Bonds and the Road Bonds are collectively referred to throughout this Official Statement as the “Bonds.”

Interest on the Bonds accrues from December 1, 2019, at the rates shown on the inside cover hereof and is payable on March 1, 2020, and on each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 of principal amount for any one maturity. See “THE BONDS – General.”

Redemption of the BondsThe Bonds maturing on and after March 1, 2025, are subject to redemption prior to maturity at the option of the District, in whole or in part, on March 1, 2024, 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 – *Optional Redemption*.”

The Utility Bonds that mature on March 1 in the years 2034, 2036, 2038, 2040 and 2044 and the Road Bonds that mature on March 1 in the years 2041 and 2044 are term bonds that are also subject to the mandatory redemption amounts set out herein under “THE BONDS – Redemption of the Bonds – *Mandatory Redemption*.”

Source of PaymentPrincipal 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 City; or any entity other than the District. See “THE BONDS – Source of Payment.”

Authority for Issuance.....The Utility Bonds are issued pursuant to an order by the Texas Commission on Environmental Quality (the “TCEQ”); Article XVI, Section 59 of the Texas Constitution; the general laws of the State of Texas, particularly including Chapters 49 and 54, Texas Water Code, as amended; Chapter 8195 of the Texas Special District Local Laws Code; an order authorizing issuance of the Utility Bonds (the “Utility

Bond Order”) adopted by the Board of Directors of the District (the “Board”); and an election held within the boundaries of the District on September 21, 2005.

The Road 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 8195 of the Texas Special District Local Laws Code; an order authorizing the issuance of the Road Bonds (the “Road Bond Order”) adopted by the Board; and an election held within the boundaries of the District on May 20, 2008.

The Utility Bonds constitute the second series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a water, sewer, and drainage system to serve the District (the “Utility System”) and the Road Bonds constitute the second 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 on September 10, 2005, voters of the District authorized \$49,050,000 principal amount of unlimited tax bonds for the Utility System. At an election held on May 10, 2008, voters of the District authorized \$28,930,000 principal amount of unlimited tax bonds for the Road System. Following the issuance of the Bonds, \$42,605,000 principal amount of unlimited tax bonds for Utility System facilities and \$22,800,000 principal amount of unlimited tax bonds for Road System facilities will remain authorized but unissued. See “THE BONDS – Authority for Issuance.”

Outstanding Bonds.....	The District has previously issued its \$3,800,000 Unlimited Tax Utility Bonds, Series 2018 and \$2,995,000 Unlimited Tax Road Bonds, Series 2018. As of the date hereof, \$6,795,000 principal amount of such bonds remains outstanding (the “Outstanding Bonds”).
Payment Record.....	The Bonds represent the third and fourth series of unlimited tax bonds issued by the District. The District has never defaulted on the timely payment of principal and interest on its Outstanding Bonds.
Short-Term Debt.....	The District has issued its \$1,859,000 Bond Anticipation Note, Series 2019, dated May 14, 2019 (the “BAN”), and distributed proceeds from the sale of the BAN to finance Utility System facilities as described below. The BAN accrues interest at a rate of 3.00% per year (computed on the basis of a 360-day year) and matures on May 13, 2020, unless called for redemption prior to maturity, and is payable solely from the proceeds of the Utility Bonds.
Use of Proceeds of Utility Bonds.....	Proceeds from sale of the Utility Bonds will be used to redeem the BAN, the proceeds of which were used to reimburse Devonshire ASLI VIII (herein defined) for a portion of the construction costs set out herein under “THE BONDS – Use and Distribution of Utility Bond Proceeds.” Proceeds of the Utility Bonds will also be used to: reimburse Devonshire ASLI VIII for the portion of said construction costs that were not reimbursed by the BAN, pay twelve (12) months of capitalized interest on the Utility Bonds, and pay costs of issuance associated with the BAN and the Utility Bonds. See “THE BONDS – Use and Distribution of Utility Bond Proceeds” for further information.

Use of Proceeds of Road Bonds	Proceeds from the sale of the Road Bonds will be used to reimburse Devonshire ASLI VIII for the road construction costs set out herein under “THE BONDS – Use and Distribution of Road Bond Proceeds.” Proceeds of the Road Bonds will also be used to pay twelve (12) months of capitalized interest on the Road Bonds and to pay costs of issuance associated with the Road Bonds. See “THE BONDS – Use and Distribution of Road Bond Proceeds” for further information.
Qualified Tax-Exempt Obligations	The District has designated the Bonds as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Qualified Tax-Exempt Obligations.”
Municipal Bond Insurance	Build America Mutual Assurance Company. See “MUNICIPAL BOND INSURANCE.”
Ratings	S&P (BAM Insured): “AA.” See “RATING” above.
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, Houston, Texas.
Paying Agent/Registrar	Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas.

THE DISTRICT

Description	The District, which contains approximately 444.2 acres of land, is located in the extraterritorial jurisdiction of the City in Kaufman County, approximately 21 miles east of the central downtown business district of the City. The District is located approximately 3 miles northeast of the intersection State Highway 80 and Farm-to-Market 548. The District is bordered by undeveloped property to the southeast, Kaufman County Municipal Utility District No. 3 to the northeast, existing residential development and undeveloped property to the southwest and Ranch Road to the northwest. The District is located in the Forney Independent School District. See “THE DISTRICT – General” and “– Description.”
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 8195 of the Texas Special District Local Law Codes. The District is subject to the continuing supervision of the TCEQ. See “THE DISTRICT – General.”
The Developers	Devonshire (Dallas) ASLI VIII, LLC, a Delaware limited liability company (“Devonshire ASLI VIII”) and a wholly-owned subsidiary of Avanti Strategic Land Investors VIII, L.L.L.P., a Delaware limited liability partnership, acquired a majority of the undeveloped land in Devonshire including all of the undeveloped land within the District. Devonshire ASLI VIII has engaged Forney – RH, LLC, a Texas limited liability company and an affiliate of Haynes Development Company, a Texas based real estate investment and development company, to manage the further development of Devonshire. Devonshire ASLI VIII currently owns the approximately 400 acres of undeveloped but developable land within the District and has the right to retain

reimbursement from the District for operating advances and certain costs of utilities and roads as described herein. Additionally, Devonshire ASLI VIII owns the remaining undeveloped land within the Devonshire development.

Pulte Homes of Texas, L.P., a Texas limited partnership (“Pulte Homes”) purchased approximately 68.05 acres of land within the District from Devonshire ASLI VIII, LLC, on which it has developed 293 single family residential lots as Devonshire Phases 3A, 4A and 6. In addition, Pulte Homes is an active homebuilder within Devonshire Phases 3A, 4A and 6. Pulte Homes is a subsidiary of PulteGroup, Inc., which is a publicly traded company on the New York Stock Exchange and a national homebuilder. For more information, visit www.pultegroupinc.com.

Beazer Homes Texas L.P., a Delaware limited partnership (“Beazer Homes”) purchased approximately 39.76 acres of land within the District from Devonshire ASLI VIII, on which it has developed 166 single-family residential lots as Devonshire Phases 3B, 4B1 and 4B2. In addition, Beazer Homes is an active homebuilder within Devonshire Phases 3B, 4B1 and 4B2. The general partner of Beazer Homes is Beazer Homes Texas Holdings, Inc., and the limited partner of Beazer Homes is Beazer Homes Holding Corp.

Devonshire ASLI VIII, Pulte Homes, and Beazer Homes are collectively referred to herein as the “Developers.” See “THE DEVELOPERS” and “TAX DATA – Principal Taxpayers.”

Devonshire The District is part of the approximately 1,038 acre master-planned community of “Devonshire.” Devonshire is comprised of the District, Kaufman County Municipal Utility District No. 2 (“KC MUD 2”) and Kaufman County Municipal Utility District No. 3 (“KC MUD 3” or the “Master District”). The District, KC MUD 2 and KC MUD 3 are referred to herein as the “Devonshire Districts.” See “DEVONSHIRE.”

Status of Development The District contains approximately 444.2 acres. Land within the District has been developed as the single-family subdivisions of Devonshire, Phases 3A, 3B, 3C, 4A, 4B1, 4B2, 4C and 6 (an aggregated total of 148.66 acres and 616 lots). Additionally, approximately 107.82 acres are currently under development as the single-family subdivisions Devonshire, Phase 5 (22.74 acres and 113 lots), Phase 7 (31.14 acres and 137 lots), and Phase 13A (53.95 acres and 209 lots). As of October 1, 2019, the District included approximately 308 completed homes (of which approximately 302 are occupied and 6 are unoccupied), 43 homes under construction, and 265 vacant developed lots available for home construction. In addition, the District contains approximately 156.10 undeveloped but developable acres, approximately 2.99 acres for recreational purposes, and approximately 28.63 undevelopable acres. See “STATUS OF DEVELOPMENT.”

Status of Development (Devonshire) Land within Devonshire has been developed as the single-family subdivisions of Devonshire, Phases 1A, 1B, 1C, 2A, 2B, 2C, 2D, 3A, 3B, 3C, 4A, 4B1, 4B2, 4C, 6 and 9 (aggregating 502.7 acres and 1,802 lots). Additionally, approximately 143.0 acres are currently under development as the single-family subdivisions of Devonshire, Phase 5 (22.74 acres and 113 lots), Phase 7 (31.14 acres and 137 lots),

Phase 10A (4.49 acres and 14 lots), Phase 10B (30.69 acres and 90 lots) and Phase 13A (53.95 acres and 209 lots). Devonshire, Phases 3A, 3B, 3C, 4A, 4B1, 4B2, 4C and 6 are located within the District; Phases 1A, 1B, 1C, 2A, 2B, 2C and 2D are located within KC MUD 2, and Phases 9 is located within KC MUD 3. As of October 1, 2019, Devonshire consisted of approximately 1,802 single-family lots consisting of 1,172 completed homes, 74 homes under construction, and 556 vacant developed lots. In addition, Devonshire contains approximately 649.99 undeveloped but developable acres and approximately 70.87 undevelopable acres. Devonshire also contains an amenity center which lies on approximately 14 acres located within KC MUD 3 and approximately 3 acres for recreational purposes within the District.

Homebuilders Within the District.....Homebuilders active in the District include Pulte Homes, Beazer Homes and Perry Homes. The homes being marketed in the District range in price from approximately \$260,000 to \$360,000 and range in size from approximately 1,600 square feet to 3,300 square feet. See “STATUS OF DEVELOPMENT – Homebuilders within the District” and “THE DEVELOPERS.”

Regional FacilitiesThe Devonshire Joint Powers Agency (“Devonshire JPA”) was created by the District and other Devonshire Districts to provide the water supply and the wastewater treatment capacity as well as the regional water distribution, regional wastewater collection trunk lines and regional storm water collection trunklines necessary to serve Devonshire (collectively, the “Master Facilities”). See “THE UTILITY SYSTEM AND THE ROAD SYSTEM.”

RISK FACTORS

INVESTMENT IN THE BONDS IS 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.

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2019 Taxable Assessed Valuation.....	\$ 63,050,671	(a)
Estimated Valuation as of October 1, 2019.....	\$ 104,794,000	(b)
Direct Debt:		
The Outstanding Bonds.....	\$ 6,795,000	
The Utility Bonds	\$ 2,645,000	
The Road Bonds	<u>\$ 3,135,000</u>	
Total.....	\$ 12,575,000	
Estimated Overlapping Debt	<u>\$ 4,222,057</u>	(c)
Total Direct and Estimated Overlapping Debt	\$ 16,797,057	(c)
Direct Debt Ratio:		
As a percentage of the 2019 Taxable Assessed Valuation.....	19.94	%
As a percentage of the Estimate of Value as of October 1, 2019.....	12.00	%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of the 2019 Taxable Assessed Valuation.....	26.64	%
As a percentage of the Estimate of Value as of October 1, 2019.....	16.03	%
Utility System Debt Service Fund Balance (as of October 22, 2019).....	\$ 135,806	(d)
Road System Debt Service Fund Balance (as of October 22, 2019).....	\$ 106,175	(e)
General Operating Fund Balance (as of October 22, 2019).....	\$ 22,590	
2019 Tax Rates		
Utility System Debt Service	\$0.40	(f)
Road System Debt Service	\$0.31	(f)
Maintenance & Operation	<u>\$0.29</u>	
Total.....	\$1.00	
Average Annual Debt Service Requirement on the		
Outstanding Bonds and the Bonds (2020–2044)	\$ 752,678	(g)
Maximum Annual Debt Service Requirement on the		
Outstanding Bonds and the Bonds(2042).....	\$ 802,198	(g)
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay		
Average Annual Requirement (2020–2044) at 95% Tax Collections:		
Based on the 2019 Taxable Assessed Valuation.....	\$1.26	
Based on the Estimate of Value as of October 1, 2019	\$0.76	
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay		
Maximum Annual Requirement (2042) at 95% Tax Collections:		
Based on the 2019 Taxable Assessed Valuation.....	\$1.34	
Based on the Estimate of Value as of October 1, 2019	\$0.81	
Number of Single-Family Homes.....	351	(h)

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- (a) Certified taxable assessed value of all taxable property within the District as of January 1, 2019, provided by the Kaufman Central Appraisal District (the "Appraisal District"). This amount includes \$947,680 of uncertified value, which represents 80% of the total uncertified value provided by the Appraisal District which is the estimated minimum amount of the uncertified value that will ultimately be certified. 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, 2019, and includes an estimate of additional taxable value resulting from taxable improvements constructed in the District from January 1, 2019, through October 1, 2019. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
 - (c) See "DISTRICT DEBT – Estimated Overlapping Debt Statement."
 - (d) Upon closing of the Utility Bonds, twelve (12) months of capitalized interest on the Utility Bonds as well as accrued interest will be deposited into this fund. Neither Texas law nor the Utility Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Road System (e.g. the Road Bonds).
 - (e) Upon closing of the Road Bonds, twelve (12) months of capitalized interest on the Road Bonds as well as accrued interest will be deposited into this fund. Neither Texas law nor the Road 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.g., the Utility Bonds).
 - (f) The District is authorized to levy separate taxes for payment of debt service on bonds issued by the District for the Utility System and for payment of debt service on bonds issued for the Road System; both such taxes are unlimited as to rate or amount. The District has levied the following tax rate for 2019: a Utility System debt service tax of \$0.40 per \$100 of assessed valuation, a Road System debt service tax of \$0.31 per \$100 of assessed valuation and a maintenance and operations tax of \$0.29 per \$100 of assessed valuation for a total tax rate of \$1.00 per 100 of assessed valuation. See "TAX DATA – Tax Rate Calculations" and "RISK FACTORS – Future Debt."
 - (g) Requirement of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT – Debt Service Requirements."
 - (h) Approximate number of homes, including 43 under construction, within the District as of October 1, 2019.

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INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Kaufman County Municipal Utility District No. 4 (the "District") of its \$2,645,000 Unlimited Tax Utility Bonds, Series 2019 (the "Utility Bonds") and \$3,135,000 Unlimited Tax Road Bond, Series 2019 (the "Road Bonds"). The Utility Bonds and the Road Bonds are collectively referred to herein as the "Bonds."

The Utility Bonds are issued pursuant to an order by the Texas Commission on Environmental Quality (the "TCEQ"); Article XVI, Section 59 of the Texas Constitution; the general laws of the State of Texas, particularly including Chapters 49 and 54, Texas Water Code, as amended; Chapter 8195 of the Texas Special District Local Laws Code; an order authorizing issuance of the Utility Bonds (the "Utility Bond Order") adopted by the Board of Directors of the District (the "Board"); and an election held within the boundaries of the District on September 10, 2005.

The Road 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 8195 of the Texas Special District Local Laws Code; an order authorizing the issuance of the Road Bonds (the "Road Bond Order") adopted by the Board; and an election held within the boundaries of the District on May 10, 2008.

The Utility Bond Order and the Road Bond Order are collectively referred to herein as the "Bond Order," and 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 Dallas, Texas (the "City"); 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 residential, commercial, retail and multi-family housing industry, not only due to general economic conditions, but also due to the particular factors discussed below.

The disclosure language that is set forth below is intended for use in official statements for bonds where insurance is being contemplated or will be utilized. This disclosure language should be incorporated into the risk section or immediately following the section that discusses insurance for the bonds.

Bond Insurance Risk Factors

[The Issuer has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. The Issuer has yet to determine whether an insurance policy will be purchased with the Bonds. If an insurance policy is purchased, the following are risk factors relating to bond insurance.]

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such

acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the Issuer unless the Bond Insurer chooses to pay such amounts at an earlier date.

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

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of RATINGS herein.

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the Issuer or Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Issuer to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "Bond Insurance" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

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. Further declines in the price of oil could adversely affect demand for residential, commercial, retail and multi-family housing industry development. 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 Developers: The District's tax base is concentrated in a small number of taxpayers. As reflected in this Official Statement under the caption "TAX DATA – Principal Taxpayers," the District's ten principal taxpayers as of January 1, 2019, owned approximately 21.58% of the assessed value of property, including personal property, located in the District. In addition, the Developers (hereinafter defined) owned approximately 11.33% of the assessed value of property located in the District as of January 1, 2019. 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 “RISK FACTORS – Tax Collections and Foreclosure Remedies” below and “THE DEVELOPERS” 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 2019 tax year, the District has levied a total tax rate of \$1.00 per \$100 of assessed valuation comprised of: a Utility System debt service tax rate of \$0.40 per \$100 of assessed valuation, a Road System debt service tax rate of \$0.31 per \$100 of assessed valuation and a maintenance and operation tax rate of \$0.29 per \$100 of assessed valuation.

Developers’ Obligations to the District: There is no commitment by or legal requirement of the Developers 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, 2019, of all taxable property located within the District is \$63,050,671 and the estimate of value as of October 1, 2019 is \$104,794,000. See “TAX DATA.” After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds and the Bonds (2042) is \$802,198, and the average annual debt service requirement on the Outstanding Bonds and the Bonds (2020–2044) is \$752,678. Assuming no decrease to the District’s taxable assessed valuation as of January 1, 2019, combined debt service tax rates of \$1.34 and \$1.26 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no decrease from the estimate of value as of October 1, 2019, combined debt service tax rates of \$0.81 and \$0.76 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the 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.

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

The enforceability of the rights and remedies of Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Texas law requires a district, such as the District, to obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code.

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 petitioning District were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district. The District may not be placed into bankruptcy involuntarily.

Future Debt

Following the issuance of the Bonds, the District will have \$42,605,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer, and drainage system to serve the District (the "Utility System") and \$73,575,000 for the refunding of such bonds and \$22,800,000 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 \$43,395,000 for the refunding of such bonds will remain authorized but unissued. 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.

Following the issuance of the Bonds, the District will owe Devonshire ASLI VIII (hereinafter defined) approximately \$1,363,112 for the expenditures to construct water, sewer and drainage facilities and \$4,022,492 for construction of road facilities on behalf of the District.

Based on present engineering costs estimates and on development plans supplied by Devonshire ASLI VIII, in the opinion of the Engineer (hereinafter defined), following the issuance of the Bonds, the remaining principal amount of authorized but unissued bonds will be sufficient to fully reimburse Devonshire ASLI VIII 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.

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.

Collection of Taxes

The District's ability to pay debt service on the Bonds may be adversely affected by its ability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien on the property in favor of the District on a parity with the lien of all other state and local authorities. Such lien can be foreclosed in judicial proceedings. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) collection procedures, (b) a bankruptcy court's stay of a tax collection procedure against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property including the taxpayer's right to redeem property for a specified period of time after foreclosure at the foreclosure sale price. See "TAXING PROCEDURES – Levy and Collection of Taxes."

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 – Opinion."

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.

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 December 1, 2019, with interest payable on March 1, 2020, and on each September 1 and March 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption. Interest on the Bonds initially accrues from December 1, 2019, and thereafter from the most recent Interest Payment Date to which interest has been paid. The Bonds mature on March 1 of the years and in the amounts shown under “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS” 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 Zions Bancorporation, National Association, Amegy Bank Division, Houston, 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, 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. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of AA+ by S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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 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 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 Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas, as the initial Paying Agent/Registrar for the Bonds. The initial designated payment office for the Bonds is located in Houston, 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 United States Securities and Exchange Commission 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 Utility Bonds are issued pursuant to an order by the TCEQ; Article XVI, Section 59 of the Texas Constitution; the general laws of the State of Texas, particularly including Chapters 49 and 54, Texas Water Code, as amended; Chapter 8195 of the Texas Special District Local Laws Code; the Utility Bond Order adopted by the Board; and an election held within the boundaries of the District on September 21, 2005.

The Road 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 8195 of the Texas Special District Local Laws Code; the Road Bond Order adopted by the Board; and an election held within the boundaries of the District on May 9, 2008.

The Utility Bonds constitute the second series of unlimited tax bonds issued by the District for Utility System purposes to serve the District and the Road Bonds constitute the second series of unlimited tax bonds issued by the District for Road System purposes to serve the District. At an election held on November 21, 2005, voters of the District authorized \$49,050,000 principal amount of unlimited tax bonds for the Utility System and \$73,575,000 for the refunding of such bonds. At an election held on May 20, 2008, voters of the District authorized \$28,930,000 principal amount of unlimited tax bonds for the Road System and \$43,395,000 for the refunding of such bonds. Following the issuance of the Bonds, \$42,605,000 principal amount of unlimited tax bonds for Utility System facilities and \$73,575,000 for the refunding of such bonds and \$22,800,000 principal amount of unlimited tax bonds for Road System facilities and \$43,395,000 for the refunding of such bonds will remain authorized but unissued.

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

Election Date	Purpose	Amount Authorized	Issued to Date	Remaining Unissued
9/10/2005	Utility System	\$49,050,000	\$6,445,000 (a)	\$42,605,000
9/10/2005	Utility System Refunding	73,575,000	-	73,575,000
5/10/2008	Road System	28,930,000	\$6,130,000 (b)	22,800,000
5/10/2008	Road System Refunding	43,395,000	-	43,395,000

(a) Includes the Utility Bonds.

(b) Includes the Road Bonds.

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. 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 City; or any political subdivision or entity other than the District.

Redemption of the Bonds

- Optional Redemption -

Bonds maturing on March 1, 2025, 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 March 1, 2024, 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 such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity.

- Mandatory Redemption -

The Utility Bonds that mature on March 1 in the years 2034, 2036, 2038, 2040 and 2044 are terms bonds (the “Utility Term Bonds”) and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Utility Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Mandatory Redemption Date”), on March 1 in each of the years and in the principal amounts set forth in the following schedule:

\$225,000 Utility Term Bonds Maturing on March 1, 2034

<u>Mandatory Redemption Date (March 1)</u>	<u>Principal Amount</u>
2033	\$ 110,000
2034 (Maturity)	115,000

\$235,000 Utility Term Bonds Maturing on March 1, 2036

<u>Mandatory Redemption Date (March 1)</u>	<u>Principal Amount</u>
2035	\$ 115,000
2036 (Maturity)	120,000

\$255,000 Utility Term Bonds Maturing on March 1, 2038

<u>Mandatory Redemption Date (March 1)</u>	<u>Principal Amount</u>
2037	\$ 125,000
2038 (Maturity)	130,000

\$270,000 Utility Term Bonds Maturing on March 1, 2040

<u>Mandatory Redemption Date (March 1)</u>	<u>Principal Amount</u>
2039	\$ 135,000
2040 (Maturity)	135,000

\$590,000 Utility Term Bonds Maturing on March 1, 2044

<u>Mandatory Redemption Date (March 1)</u>	<u>Principal Amount</u>
2041	\$ 140,000
2042	145,000
2043	150,000
2044 (Maturity)	155,000

The Road Bonds that mature on March 1 in each of the years 2041 and 2044 are term bonds (the “Road Term Bonds” and together with the Utility Term Bonds, the “Term Bonds”) and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Road Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the Mandatory Redemption Date, on March 1 in each of the years and in the principal amounts set forth in the following schedule:

\$635,000 Road Term Bonds Maturing on March 1, 2041

<u>Mandatory Redemption Date (March 1)</u>	<u>Principal Amount</u>
2038	\$ 150,000
2039	155,000
2040	160,000
2041 (Maturity)	170,000

\$540,000 Road Term Bonds Maturing on March 1, 2044

<u>Mandatory Redemption Date (March 1)</u>	<u>Principal Amount</u>
2042	\$ 175,000
2043	180,000
2044 (Maturity)	185,000

The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of the mandatory sinking fund redemption of the Bonds shall be reduced, at the direction of the District, by the principal amount of any Term Bonds of such maturity which, at least 50 days prior to a mandatory redemption date, (1) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and cancelled by the Paying Agent/Registrar at the request of the District with monies in the respective Debt Service Fund at a price not exceeding the principal amount of the Term Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provision and not theretofore credited against a mandatory sinking fund redemption requirement.

Outstanding Bonds

The District has previously issued its \$3,800,000 Unlimited Tax Utility Bonds, Series 2018 and \$2,995,000 Unlimited Tax Road Bonds, Series 2018. As of the date hereof, \$6,795,000 principal amount of such bonds remains outstanding (the "Outstanding Bonds").

Short-Term Debt

In connection with the Utility Bonds, the District has issued its \$1,859,000 Bond Anticipation Note, Series 2019, dated May 14, 2019 (the "BAN"), and distributed proceeds from sale of the BAN to reimburse Devonshire ASLI VIII for a portion of construction costs to finance Utility System facilities as described in "THE BONDS – Use and Distribution of Utility Bond Proceeds." The BAN accrues interest at a rate of 3.00% per year (computed on the basis of a 360-day year) and matures on May 13, 2020, unless called for redemption prior to maturity, and is payable solely from the proceeds of the Utility Bonds.

Issuance of Additional Debt

The District's voters have authorized the District's issuance of a total of \$49,050,000 principal amount of unlimited tax bonds for the purpose constructing or acquiring the Utility System and \$73,575,000 for the refunding of such bonds and \$28,930,000 principal amount of unlimited tax bonds for the purpose constructing or acquiring the Road System and \$43,395,000 for the refunding of such bonds and could authorize additional amounts. Following the issuance of the Bonds, \$42,605,000 principal amount of unlimited tax bonds for Utility System facilities and \$73,575,000 for the refunding of such bonds and \$22,800,000 principal amount of unlimited tax bonds for Road System facilities and \$43,395,000 for the refunding of such bonds will remain authorized but unissued.

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.

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.

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.

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 Utility Bond Proceeds

Proceeds from sale of the Utility Bonds will be used to redeem the BAN, the proceeds of which were used to reimburse Devonshire ASLI VIII (herein defined) for a portion of the construction costs set out below. Proceeds of the Utility Bonds will also be used to: reimburse Devonshire ASLI VIII for the remaining construction costs set forth below that were not reimbursed by the BAN, pay twelve (12) months of capitalized interest on the Utility Bonds, and pay costs of issuance associated with the BAN and the Utility Bonds.

<u>Construction Costs</u>		<u>District's Share</u>
A. Developer Contribution Items		
1. None		\$ -
B. District Items		
Master District Connection Items		\$ <u>2,130,426</u>
Total Construction Costs		\$ <u>2,130,426</u>
<u>Non-Construction Costs</u>		
A. Legal Fees		\$ 76,125
B. Fiscal Agent Fees		52,900
C. Interest Costs		
1. Capitalized Interest (12 months)		82,429
2. Developer Interest		-
3. BAN Interest		33,771
D. Bond Discount		79,350
E. Bond Issuance Expenses		27,395
F. Bond Anticipation Note Costs		48,138
G. Bond Application Report Costs		40,000
H. Attorney General Fee		2,645
I. TCEQ Bond Issuance Fee		6,613
J. Contingency (a)		<u>65,208</u>
Total Non-Construction Costs		\$ <u>514,574</u>
TOTAL BOND ISSUE REQUIREMENT		\$ 2,654,000

(a) Represents the difference between the estimated and actual amount of capitalized interest on the Bonds and interest on the BAN.

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Use and Distribution of Road Bond Proceeds

Proceeds from the sale of the Road Bonds will be used to reimburse Devonshire ASLI VIII for the road construction costs set out below. Proceeds of the Road Bonds will also be used to pay twelve (12) months of capitalized interest on the Road Bonds and to pay costs of issuance associated with the Road Bonds.

<u>Construction Costs</u>	<u>District's Share</u>
A. District Items	
1. Engineering – Master Infrastructure 3 & 4	\$ 150,777
2. Engineering – Devonshire 3A	35,750
3. Engineering – Devonshire 3B	34,850
4. Engineering – Devonshire 4A & 4B	67,600
5. Engineering – Devonshire 3A	8,750
6. Engineering – Devonshire 3B (Construction)	9,000
7. Engineering – Devonshire 3B (Inspections)	15,000
8. Utilities – Devonshire 4C	120,868
9. Paving – Devonshire 4C	829,906
10. Engineering – Devonshire 4C	109,275
11. Land Costs – Devonshire MI3, 3A, 3B	244,727
12. Land Costs – Devonshire 4A & 4B1	635,138
13. Land Costs – Devonshire 4C	141,647
14. Land Costs – Devonshire 4B2	<u>211,109</u>
Total Construction Costs	<u>\$ 2,614,397</u>
<u>Non-Construction Costs</u>	
A. Legal Fees	\$ 87,700
B. Financial Advisor	62,700
C. Interest Costs	
1. Capitalized Interest (12 months)	89,700
2. Developer Interest	113,291
D. Bond Engineering Report	20,000
E. Bond Issuance Expense	37,840
F. Bond Discount	94,050
G. Attorney General's Fee	3,135
H. Contingency (a)	<u>12,187</u>
Total Non-Construction Costs	<u>\$ 520,603</u>
TOTAL BOND ISSUE REQUIREMENT	\$ 3,135,000

(a) Represents the difference between the estimated and actual amount of capitalized interest used on the Bonds.

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THE DISTRICT

General

The District is a limited-purpose political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution. The District was created by order of the TCEQ dated April 25, 2005. The District is vested with all of the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation to those conferred by Chapters 49 and 54, Texas Water Code, as amended. In addition, the District is authorized to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District is also empowered to purchase, construct, operate and maintain roads. The District may operate and maintain a fire department, independently or with one other conservation and reclamation districts, if approved by the voters and the TCEQ. The District does not operate and/or maintain a fire department. The District is subject to the continuing supervision of the TCEQ.

Description

The District is located in the extraterritorial jurisdiction of the City of Dallas (the “City”) in Kaufman County, approximately 21 miles east of the central downtown business district of the City. The District is located approximately 3 miles northeast of the intersection State Highway 80 and Farm-to-Market 548. The District is bordered by undeveloped property to the southeast, Kaufman County Municipal Utility District No. 3 to the northeast, existing residential development and undeveloped property to the southwest and Ranch Road to the northwest. The District is located in the Forney Independent School District.

At the time of creation, the District contained approximately 332 acres and after various annexations now contains approximately 444.2 acres.

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 and all members of the Board own real property located within the boundaries of the District. All directors serve four-year staggered terms:

Name	Position	Term Expires June
Jimmy Perryman	President	2020
Oliver A. Robinson	Vice President	2022
Nathaniel Klein	Secretary	2020
Rhodes Baker	Assistant Secretary	2020
Jackie Ramos	Assistant Secretary	2022

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, 2019, 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 J. Volk Consulting (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. See "PREPARATION OF OFFICIAL STATEMENT – Consultants."

STATUS OF DEVELOPMENT

The District contains approximately 444.2 acres. Land within the District has been developed as the single-family subdivisions of Devonshire, Phases 3A, 3B, 3C, 4A, 4B1, 4B2, 4C and 6 (an aggregated total of 148.66 acres and 616 lots). Additionally, approximately 107.82 acres are currently under development as the single-family subdivisions Devonshire, Phase 5 (22.74 acres and 113 lots), Phase 7 (31.14 acres and 137 lots), and Phase 13A (53.95 acres and 209 lots). As of October 1, 2019, the District included approximately 308 completed homes (of which approximately 302 are occupied and 6 are unoccupied), 43 homes under construction, and 265 vacant developed lots available for home construction. In addition, the District contains approximately 156.10 undeveloped but developable acres, approximately 2.99 acres for recreational purposes, and approximately 28.63 undevelopable acres.

The table below summarizes the development within the District as of October 1, 2019, by section.

Subdivision	Section Acreage	Section Lots	Homes Completed	Homes Construction	Vacant Lots
Devonshire 3A	15.71	82	82	0	0
Devonshire 3B	16.18	82	63	4	15
Devonshire 3C	10.51	6	0	0	6
Devonshire 4A & 4B1	29.10	106	94	1	0
Devonshire 4B2	14.63	61	19	25	28
Devonshire 4C	30.34	150	50	13	87
Devonshire 5 (a)	22.74	113	0	0	0
Devonshire 6	32.19	129	0	0	129
Devonshire 7 (a)	31.14	137	0	0	0
Devonshire 13A (a)	53.95	209	0	0	0
Totals	148.66(b)	616	308	43	265
Single-Family Developed	148.66				
Single-Family Under Development	107.82				
Recreation	2.99				
Undevelopable	28.63				
Remaining Developable	156.10				
District Total	444.20				

(a) Currently under development.

(b) Does not include land under development.

Homebuilders within the District

Homebuilders active in the District include Pulte Homes, Beazer Homes and Perry Homes. The homes being marketed in the District range in price from approximately \$260,000 to \$360,000 and range in size from approximately 1,600 square feet to 3,300 square feet.

DEVONSHIRE

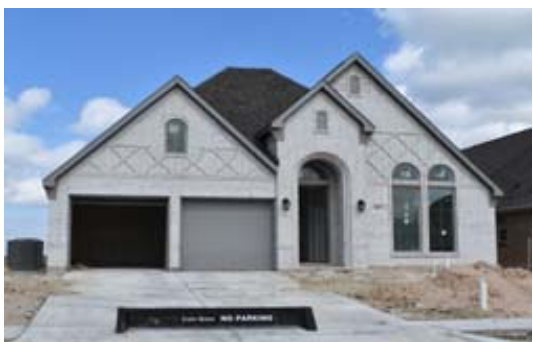
The District is part of the approximately 1,038 acre master-planned community of “Devonshire.” Devonshire is comprised of the District, Kaufman County Municipal Utility District No. 2 (“KC MUD 2”) and Kaufman County Municipal Utility District No. 3 (“KC MUD 3” or the “Master District”). The District, KC MUD 2 and KC MUD 3 are referred to herein as the “Devonshire Districts.”

Status of Development

Land within Devonshire has been developed as the single-family subdivisions of Devonshire, Phases 1A, 1B, 1C, 2A, 2B, 2C, 2D, 3A, 3B, 3C, 4A, 4B1, 4B2, 4C, 6 and 9 (aggregating 502.7 acres and 1,802 lots). Additionally, approximately 143.0 acres are currently under development as the single-family subdivisions of Devonshire, Phase 5 (22.74 acres and 113 lots), Phase 7 (31.14 acres and 137 lots), Phase 10A (4.49 acres and 14 lots), Phase 10B (30.69 acres and 90 lots) and Phase 13A (53.95 acres and 209 lots). Devonshire, Phases 3A, 3B, 3C, 4A, 4B1, 4B2, 4C and 6 are located within the District; Phases 1A, 1B, 1C, 2A, 2B, 2C and 2D are located within KC MUD 2, and Phases 9 is located within KC MUD 3. As of October 1, 2019, Devonshire consisted of approximately 1,802 single-family lots consisting of 1,172 completed homes, 74 homes under construction, and 556 vacant developed lots. In addition, Devonshire contains approximately 649.99 undeveloped but developable acres and approximately 70.87 undevelopable acres. Devonshire also contains an amenity center which lies on approximately 14 acres located within KC MUD 3 and approximately 3 acres for recreational purposes within the District. See “DEVONSHIRE – Status of Development.”

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PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(October 2019)



THE DEVELOPERS

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 Developers

- Devonshire ASLI VIII -

Devonshire (Dallas) ASLI VIII, LLC, a Delaware limited liability company ("Devonshire ASLI VIII") and a wholly-owned subsidiary of Avanti Strategic Land Investors VIII, L.L.P., a Delaware limited liability limited partnership, acquired a majority of the undeveloped land in Devonshire including all of the undeveloped land within the District. Devonshire ASLI VIII has engaged Forney – RH, LLC, a Texas limited liability company and an affiliate of Haynes Development Company, a Texas based real estate investment and development company, to manage the further development of Devonshire. Devonshire ASLI VIII currently owns the approximately 400 acres of undeveloped but developable land within the District and has the right to retain reimbursement from the District for operating advances and certain costs of utilities and roads as described herein. Additionally, Devonshire ASLI VIII owns the remaining undeveloped land within the Devonshire development.

- Pulte Homes -

Pulte Homes of Texas, L.P., a Texas limited partnership ("Pulte Homes") purchased approximately 68.05 acres of land within the District from Devonshire ASLI VIII, LLC, on which it has developed 194 single-family residential lots as Devonshire Phases 3A, 4A and 6. In addition, Pulte Homes is an active homebuilder within Devonshire Phases 3A, 4A and 6. Pulte Homes is a subsidiary of PulteGroup, Inc., which is a publicly traded company on the New York Stock Exchange and a national homebuilder. For more information, visit www.pultegroupinc.com.

- Beazer Homes -

Beazer Homes Texas L.P., a Delaware limited partnership ("Beazer Homes") purchased approximately 39.76 acres of land within the District from Devonshire ASLI VIII, on which it has developed 166 single-family residential lots as Devonshire Phases 3B, 4B1 and 4B2. In addition, Beazer Homes is an active homebuilder within Devonshire Phases 3B, 4B1 and 4B2. The general partner of Beazer Homes is Beazer Homes Texas Holdings, Inc., and the limited partner of Beazer Homes is Beazer Homes Holding Corp.

Devonshire ASLI VIII, Pulte Homes, and Beazer Homes are collectively referred to herein as the "Developers."

Development Financing

Devonshire ASLI VIII has financed the development of a portion of the land within the District with the outstanding loan detailed below:

Devonshire ASLI VIII has obtained a loan for approximately \$36,400,000 from the Bank of Ozarks. Such loan bears interest at 1-month LIBOR plus 4.25% and matures on January 24, 2020. As of November 5, 2019, the interest rate of the loan was floating at 6.03%. In addition, Devonshire ASLI VIII has conditional rights to extend such loan up to zero years. The loan is secured by lots, land and future reimbursements within Devonshire. The outstanding balance on the loan is \$3,894,352.97 as of November 5, 2019. According to the Bank of Ozarks, Devonshire ASLI VIII is in compliance with all material conditions of the loan.

Lot Sales Contracts

Devonshire ASLI VIII has entered into lot sales contracts with Perry Homes. Perry Homes has contracted for 150-50' lots as Devonshire Phase 4C. As of October 1, 2019, Perry Homes has purchased all the lots. According to Devonshire ASLI VIII, Perry Homes is in compliance with its lot sales contract.

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 City, 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.

Description of the Utility System

- Water Supply and Distribution -

The District's water supply is provided by the Devonshire Joint Powers Agency ("Devonshire JPA"). The Devonshire JPA has contracted with High Point Water Supply Corporation ("HPWSC") to provide water service to Devonshire. HPWSC receives fresh water from the City of Forney, which, in turn, receives water from the North Texas Municipal Water District (the "NTMWD"). The Devonshire JPA has paid HPWSC for water facilities that directly benefit Devonshire, including the District, consisting of an 800,000 gallon ground storage tank, two 17,000 gallon pressure tanks, two 2,200 gallon per minute booster pumps, and trunk water distribution lines. The Devonshire JPA initially contracted for enough capacity to serve approximately 1,111 equivalent single-family connections ("ESFCs"). Additionally, the Devonshire JPA has entered into a second agreement with HPWSC to reserve for the agency a pro rata portion of the treated water capacity in HPWSC's Phase 2 of their Pump Station Project contracting for additional capacity to serve approximately 1,902 additional ESFCs. In total, the Devonshire JPA has contracted for enough capacity to serve approximately 3,013 ESFCs for the development. The District does not receive any revenues from the sale of water. Water supply for the District is provided by HPWSC and all revenues from the collection of charges for water services are paid directly to HPWSC.

- Wastewater Treatment -

The District's wastewater treatment services is provided by the Devonshire JPA. The Devonshire JPA has contracted with the City of Forney, which has contracted with the NTMWD for wastewater service to Devonshire. The District's wastewater flows through trunk lines connected to an interceptor line owned and operated by NTMWD. Ultimately, the District's wastewater flows to the South Mesquite Regional Wastewater Treatment Plant (the "WWTP"), which is owned and operated by NTMWD. Through the Second Amendment to the Wastewater Service Contract, the Devonshire JPA has contracted for sufficient capacity to serve 5,448 ESFCs for the development.

- Drainage -

Stormwater runoff from the District drains (i) southeasterly to several points along FM 544 and eventually to Big Brushy Creek which feeds Cedar Creek Lake and (ii) west to Buffalo Creek which drains to the East Fork of the Trinity River.

- Devonshire Joint Powers Agency-

The Devonshire JPA is an administrative agency created through an Interlocal Contract between the Devonshire Districts, including the District, pursuant to Chapter 791 of the Texas Government Code. The Devonshire JPA oversees regional wastewater conveyance and treatment, water supply and conveyance, and storm sewer facilities (the "Master Facilities") and services to the Devonshire development. In particular, the Devonshire JPA administers the "Contract for Financing, Operation and Maintenance of Regional Water, Sanitary Sewer and Storm Sewer Facilities" entered into by the District and dated June 30, 2005, and identical contracts entered into by KC MUD 3 and KC MUD 2 (the "Master District Contract"), with KC MUD 3 acting in its capacity as the

“Master District.” The construction of the Master Facilities is financed through connection charges collected by the Devonshire JPA from the Master District, the District, and KC MUD 2 under the Master District Contract. The Devonshire JPA also administers the wastewater treatment contract with the City of Forney and the water supply contract with High Point Water Supply Corporation. The Devonshire JPA is governed by a five-member Board of Trustees. Two of the Trustees are appointed by the District, one of the Trustees is appointed by KC MUD 3, and two of the Trustees are appointed by the KC MUD 2.

Each Devonshire District is responsible for constructing its internal water distribution, wastewater collection and storm drainage lines within its respective boundaries. The internal facilities are financed with unlimited ad valorem tax bonds sold by each district. The Master Facilities will be constructed in stages to meet the needs of a continually expanding population within Devonshire. In the event that the Devonshire JPA fails to meet its obligations under the Master District Contract to provide Master Facilities, each of the other Devonshire Districts has the right pursuant to its Master District Contract to design, acquire, construct, or expand the Master Facilities needed to provide service to such district, and convey such Master Facilities to the Devonshire JPA in consideration of payment by the Devonshire JPA of the actual capital costs expended by such district for such Master Facilities.

The District is further obligated to pay monthly charges for water and sewer services rendered pursuant to its Master District Contract. The monthly charges will be used to pay the District's share of operation and maintenance expenses of the Master 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 ESFCs for all of the Devonshire Districts 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 Devonshire JPA.

Currently, the District's water supply is provided by the Devonshire JPA. The Devonshire JPA has contracted with High Point Water Supply Corporation (“High Point”) to provide water service to the Devonshire JPA. High Point receives fresh water from the City of Forney, Texas, which, in turn, receives water from NTMWD. The Devonshire JPA has paid High Point for water facilities that directly benefit the Devonshire JPA, including the District, consisting of an 800,000-gallon ground storage tank, two 17,000-gallon pressure tanks, two 2,200 gallons per minute booster pumps and trunk water distribution lines. The Devonshire JPA has funded enough capacity to serve approximately 1,133 ESFCs.

Pursuant to its 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 its Master District Contract, including the District's pro rata share of the Devonshire JPA's monthly charges. All sums payable by the District pursuant to its 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, its Master District Contract provides that the Devonshire JPA shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in the Master Facilities by the District in addition to the Devonshire JPA's other remedies. As a practical matter, the District has no alternative provider of these services rendered under its Master District Contract.

Description of the Road System

Construction of the road improvements within the boundaries of the District has been financed with funds advanced by Devonshire ASLI VIII, to be reimbursed with bond proceeds. The roads within the District vary in width in accordance with standards adopted by Kaufman County, but are sized to accommodate the anticipated traffic demands of full build-out of the property within the District. The District owns and maintains the roads within the District.

Historical Operations of the Utility System

The following statement sets forth in condensed form the historical results of operation of the Utility System. Such summary has been prepared by the Financial Advisor for inclusion herein, based upon information obtained from the District's audited financial statements for the fiscal years ended July 31, 2017, July 31, 2018 and July 31, 2019. Reference is made to such statement for further and more complete information. See "APPENDIX A."

	For Fiscal Year Ended July 31,		
	2019	2018	2017
<u>Revenues</u>			
Property taxes	\$ 243,724	\$ 159,740	\$ 30,934
Wastewater Service (a)	107,698	69,159	14,010
Penalty and Interest	4,504	5,802	-
Inspection Fees	148,289	117,000	86,000
Miscellaneous Revenue	<u>1,938</u>	<u>165</u>	<u>-</u>
Total Revenues	\$ 506,153	\$ 351,866	\$ 130,944
<u>Expenditures</u>			
Professional Fees	\$ 45,099	\$ 28,111	\$ 29,101
Contracted Services	45,987	15,543	4,407
Purchased Wastewater Service	51,334	73,946	18,335
Utilities	20,493	9,051	1,393
Repairs and Maintenance	1,813	3,998	
Other	<u>120,558</u>	<u>93,591</u>	<u>49,202</u>
Total Expenditures	\$ 285,284	\$ 224,240	\$ 102,438
Excess Revenues (Expenditures)	\$ 261,938	\$ 127,626	\$ 28,506
Developer Advances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,870</u>
Ending Fund Balance	\$ 421,550	\$ 159,612	\$ 31,986

(a) The District does not receive any revenues from the sale of water. Water supply for the District is provided by HPWSC and all revenues from the collection of charges for water services are paid directly to HPWSC.

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DISTRICT DEBT

2019 Taxable Assessed Valuation.....	\$ 63,050,671 (a)
Estimated Valuation as of October 1, 2019.....	\$ 104,795,000 (b)
Direct Debt:	
The Outstanding Bonds.....	\$ 6,795,000
The Utility Bonds	\$ 2,645,000
The Road Bonds	<u>\$ 3,135,000</u>
Total.....	\$ 12,575,000
Estimated Overlapping Debt	<u>\$ 4,222,057 (c)</u>
Total Direct and Estimated Overlapping Debt	\$ 16,797,057 (c)
Direct Debt Ratio:	
As a percentage of the 2019 Taxable Assessed Valuation.....	19.94 %
As a percentage of the Estimate of Value as of October 1, 2019.....	12.00 %
Direct and Estimated Overlapping Debt Ratio:	
As a percentage of the 2019 Taxable Assessed Valuation.....	26.64 %
As a percentage of the Estimate of Value as of October 1, 2019.....	16.03 %
Utility System Debt Service Fund Balance (as of October 22, 2019).....	\$ 135,806 (d)
Road System Debt Service Fund Balance (as of October 22, 2019).....	\$ 106,175 (e)
General Operating Fund Balance (as of October 22, 2019).....	\$ 22,590
2019 Tax Rates	
Utility System Debt Service	\$0.40 (f)
Road System Debt Service	\$0.31 (f)
Maintenance & Operation	<u>\$0.29</u>
Total.....	\$1.00
Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2020-2044)	\$ 752,678 (g)
Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2042).....	\$ 802,198 (g)
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Requirement (2020-2044) at 95% Tax Collections:	
Based on the 2019 Taxable Assessed Valuation	\$1.26
Based on the Estimate of Value as of October 1, 2019	\$0.76
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Requirement (2042) at 95% Tax Collections:	
Based on the 2019 Taxable Assessed Valuation.....	\$1.34
Based on the Estimate of Value as of October 1, 2019.....	\$0.81
Number of Single-Family Homes.....	351 (h)

-
- (a) Certified taxable assessed value of all taxable property within the District as of January 1, 2019, provided by the Kaufman Central Appraisal District (the "Appraisal District"). This amount includes \$947,680 of uncertified value, which represents 80% of the total uncertified value provided by the Appraisal District which is the estimated minimum amount of the uncertified value that will ultimately be certified. 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, 2019, and includes an estimate of additional taxable value resulting from taxable improvements constructed in the District from January 1, 2019, through October 1, 2019. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
 - (c) See "DISTRICT DEBT – Estimated Overlapping Debt Statement."
 - (d) Upon closing of the Utility Bonds, twelve (12) months of capitalized interest on the Utility Bonds as well as accrued interest will be deposited into this fund. Neither Texas law nor the Utility Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Road System (e.g. the Road Bonds).
 - (e) Upon closing of the Road Bonds, twelve (12) months of capitalized interest on the Road Bonds as well as accrued interest will be deposited into this fund. Neither Texas law nor the Road 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.g., the Utility Bonds).
 - (f) The District is authorized to levy separate taxes for payment of debt service on bonds issued by the District for the Utility System and for payment of debt service on bonds issued for the Road System; both such taxes are unlimited as to rate or amount. The District has levied the following tax rate for 2019: a Utility System debt service tax of \$0.40 per \$100 of assessed valuation, a Road System debt service tax of \$0.31 per \$100 of assessed valuation and a maintenance and operations tax of \$0.29 per \$100 of assessed valuation for a total tax rate of \$1.00 per 100 of assessed valuation. See "TAX DATA – Tax Rate Calculations" and "RISK FACTORS – Future Debt."
 - (g) Requirement of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT – Debt Service Requirements."
 - (h) Approximate number of homes, including 43 under construction, within the District as of October 1, 2019.

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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 September 30, 2019	Overlapping	
		Percent	Amount
Kaufman County	\$ 59,287,925	0.57%	\$ 337,763
Forney Independent School District	281,424,514	1.38	<u>3,884,294</u>
Total Estimated Overlapping Debt			\$ 4,222,057
Direct Debt (a)			<u>\$12,575,000</u>
Total Direct and Estimated Overlapping Debt (a)			\$ 16,797,057

(a) Includes the Bonds.

Debt Ratios

Direct Debt Ratio:

As a percentage of the 2019 Taxable Assessed Valuation.....	19.94 %
As a percentage of the Estimate of Value as of October 1, 2019.....	12.00 %

Direct and Estimated Overlapping Debt Ratio:

As a percentage of the 2019 Taxable Assessed Valuation.....	26.64 %
As a percentage of the Estimate of Value as of October 1, 2019.....	16.03 %

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Debt Service Requirements

The following schedule sets forth the annual debt service requirements on the Outstanding Bonds, as well as the principal and interest requirements of the Utility Bonds and the Road Bonds.

Calendar Year	Outstanding Debt Service	Plus: The Utility Bonds		Plus: The Road Bonds		Total Debt Service
		Principal	Interest	Principal	Interest	
2020	\$ 258,323	\$ -	\$ 59,034	\$ -	\$ 67,275	\$ 384,632
2021	441,010	75,000	77,025	90,000	88,350	771,385
2022	441,085	75,000	73,650	90,000	85,650	765,385
2023	445,473	80,000	70,163	95,000	82,875	773,510
2024	444,295	80,000	66,763	95,000	80,025	766,083
2025	447,678	85,000	64,313	100,000	77,100	774,090
2026	450,525	85,000	62,613	105,000	74,025	777,163
2027	452,818	90,000	60,863	105,000	70,875	779,555
2028	454,535	95,000	59,013	110,000	67,650	786,198
2029	450,454	95,000	56,994	115,000	64,275	781,723
2030	450,604	100,000	54,738	115,000	61,184	781,526
2031	455,198	105,000	51,975	120,000	58,319	790,491
2032	454,148	105,000	48,825	125,000	55,256	788,229
2033	452,548	110,000	45,600	130,000	52,069	790,216
2034	455,448	115,000	42,225	135,000	48,672	796,344
2035	452,848	115,000	38,775	140,000	45,063	791,685
2036	449,848	120,000	35,250	145,000	41,231	791,329
2037	456,248	125,000	31,575	145,000	37,244	795,066
2038	456,948	130,000	27,750	150,000	33,000	797,698
2039	452,044	135,000	23,775	155,000	28,425	794,244
2040	456,294	135,000	19,725	160,000	23,700	794,719
2041	454,669	140,000	15,600	170,000	18,750	799,019
2042	457,298	145,000	11,325	175,000	13,575	802,198
2043	454,203	150,000	6,900	180,000	8,250	799,353
2044	-	155,000	2,325	185,000	2,775	345,100
Total	<u>\$ 10,644,535</u>	<u>\$ 2,645,000</u>	<u>\$ 1,106,791</u>	<u>\$ 3,135,000</u>	<u>\$ 1,285,613</u>	<u>\$ 18,816,938</u>

Average Annual Debt Service Requirement (2020–2044) \$752,678
Maximum Annual Debt Service Requirement (2042)..... \$802,198

TAXING PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the “Property Tax Code”), specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized herein. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the Appraisal District. The Kaufman County 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 County 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.

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

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.

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

Under current law, the qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rates plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service and contract tax rates cannot be changed by a rollback election.

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date of January 1, 2020, which effectively restricts increases in the District's operation and maintenance tax rates by requiring rollback elections to reduce the operation and maintenance tax component of the District's total tax rate (collectively, the debt service tax rate, maintenance and operations tax rate and contract tax rate are the "total tax rate"). See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. SB 2 requires a reduction in the operation and maintenance tax component of the District's total tax rate if the District's total tax rate surpasses the thresholds for specific classes of districts in SB 2. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

SB 2 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 "Low Tax Rate Districts." 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 are classified herein as "Other Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

Low Tax Rate Districts

Low Tax Rate Districts 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 a rollback 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 Low Tax Rate District 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 a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate Districts.

Other Districts

Districts that do not meet the classification of a Low Tax Rate District or a Developed District are classified as Other Districts. The qualified voters of these districts, upon the Other District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If a rollback election is called and passes, the total tax rate for Other 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 Low Tax Rate District, Developed District or Other District will be made on an annual basis, at the time a district sets its tax rate, beginning with the 2020 tax rate. 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 rollback 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.

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) to five (5) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2019, no land within the District was designated for agricultural use, open space, inventory deferment, or timberland.

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 date of delinquency may be postponed if the tax bills are mailed after January 1. A person over sixty-five (65) years of age is entitled by law to pay current taxes on his residential homestead in installments or to defer tax without penalty during the time he owns and occupies the property as his residential homestead. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors of the District 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 the State and 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 a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, not to exceed \$1.00 per \$100 of assessed valuation, for operation and maintenance purposes. For the 2019 tax year, the District has levied a total tax rate of \$1.00 per \$100 of assessed valuation comprised of: a Utility System debt service tax rate of \$0.40 per \$100 of assessed valuation, a Road System debt service tax rate of \$0.31 per \$100 of assessed valuation and a maintenance and operation tax rate of \$0.29 per \$100 of assessed valuation.

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).
Maintenance:	\$1.00 per \$100 of assessed valuation.

Historical Tax Collections

The following table illustrates the collection history of the District for the 2016–2019 tax years:

Tax Year	Certified Taxable Value	Tax Rate (a)	Adjusted Tax Levy	Collections Current Year	Current Year Ending 9/30	Collections 8/31/19
2016	\$ 5,690,440	\$1.000	\$ 56,904	54.36%	2017	100.00%
2017	13,349,740	1.000	133,497	99.05	2018	99.42
2018	32,288,148	1.000	322,881	99.66	2019	99.66
2019	62,102,991 (c)	1.000	622,619	(b)	2020	(b)

(a) See “– Tax Rate Distribution” below.

(b) In process of collection.

(c) This amount excludes \$947,680 of uncertified value, which represents 80% of the total uncertified value provided by the Appraisal District which is the estimated minimum amount of the uncertified value that will ultimately be certified. See “TAX DATA” and “TAXING PROCEDURES.”

Tax Rate Distribution

	2019	2018	2017	2016
Utility System Debt Service	\$0.400	\$0.150	\$0.000	\$0.000
Road System Debt Service	0.310	0.100	0.000	0.000
Maintenance	<u>0.290</u>	<u>0.750</u>	<u>1.000</u>	<u>1.000</u>
Total	\$1.000	\$1.000	\$1.000	\$1.000

Analysis of Tax Base

The following table illustrates the District’s total taxable assessed value in the 2016–2019 tax years by type of property.

Type of Property	2019 Assessed Valuation	2018 Assessed Valuation	2017 Assessed Valuation	2016 Assessed Valuation (a)
Land	\$21,142,910	\$16,637,010	\$12,172,100	\$5,690,440
Improvements	41,102,492	15,723,600	981,200	-
Personal Property	228,580	248,490	196,440	-
Exemptions	<u>(370,991)</u>	<u>(320,952)</u>	<u>-</u>	<u>-</u>
Total	\$62,102,991 (b)	\$32,288,148	\$13,349,740	\$5,690,440

(a) The breakdown for the 2016 assessed valuation is not available from the Appraisal District.

(b) This amount excludes \$947,680 of uncertified value, which represents 80% of the total uncertified value provided by the Appraisal District which is the estimated minimum amount of the uncertified value that will ultimately be certified. See “TAX DATA” and “TAXING PROCEDURES.”

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2019, from original certification of the 2019 tax rolls by Appraisal District:

Taxpayer	Type of Property	Assessed Valuation 2019 Tax Roll	Percent of 2019 Tax Roll
Perry Homes LLC	Land & Improvements	\$ 4,550,000	7.31%
Devonshire Dallas ASLI VIII LLC (a)	Land & Improvements	3,136,350	5.04%
Pulte Homes of Texas LP(a)	Land & Improvements	2,151,100	3.45%
Beazer Homes of Texas LP (a)	Land & Improvements	1,745,780	2.80%
Homeowner	Land & Improvements	340,720	0.55%
Homeowner	Land & Improvements	304,770	0.49%
Homeowner	Land & Improvements	301,430	0.48%
Homeowner	Land & Improvements	297,840	0.48%
Homeowner	Land & Improvements	288,530	0.46%
Homeowner	Land & Improvements	288,140	0.46%
Total		\$ 13,404,660	21.58%

(a) See "THE DEVELOPERS" herein.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the combined debt service tax rates per \$100 of taxable assessed valuation that would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District's tax base occurs beyond the taxable assessed valuation as of January 1, 2019 (\$63,050,671), or the estimate of value as of October 1, 2019 (\$104,794,000). 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.

Average Annual Debt Service Requirement (2020-2044)	\$752,678
Combined Debt Service Tax Rate of \$1.26 on the 2019 Taxable Assessed Valuation produces.....	\$766,696
Combined Debt Service Tax Rate of \$0.76 on the Estimate of Value as of October 1, 2019 produces.....	\$766,568
Maximum Annual Debt Service Requirement (2042)	\$802,198
Combined Debt Service Tax Rate of \$1.34 on the 2019 Taxable Assessed Valuation produces.....	\$808,625
Combined Debt Service Tax Rate of \$0.81 on the Estimate of Value as of October 1, 2019 produces.....	\$806,390

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT DEBT - Estimated 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 2019 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.

	2019 Tax Rate Per \$100 of Assessed Value
The District	\$1.000000
Kaufman County	\$0.478700
Forney Independent School District	\$1.540000
Kaufman County Road and Bridge	\$0.110000
Kaufman County Emergency Service District No. 6	\$0.030000 (a)
Total Estimated Tax Rate	\$3.158700

(a) The overlapping entity is in process of levying their tax rate for the 2019 tax year.

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., Houston, Texas, Disclosure Counsel.

In addition to serving as Bond Counsel, Coats Rose, P.C., also acts as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid Bond Counsel and Disclosure Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

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 is then pending against or, to the best knowledge and belief of the certifying officers, threatened against the District contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority of proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the titles of the then present officers of the Board.

TAX MATTERS

Opinion

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 and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel 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 Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with 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.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

The District has, pursuant to the Bond Order, designated the Bonds as “qualified tax-exempt obligations” and certified its expectation that the above-described \$10,000,000 ceiling will not be exceeded for 2019. Accordingly, it is anticipated that financial institutions that purchase the Bonds will not be subject to the 100 percent disallowance of interest expense allocable to interest on the Bonds under Section 265(b) of the Code. However, 20 percent of the interest expense incurred by a financial institution which is allocable to the interest on the Bonds would not be deductible pursuant to Section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (“MSRB”). The MSRB has established the Electronic Municipal Market Access (“EMMA”) system which is available at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data via EMMA annually. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings “DISTRICT DEBT,” “TAX DATA,” and “APPENDIX A.” The District will update and provide this information to EMMA within six months after the end of each of its fiscal years. 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 EMMA within such six month period, and audited financial statements when the audit report becomes available.

The District's current fiscal year end is July 31. Accordingly, it must provide updated information by January 1 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the 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 business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material 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 CFR §240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or obligated person, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide 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 foregoing notices to the MSRB. The District is required to file its continuing disclosure information using EMMA, which is the format currently prescribed by the MSRB and has been established by the MSRB to make such continuing disclosure information available to investors free of charge. Investors may access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

The District entered into its first continuing disclosure agreement in 2018 and the District has complied in all material respects with this agreement in accordance with the Rule.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the District's records, the District Engineer, Devonshire ASLI VIII, the Tax Assessor/Collector, the Auditor, information publicly available from the Kaufman County 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, 2018, 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 DEVELOPERS," "DEVONSHIRE," and "STATUS OF DEVELOPMENT" has been provided by Devonshire ASLI VIII 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 generally and, in particular, the engineering information included in the sections captioned "THE DISTRICT" 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 experts in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning valuations, analysis of the tax base and percentages of tax collections contained in the sections captioned "TAX DATA" has been provided from information publicly available from the Kaufman County Appraisal District, and has been included herein in reliance upon the authority of such parties as experts in the field of tax assessing and collecting.

Certification as to Official Statement

At the time of payment for and delivery of the Bonds, the District will furnish the Initial Purchaser a certificate, executed by the President and Secretary of the Board of Directors of the District, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in this Official Statement, on the date thereof and on the date of delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, this Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; and (c) insofar as the descriptions and statements, including financial data, contained in this Official Statement, of or pertaining to entities other than the District, such statements and data have been obtained from sources which the District believes to be reliable, and the District has no reason to believe that they are untrue in any material respect.

Updating the Official Statement

If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case

less than 25 days after the “end of the underwriting period”), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser. The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the “end of the underwriting period” within the meaning of the Rule), unless the Initial Purchaser provides written notice the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the “end of the underwriting period” as defined in the Rule.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Kaufman County Municipal Utility District No. 4 as of the date shown on the cover page hereof.

/s/ Jimmy Perryman
President, Board of Directors
Kaufman County Municipal Utility District No. 4

ATTEST:

/s/ Nathaniel Klein
Secretary, Board of Directors
Kaufman County Municipal Utility District No. 4

APPENDIX A
AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

**KAUFMAN COUNTY MUNICIPAL
UTILITY DISTRICT NO. 4**

KAUFMAN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2019

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

**KAUFMAN COUNTY MUNICIPAL
UTILITY DISTRICT NO. 4**

KAUFMAN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2019

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Kaufman County Municipal Utility District No. 4 (the "District"), as of and for the year ended July 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of July 31, 2019, 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.

Other Matters

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, 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.

Other 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 any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

November 19, 2019

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2019**

Management's discussion and analysis of Kaufman County Municipal Utility District No. 4's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended July 31, 2019. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2019**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI").

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 \$922,530 as of July 31, 2019. A portion of the District's net position reflects its net investment in capital assets (land, roads and capacity in the Devonshire Joint Powers Agency facilities as well as the District's water, wastewater and drainage facilities, less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of government-wide changes in net position:

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2019	2018	Change Positive (Negative)
Current and Other Assets	\$ 997,935	\$ 173,025	\$ 824,910
Capital Assets (Net of Accumulated Depreciation)	13,937,494	9,348,845	4,588,649
Total Assets	\$ 14,935,429	\$ 9,521,870	\$ 5,413,559
Due to Developer	\$ 7,078,958	\$ 7,633,205	\$ 554,247
Bonds Payable	6,762,664		(6,762,664)
Bond Anticipation Note Payable	1,859,000	2,012,000	153,000
Other Liabilities	157,337	41,400	(115,937)
Total Liabilities	\$ 15,857,959	\$ 9,686,605	\$ (6,171,354)
Net Position:			
Net Investment in Capital Assets	\$ (1,594,752)	\$ (321,259)	\$ (1,273,493)
Restricted	253,453		253,453
Unrestricted	418,769	156,524	262,245
Total Net Position	\$ (922,530)	\$ (164,735)	\$ (757,795)

The following table provides a summary of the District's operations for the years ending July 31, 2019, and July 31, 2018.

	Summary of Changes in the Statement of Activities		
	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 325,374	\$ 134,552	\$ 190,822
Charges for Services	255,987	186,159	69,828
Other Revenues	8,091	5,974	2,117
Total Revenues	\$ 589,452	\$ 326,685	\$ 262,767
Expenses for Services	1,347,247	545,506	(801,741)
Change in Net Position	\$ (757,795)	\$ (218,821)	\$ (538,974)
Net Position, Beginning of Year	(164,735)	54,086	(218,821)
Net Position, End of Year	\$ (922,530)	\$ (164,735)	\$ (757,795)

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of July 31, 2019, were a deficit of \$900,218, which was an increase of \$980,939 from the prior year.

The General Fund fund balance increased by \$261,938 due to service and tax revenues exceeding operating and administrative costs.

The Debt Service Fund was opened in the current year with the deposit of Series 2018 road and utility bond proceeds. As of July 31, 2019, the Debt Service Fund fund balance was \$372,726.

The Capital Projects Fund fund balance increased by \$346,275, primarily due to the sale of bonds. As of July 31, 2019, the Capital Projects Fund carried a deficit fund balance of \$1,694,494, due to the issuance of the Series 2019 Bond Anticipation Note ("BAN").

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated General Fund budget for the current fiscal year. Actual revenues were \$60,493 higher than budgeted revenues, primarily due to higher than anticipated property tax revenues. Actual expenditures exceeded budgeted expenditures by \$8,289, primarily due to higher than anticipated utilities and bond application costs offset by lower than anticipated purchased and contracted services.

CAPITAL ASSETS

Capital assets as of July 31, 2019, total \$13,937,494, (net of accumulated depreciation) and include land and roads as well as the water, wastewater and drainage facilities and the District's capacity interest in the Devonshire Joint Powers Agency facilities. Current year capital asset additions included road and utilities infrastructure paid for by the Developer and reimbursed by the District from proceeds of a utility bond sale, road bond sale and the sale of a BAN.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,333,410	\$ 1,333,410	\$
Capital Assets, Net of Accumulated Depreciation:			
Roads	4,430,977	3,142,498	1,288,479
Water System	1,760,780	1,233,617	527,163
Wastewater System	1,721,406	1,081,448	639,958
Drainage System	1,576,735	1,212,103	364,632
Capacity in Devonshire Joint Powers Agency	3,114,186	1,345,769	1,768,417
Total Net Capital Assets	<u>\$ 13,937,494</u>	<u>\$ 9,348,845</u>	<u>\$ 4,588,649</u>

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2019

LONG-TERM DEBT ACTIVITY

As of July 31, 2019, the District had total bond debt payable of \$6,795,000. The changes in the debt position of the District during the fiscal year ended July 31, 2019, are summarized as follows:

Bond Debt Payable, August 1, 2018	\$ - 0 -
Add: Bond Sales -	
Series 2018 Utility	3,800,000
Series 2018 Road	<u>2,995,000</u>
Bond Debt Payable, July 31, 2019	<u>\$ 6,795,000</u>

The District's Series 2018 Utility Bonds and Series 2018 Road Bonds do not have insured ratings and the District does not carry an underlying rating.

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 Kaufman County Municipal Utility District No. 4, c/o Coats Rose, P.C., 14755 Preston Road, Suite 600, Dallas, Texas 75254.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2019

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 414,601	\$ 376,895
Receivables:		
Property Taxes	1,089	279
Other	1,417	
Due from Other Funds	4,169	
Due from Devonshire Joint Powers Agency	33,226	
Advance for Joint Operations	5,922	
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 460,424</u>	<u>\$ 377,174</u>
LIABILITIES		
Accounts Payable	\$ 37,785	\$
Accrued Interest Payable		
Due to Developer		
Due to Other Funds		4,169
Bond Anticipation Note Payable		
Long-Term Liabilities:		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 37,785</u>	<u>\$ 4,169</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	<u>\$ 1,089</u>	<u>\$ 279</u>
FUND BALANCES (DEFICIT)		
Nonspendable:		
Operating Advance	\$ 5,922	\$
Restricted for Authorized Construction		
Restricted for Debt Service		372,726
Unassigned	<u>415,628</u>	
TOTAL FUND BALANCES (DEFICIT)	<u>\$ 421,550</u>	<u>\$ 372,726</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 460,424</u>	<u>\$ 377,174</u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 164,506	\$ 956,002	\$	\$ 956,002
	1,368		1,368
	1,417		1,417
	4,169	(4,169)	
	33,226		33,226
	5,922		5,922
		1,333,410	1,333,410
		12,604,084	12,604,084
<u>\$ 164,506</u>	<u>\$ 1,002,104</u>	<u>\$ 13,933,325</u>	<u>\$ 14,935,429</u>
\$	\$ 37,785	\$	\$ 37,785
		119,552	119,552
		7,078,958	7,078,958
	4,169	(4,169)	
1,859,000	1,859,000		1,859,000
		6,762,664	6,762,664
<u>\$ 1,859,000</u>	<u>\$ 1,900,954</u>	<u>\$ 13,957,005</u>	<u>\$ 15,857,959</u>
<u>\$ - 0 -</u>	<u>\$ 1,368</u>	<u>\$ (1,368)</u>	<u>\$ - 0 -</u>
\$	\$ 5,922	\$ (5,922)	\$
(1,694,494)	(1,694,494)	1,694,494	
	372,726	(372,726)	
	415,628	(415,628)	
<u>\$ (1,694,494)</u>	<u>\$ (900,218)</u>	<u>\$ 900,218</u>	<u>\$ - 0 -</u>
<u>\$ 164,506</u>	<u>\$ 1,002,104</u>		
		\$ (1,594,752)	\$ (1,594,752)
		253,453	253,453
		418,769	418,769
		<u>\$ (922,530)</u>	<u>\$ (922,530)</u>

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JULY 31, 2019

Fund Balances - Governmental Funds	\$	(900,218)
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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.		13,937,494
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Deferred inflows of resources related to property tax revenues for the 2018 and prior tax levies became part of recognized revenue in the governmental activities of the District.		1,368
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	(7,078,958)	
Accrued Interest Payable	(119,552)	
Bonds Payable	<u>(6,762,664)</u>	<u>(13,961,174)</u>

Total Net Position - Governmental Activities	\$	<u>(922,530)</u>
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The accompanying notes to the financial
statements are an integral part of this report.

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KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Property Taxes	\$ 243,724	\$ 81,064
Wastewater Service	107,698	
Penalty and Interest	4,504	89
Inspection Fees	148,289	
Investment and Miscellaneous Revenues	<u>1,938</u>	<u>1,560</u>
TOTAL REVENUES	<u>\$ 506,153</u>	<u>\$ 82,713</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 45,099	\$
Contracted Services	45,987	2,978
Purchased Wastewater Service	51,334	
Utilities	20,493	
Repairs and Maintenance	1,813	
Depreciation		
Other	79,861	4,080
Capital Outlay		
Debt Service:		
BAN/Bond Issuance Costs	40,697	
BAN/Bond Interest		<u>90,413</u>
TOTAL EXPENDITURES/EXPENSES	<u>\$ 285,284</u>	<u>\$ 97,471</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	<u>\$ 220,869</u>	<u>\$ (14,758)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In (Out)	\$ 41,069	\$
Bond Discount		
Proceeds from Issuance of Long-Term Debt		<u>387,484</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 41,069</u>	<u>\$ 387,484</u>
NET CHANGE IN FUND BALANCES	\$ 261,938	\$ 372,726
CHANGE IN NET POSITION		
FUND BALANCES(DEFICIT)/NET POSITION - AUGUST 1, 2018	<u>159,612</u>	
FUND BALANCES(DEFICIT)/NET POSITION - JULY 31, 2019	<u><u>\$ 421,550</u></u>	<u><u>\$ 372,726</u></u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 324,788	\$ 586	\$ 325,374
	107,698		107,698
	4,593		4,593
	148,289		148,289
	3,498		3,498
<u>\$ - 0 -</u>	<u>\$ 588,866</u>	<u>\$ 586</u>	<u>\$ 589,452</u>
\$	\$ 45,099	\$	\$ 45,099
	48,965		48,965
	51,334		51,334
	20,493		20,493
	1,813		1,813
		242,046	242,046
	83,941		83,941
5,384,942	5,384,942	(5,384,942)	
585,203	625,900		625,900
16,627	107,040	120,616	227,656
<u>\$ 5,986,772</u>	<u>\$ 6,369,527</u>	<u>\$ (5,022,280)</u>	<u>\$ 1,347,247</u>
<u>\$ (5,986,772)</u>	<u>\$ (5,780,661)</u>	<u>\$ 5,022,866</u>	<u>\$ (757,795)</u>
\$ (41,069)	\$	\$	\$
(33,400)	(33,400)	33,400	
<u>6,407,516</u>	<u>6,795,000</u>	<u>(6,795,000)</u>	
<u>\$ 6,333,047</u>	<u>\$ 6,761,600</u>	<u>\$ (6,761,600)</u>	<u>\$ - 0 -</u>
\$ 346,275	\$ 980,939	\$ (980,939)	\$
		(757,795)	(757,795)
<u>(2,040,769)</u>	<u>(1,881,157)</u>	<u>1,716,422</u>	<u>(164,735)</u>
<u>\$ (1,694,494)</u>	<u>\$ (900,218)</u>	<u>\$ (22,312)</u>	<u>\$ (922,530)</u>

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2019

Net Change in Fund Balances - Governmental Funds	\$	980,939
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		586
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Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(242,046)
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Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		5,384,942
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Governmental funds report bond discounts as other financing uses in the year paid. However, in the Statement of Net Position, the bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.		33,400
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Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		(120,616)
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Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.		(6,795,000)
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Change in Net Position - Governmental Activities	\$	(757,795)
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The accompanying notes to the financial
statements are an integral part of this report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 1. CREATION OF DISTRICT

Kaufman County Municipal Utility District No. 4 (the “District”), was created April 25, 2005, by order of the Texas Commission on Environmental Quality (the “Commission”), as a limited purpose political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI , Section 59 and Article III, Section 52 of the Texas Constitution. The District is under the oversight of the Commission. The District is vested with all of the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation to those conferred by Chapters 49 and 54, Texas Water Code, as amended. The Board of Directors held its organizational meeting on June 30, 2005.

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. 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.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition 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.

Fund Financial Statements

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

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

General Fund – To account for resources not required to be accounted for in another fund, customer service revenues, maintenance tax revenues, operating costs and general expenditures.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

Debt Service Fund – To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

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

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of July 31, 2019, the Debt Service Fund owed the General Fund \$4,169 for maintenance tax collections. During the current year, the Capital Projects Fund transferred \$41,069 to the General Fund to reimburse the General Fund for bond application costs.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as expenses 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. The District chose to early implement GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Interest costs will no longer be capitalized as part of the asset but will be shown as an expenditure in the fund financial statements and as an expense in the government-wide financial statements. Engineering fees and certain other costs are capitalized as part of the asset.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
Roads	10-50

Budgeting

In compliance with governmental accounting principles, the Board of Directors is required to annually adopt an unappropriated budget for the General Fund. The budget was not amended during the current fiscal 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 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. 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.

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.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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 and 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.

NOTE 3. LONG-TERM DEBT

	Series 2018 Utility	Series 2018 Road
Amount Outstanding – July 31, 2019	\$ 3,800,000	\$ 2,995,000
Interest Rates	2.50%-4.125%	2.50%-4.15%
Maturity Dates	March 1, 2021/2043	March 1, 2021/2043
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	March 1, 2023*	March 1, 2023*

*Or any date thereafter at a price of par plus unpaid accrued interest, in whole or in part, at the option of the District. Series 2018 Utility bonds maturing on March 1, 2035, March 1, 2039, and March 1, 2043 are subject to mandatory redemption by random selection beginning March 1, 2033, March 1, 2036, and March 1, 2040, respectively. Series 2018 Road bonds maturing on March 1, 2035, March 1, 2038, March 1, 2040, and March 1, 2043 are subject to mandatory redemption by random selection beginning March 1, 2032, March 1, 2036, March 1, 2039, and March 1, 2041, respectively.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended July 31, 2019:

	August 1, 2018	Additions	Retirements	July 31, 2019
Bonds Payable	\$	\$ 6,795,000	\$	\$ 6,795,000
Unamortized Discounts		(33,400)	(1,064)	(32,336)
Bonds Payable, Net	\$ -0-	\$ 6,761,600	\$ (1,064)	\$ 6,762,664
Amount Due Within One Year				\$ -0-
Amount Due After One Year				6,762,664
Bonds Payable, Net				\$ 6,762,664

As of July 31, 2019, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2020	\$	\$ 258,323	\$ 258,323
2021	185,000	258,322	443,322
2022	190,000	253,698	443,698
2023	200,000	248,473	448,473
2024	205,000	242,472	447,472
2025-2029	1,170,000	1,106,238	2,276,238
2030-2034	1,425,000	871,149	2,296,149
2035-2039	1,740,000	562,838	2,302,838
2040-2043	1,235,000	158,778	1,393,778
	<u>\$ 6,795,000</u>	<u>\$ 3,978,697</u>	<u>\$ 10,773,697</u>

The District has authorized but unissued utility system bonds in the amount of \$45,250,000, road system bonds in the amount of \$25,935,000, utility system refunding bonds in the amount of \$73,575,000, and road system refunding bonds in the amount of \$43,395,000. The District voters also authorized the issuance of refunding bonds of one and one-half times the amount of previously issued bonds.

During the year ended July 31, 2019, the District levied an ad valorem debt service tax rate of \$0.25 per \$100 of assessed valuation (comprised of \$0.15 for utilities and \$0.10 for roads), which resulted in a tax levy of \$81,343 on the adjusted taxable valuation of \$32,537,468 for the 2018 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 3. LONG-TERM DEBT (Continued)

The District's tax calendar is as follows:

Levy Date - October 1, or as soon thereafter as practicable.

Lien Date - January 1.

Due Date - Not later than January 31.

Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the Bonds be rebated to the federal government, within the meaning of Section 148(f) of the Internal Revenue Code. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of each issue.

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

In accordance with the Series 2018 Utility and Series 2018 Road bond orders, bond proceeds totaling \$387,484 was deposited into the Debt Service Fund and restricted for the payment of bond interest. Interest payments made in the current fiscal year totaled \$90,413.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$956,002 and the bank balance was \$983,882. The District was not exposed to custodial credit risk at year-end.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at July 31, 2019, as listed below:

	<u>Cash</u>
GENERAL FUND	\$ 414,601
DEBT SERVICE FUND	376,895
CAPITAL PROJECTS FUND	<u>164,506</u>
TOTAL DEPOSITS	<u><u>\$ 956,002</u></u>

Investments

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

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy 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, 2019, the District did not have any investments.

Restrictions

All cash and investments of the Debt Service Fund are restricted for payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended July 31, 2019, is as follows:

	August 1, 2018	Increases	Decreases	July 31, 2019
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 1,333,410	\$ -0-	\$ -0-	\$ 1,333,410
Capital Assets Subject to Depreciation				
Roads	\$ 3,245,403	\$ 1,380,947	\$	\$ 4,626,350
Water System	1,272,297	564,378		1,836,675
Wastewater System	1,114,770	675,654		1,790,424
Drainage System	1,244,029	398,854		1,642,883
Capacity in Devonshire Joint Powers Agency	1,380,276	1,810,862		3,191,138
Total Capital Assets Subject to Depreciation	\$ 8,256,775	\$ 4,830,695	\$ - 0 -	\$ 13,087,470
Less Accumulated Depreciation				
Roads	\$ 102,905	\$ 92,468	\$	\$ 195,373
Water System	38,680	37,215		75,895
Wastewater System	33,322	35,696		69,018
Drainage System	31,926	34,222		66,148
Capacity in Devonshire Joint Powers Agency	34,507	42,445		76,952
Total Accumulated Depreciation	\$ 241,340	\$ 242,046	\$ - 0 -	\$ 483,386
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 8,015,435	\$ 4,588,649	\$ - 0 -	\$ 12,604,084
Total Capital Assets, Net of Accumulated Depreciation	\$ 9,348,845	\$ 4,588,649	\$ - 0 -	\$ 13,937,494

NOTE 7. MAINTENANCE TAX

On September 10, 2005, 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 waterworks and wastewater systems or for any other lawful purpose. During the current fiscal year, the District levied an ad valorem maintenance tax rate of \$0.75 per \$100 of assessed valuation, which resulted in a tax levy of \$244,031 on the adjusted taxable valuation of \$32,537,468 for the 2018 tax year.

NOTE 8. CONTRACT WITH DEVONSHIRE JOINT POWERS AGENCY

On June 30, 2005, the District executed a 50-year contract with Kaufman County Municipal Utility District No. 3 ("Master District") for the financing, operation and maintenance of the Master District's regional water, sanitary sewer and drainage facilities. The contract was

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 8. CONTRACT WITH DEVONSHIRE JOINT POWERS AGENCY (Continued)

amended and assigned to the Devonshire Joint Powers Agency (“Agency”). The Agency administers the contract for the Participants. The District, Kaufman County Municipal Utility District No. 3 and Kaufman County Municipal Utility District No. 2 are the Participants at this time. The District is authorized to levy a tax sufficient to make payments required under the contract with the Master District.

The District’s water supply is provided by the Agency. The Agency has contracted with High Point Water Supply Corporation (“High Point”) to provide water service to the Agency. High Point receives fresh water from the City of Forney, Texas (“City”), which, in turn, receives water from North Texas Municipal Water District (“NTMWD”). The Agency has paid High Point for water facilities that directly benefit the Agency, including the District, consisting of an 800,000-gallon ground storage tank, two 17,000-gallon pressure tanks, two 2,200 gallons per minute booster pumps and trunk water distribution lines. The Agency has contracted for enough capacity to serve approximately 3,013 equivalent single-family connections (“ESFCs”).

The District’s wastewater service is provided by the Agency. The Agency has contracted with the City, which has contracted with NTMWD for wastewater service to the Agency. The District’s wastewater flows through trunk lines connected to an interceptor line owned and operated by NTMWD. Ultimately, the District’s wastewater flows to the South Mesquite Regional Wastewater Treatment Plant (the “WWTP”), which is owned and operated by NTMWD. The Agency has contracted for sufficient capacity in the WWTP to serve 5,448 ESFCs.

The Agency owns and operates the facilities which it finances through connection charges paid by each Participant. The Agency bills each Participant its share of the monthly operating charges based on a current monthly unit cost per connection of \$21.64 times the number of residential and commercial connections for each Participant. The District has funded its share of the operating reserve in the amount of \$5,922.

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, error and omission and natural disasters for which the District carries commercial insurance. There have been no significant changes in coverage from the prior year and there have been no settlements in the past three years.

NOTE 10. UNREIMBURSED DEVELOPER COSTS

The District has executed financing agreements which call for the Developer to fund costs associated with the construction of utilities and roads. As of July 31, 2019, \$7,075,088 has been recorded as a liability in the Statement of Net Position for completed construction projects. In addition, the Developer has advanced a total of \$3,870 for operating costs. Reimbursement to the Developer will come from future bond sales or other available funds.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 11. BOND ANTICIPATION NOTE AND DEFICIT FUND BALANCE

On May 14, 2019, the District sold its Series 2019 Bond Anticipation Note in the amount of \$1,859,000. Proceeds of the BAN were used to reimburse the Developer for a portion of the Master District connection costs and issuance costs of the BAN. The BAN accrues interest at a rate of 3.00% and is due May 13, 2020.

The District has recorded a deficit fund balance in the Capital Projects Fund of \$1,694,494. This deficit was incurred as a result of the District issuing its Series 2019 BAN. The amount due on the BAN is recorded as a current liability of the Capital Projects Fund. The District expects the deficit to be alleviated upon the approval and sale of bonds in the last quarter of 2019.

NOTE 12. BOND SALES

On October 25, 2018, the District closed on the sale of its \$2,995,000 Series 2018 Unlimited Tax Road Bonds. Proceeds from the sale were used to reimburse the Developer for Devonshire Master Infrastructure - Villages 3 and 4 paving, Devonshire Villages 3A and 3B paving and land costs. Additional proceeds were used to pay issuance costs of the bonds.

On October 25, 2018, the District closed on the sale of its \$3,800,000 Series 2018 Unlimited Tax Utility Bonds. Proceeds from the sale were used to retire the Series 2018 BAN and reimburse the Developer for the remaining portion of the water, wastewater, and drainage facilities serving Devonshire Master Infrastructure - Villages 3 and 4, Devonshire Villages 3A and 3B, and related engineering and land costs. Additional proceeds were used to pay for issuance costs of the bonds.

NOTE 13. SUBSEQUENT EVENTS - PENDING BOND SALES

Subsequent to the report date, on or about December 18, 2019, the District anticipates closing on the sale of its \$2,645,000 Series 2019 Unlimited Tax Utility Bonds. Proceeds from the sale will be used to reimburse the Developer for the remaining Master District Connection Charges not reimbursed by BAN proceeds and to retire the Series 2019 BAN. Additional proceeds will be used to pay bond issuance costs, BAN issuance costs, BAN interest and capitalized interest.

Subsequent to the report date, on or about December 18, 2019, the District anticipates closing on the sale of its \$3,135,000 Series 2019 Unlimited Tax Road Bonds. Proceeds from the sale will be used to reimburse the Developer for: engineering costs to serve Master Infrastructure 3 and 4, Devonshire 3A, 3B construction and inspections, 4A, 4B and 4C; utilities and paving serving Devonshire 4C; and land costs for Devonshire MI3, 3A, 3B, 4A, 4B1, 4B2 and 4C. Additional proceeds will be used for capitalized interest, developer interest and additional issuance costs of the bonds.

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KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

REQUIRED SUPPLEMENTARY INFORMATION

JULY 31, 2019

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACUAL – GENERAL FUND
FOR THE YEAR ENDED JULY 31, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 131,860	\$ 243,724	\$ 111,864
Wastewater Service	121,500	107,698	(13,802)
Inspection Fees	192,000	148,289	(43,711)
Investment and Miscellaneous Revenues	<u>300</u>	<u>6,442</u>	<u>6,142</u>
TOTAL REVENUES	<u>\$ 445,660</u>	<u>\$ 506,153</u>	<u>\$ 60,493</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 47,000	\$ 45,099	\$ 1,901
Contracted Services	57,800	45,987	11,813
Purchased Wastewater Service	82,320	51,334	30,986
Utilities	10,000	20,493	(10,493)
Other	<u>79,875</u>	<u>122,371</u>	<u>(42,496)</u>
TOTAL EXPENDITURES	<u>\$ 276,995</u>	<u>\$ 285,284</u>	<u>\$ (8,289)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 168,665</u>	<u>\$ 220,869</u>	<u>\$ 52,204</u>
OTHER FINANCING SOURCES(USES)			
Transfer In	<u>\$ -0-</u>	<u>\$ 41,069</u>	<u>\$ 41,069</u>
NET CHANGE IN FUND BALANCE	\$ 168,665	\$ 261,938	\$ 93,273
FUND BALANCE - AUGUST 1, 2018	<u>159,612</u>	<u>159,612</u>	<u></u>
FUND BALANCE - JULY 31, 2019	<u><u>\$ 328,277</u></u>	<u><u>\$ 421,550</u></u>	<u><u>\$ 93,273</u></u>

See accompanying independent auditor's report.

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KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

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

JULY 31, 2019

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2019

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

<u> </u>	Retail Water	<u> </u>	Wholesale Water	<u> X </u>	Drainage
<u> X </u>	Retail Wastewater	<u> </u>	Wholesale Wastewater	<u> </u>	Irrigation
<u> </u>	Parks/Recreation	<u> </u>	Fire Protection	<u> </u>	Security
<u> X </u>	Solid Waste/Garbage	<u> </u>	Flood Control	<u> X </u>	Roads
<u> X </u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u> </u>	Other:				

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved on August 28, 2018.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WASTEWATER:	\$ 59.86	-0-	Y		

District employs winter averaging for wastewater usage? X
Yes No

Total monthly charges per 10,000 gallons usage Wastewater: \$59.86

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Total Water Connections	<u> </u> **	<u> </u> **		<u> </u> **
Total Wastewater Connections	<u> </u> 138	<u> </u> 138	x 1.0	<u> </u> 138

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: **

** The District's water supply is provided through the Devonshire Joint Powers Agency. The Agency has contracted with High Point Water Supply Corporation to provide water service to the Agency. High Point receives fresh water from the City of Forney, Texas, which, in turn, receives water from the North Texas Municipal Water District.

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2019

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 Dallas, Texas

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2019

PROFESSIONAL FEES:	
Auditing	\$ 8,500
Engineering	15,719
Legal	<u>20,880</u>
TOTAL PROFESSIONAL FEES	<u>\$ 45,099</u>
 TOTAL PURCHASED SERVICES FOR RESALE	 <u>\$ 51,334</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 8,573
Operations and Billing	5,945
Solid Waste Disposal	<u>31,469</u>
TOTAL CONTRACTED SERVICES	<u>\$ 45,987</u>
UTILITIES:	
Electricity	<u>\$ 20,493</u>
REPAIRS AND MAINTENANCE	<u>\$ 1,813</u>
BOND ISSUANCE EXPENDITURES	<u>\$ 40,697</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 4,650
Insurance	3,501
Other	<u>1,115</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 9,266</u>
OTHER EXPENDITURES:	
Inspection Fees	<u>\$ 70,595</u>
TOTAL EXPENDITURES	<u><u>\$ 285,284</u></u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2019

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -				
AUGUST 1, 2018	\$	782	\$	
Adjustments to Beginning				
Balance	<u></u>	\$ 782	<u></u>	\$ -0-
Original 2018 Tax Levy	\$	242,161	\$	80,720
Adjustment to 2018 Tax Levy	<u>1,870</u>	<u>244,031</u>	<u>623</u>	<u>81,343</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 244,813		\$ 81,343
TAX COLLECTIONS:				
Prior Years	\$	531	\$	
Current Year	<u>243,193</u>	<u>243,724</u>	<u>81,064</u>	<u>81,064</u>
TAXES RECEIVABLE -				
JULY 31, 2019		<u>\$ 1,089</u>		<u>\$ 279</u>
TAXES RECEIVABLE BY				
YEAR:				
2018		\$ 838		\$ 279
2017		<u>251</u>		<u></u>
TOTAL		<u>\$ 1,089</u>		<u>\$ 279</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2019

	2018	2017	2016
PROPERTY VALUATIONS:			
Land	\$ 16,637,010	\$ 12,276,010	\$ 5,680,440
Improvements	15,972,920	982,700	10,000
Personal Property	248,490	196,440	
Exemptions	<u>(320,952)</u>	<u></u>	<u></u>
TOTAL PROPERTY VALUATIONS	<u>\$ 32,537,468</u>	<u>\$ 13,455,150</u>	<u>\$ 5,690,440</u>
TAX RATES PER \$100 VALUATION:			
Debt Service	\$ 0.25	\$ 0.00	\$ 0.00
Maintenance	<u>0.75</u>	<u>1.00</u>	<u>1.00</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>
ADJUSTED TAX LEVY*	<u>\$ 325,374</u>	<u>\$ 134,552</u>	<u>\$ 56,904</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.65 %</u>	<u>99.81 %</u>	<u>100.00 %</u>

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

Maintenance Tax – Maximum tax rate of \$1.00 per \$100 assessed valuation approved by voters on September 10, 2005.

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
LONG-TERM DEBT SERVICE REQUIREMENTS
FOR THE YEAR ENDED JULY 31, 2019

S E R I E S - 2 0 1 8 U T I L I T Y			
Due During Fiscal Years Ending July 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2020	\$	\$ 144,863	\$ 144,863
2021	105,000	144,862	249,862
2022	105,000	142,238	247,238
2023	110,000	139,350	249,350
2024	115,000	136,050	251,050
2025	120,000	132,485	252,485
2026	125,000	128,645	253,645
2027	130,000	124,520	254,520
2028	135,000	120,100	255,100
2029	140,000	115,375	255,375
2030	145,000	109,775	254,775
2031	155,000	103,975	258,975
2032	160,000	97,775	257,775
2033	165,000	91,375	256,375
2034	175,000	84,775	259,775
2035	180,000	77,775	257,775
2036	185,000	70,575	255,575
2037	195,000	63,175	258,175
2038	205,000	55,375	260,375
2039	210,000	47,175	257,175
2040	220,000	38,775	258,775
2041	230,000	29,700	259,700
2042	240,000	20,212	260,212
2043	250,000	10,313	260,313
	<u>\$ 3,800,000</u>	<u>\$ 2,229,238</u>	<u>\$ 6,029,238</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
LONG-TERM DEBT SERVICE REQUIREMENTS
FOR THE YEAR ENDED JULY 31, 2019

S E R I E S - 2 0 1 8 R O A D			
Due During Fiscal Years Ending July 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2020	\$	\$ 113,460	\$ 113,460
2021	80,000	113,460	193,460
2022	85,000	111,460	196,460
2023	90,000	109,123	199,123
2024	90,000	106,422	196,422
2025	95,000	103,633	198,633
2026	100,000	100,592	200,592
2027	105,000	97,293	202,293
2028	110,000	93,722	203,722
2029	110,000	89,873	199,873
2030	115,000	85,884	200,884
2031	120,000	81,573	201,573
2032	125,000	77,072	202,072
2033	130,000	72,073	202,073
2034	135,000	66,872	201,872
2035	140,000	61,473	201,473
2036	145,000	55,872	200,872
2037	155,000	50,073	205,073
2038	160,000	43,872	203,872
2039	165,000	37,473	202,473
2040	175,000	30,666	205,666
2041	180,000	23,447	203,447
2042	190,000	15,978	205,978
2043	195,000	8,093	203,093
	<u>\$ 2,995,000</u>	<u>\$ 1,749,459</u>	<u>\$ 4,744,459</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
LONG-TERM DEBT SERVICE REQUIREMENTS
FOR THE YEAR ENDED JULY 31, 2019

Due During Fiscal Years Ending July 31	ANNUAL REQUIREMENTS FOR ALL SERIES		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2020	\$	\$ 258,323	\$ 258,323
2021	185,000	258,322	443,322
2022	190,000	253,698	443,698
2023	200,000	248,473	448,473
2024	205,000	242,472	447,472
2025	215,000	236,118	451,118
2026	225,000	229,237	454,237
2027	235,000	221,813	456,813
2028	245,000	213,822	458,822
2029	250,000	205,248	455,248
2030	260,000	195,659	455,659
2031	275,000	185,548	460,548
2032	285,000	174,847	459,847
2033	295,000	163,448	458,448
2034	310,000	151,647	461,647
2035	320,000	139,248	459,248
2036	330,000	126,447	456,447
2037	350,000	113,248	463,248
2038	365,000	99,247	464,247
2039	375,000	84,648	459,648
2040	395,000	69,441	464,441
2041	410,000	53,147	463,147
2042	430,000	36,190	466,190
2043	445,000	18,406	463,406
	<u>\$ 6,795,000</u>	<u>\$ 3,978,697</u>	<u>\$ 10,773,697</u>

See accompanying independent auditor's report.

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KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2019

Description	Original Bonds Issued	Bonds Outstanding August 1, 2018	
Kaufman County Municipal Utility District No. 4 Unlimited Tax Utility Bonds - Series 2018	\$ 3,800,000	\$	
Kaufman County Municipal Utility District No. 4 Unlimited Tax Road Bonds - Series 2018	2,995,000		
TOTAL	<u>\$ 6,795,000</u>	<u>\$ - 0 -</u>	
Bond Authority:	Utility System Bonds	Road System Bonds	Utility System Refunding Bonds
Amount Authorized by Voters	\$ 49,050,000	\$ 28,930,000	\$ 73,575,000
Amount Issued	3,800,000	2,995,000	
Remaining to be Issued	<u>\$ 45,250,000</u>	<u>\$ 25,935,000</u>	<u>\$ 73,575,000</u>
Debt Service Fund cash and investment balances as of July 31, 2019:			<u>\$ 376,895</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 448,904</u>

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

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding July 31, 2019	Paying Agent
	Principal	Interest		
\$ 3,800,000	\$	\$ 50,702	\$ 3,800,000	ZB, N.A., d/b/a Amegy Bank, Houston, TX
<u>2,995,000</u>		<u>39,711</u>	<u>2,995,000</u>	ZB, N.A., d/b/a Amegy Bank, Houston, TX
<u>\$ 6,795,000</u>	<u>\$ - 0 -</u>	<u>\$ 90,413</u>	<u>\$ 6,795,000</u>	
Road System Refunding Bonds				
\$ 43,395,000				
<u>\$ 43,395,000</u>				

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - THREE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 243,724	\$ 159,740	\$ 30,934
Wastewater Service	107,698	69,159	14,010
Penalty and Interest	4,504	5,802	
Inspection Fees	148,289	117,000	86,000
Investment and Miscellaneous Revenues	<u>1,938</u>	<u>165</u>	
TOTAL REVENUES	<u>\$ 506,153</u>	<u>\$ 351,866</u>	<u>\$ 130,944</u>
EXPENDITURES			
Professional Fees	\$ 45,099	\$ 28,111	\$ 29,101
Contracted Services	45,987	15,543	4,407
Purchased Wastewater Service	51,334	73,946	18,335
Utilities	20,493	9,051	1,393
Repairs and Maintenance	1,813	3,998	
Other	<u>120,558</u>	<u>93,591</u>	<u>49,202</u>
TOTAL EXPENDITURES	<u>\$ 285,284</u>	<u>\$ 224,240</u>	<u>\$ 102,438</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 220,869</u>	<u>\$ 127,626</u>	<u>\$ 28,506</u>
OTHER FINANCING SOURCES (USES)			
Developer Advances	\$	\$	\$ 3,870
Transfers In (Out)	<u>41,069</u>		
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 41,069</u>	<u>\$ - 0 -</u>	<u>\$ 3,870</u>
NET CHANGE IN FUND BALANCE	\$ 261,938	\$ 127,626	\$ 32,376
BEGINNING FUND BALANCE (DEFICIT)	<u>159,612</u>	<u>31,986</u>	<u>(390)</u>
ENDING FUND BALANCE	<u><u>\$ 421,550</u></u>	<u><u>\$ 159,612</u></u>	<u><u>\$ 31,986</u></u>

See accompanying independent auditor's report.

Percentage of Total Revenues		
2019	2018	2017
48.1 %	45.4 %	23.6 %
21.3	19.7	10.7
0.9	1.6	
29.3	33.3	65.7
0.4		
<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
8.9 %	8.0 %	22.2 %
9.1	4.4	3.4
10.1	21.0	14.0
4.0	2.6	1.1
0.4	1.1	
<u>23.8</u>	<u>26.6</u>	<u>37.6</u>
<u>56.3 %</u>	<u>63.7 %</u>	<u>78.3 %</u>
<u>43.7 %</u>	<u>36.3 %</u>	<u>21.7 %</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - THREE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 81,064	\$	\$
Penalty and Interest	89		
Investment and Miscellaneous Revenues	1,560		
TOTAL REVENUES	<u>\$ 82,713</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 7,058	\$	\$
Debt Service Interest and Fees	90,413		
TOTAL EXPENDITURES	<u>\$ 97,471</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (14,758)</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Long-Term Debt	\$ 387,484	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 372,726	\$ - 0 -	\$ - 0 -
BEGINNING FUND BALANCE			
ENDING FUND BALANCE	<u>\$ 372,726</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>138</u>	<u>55</u>	<u>90</u>

See accompanying independent auditor's report.

Percentage of Total Revenues			
2019	2018	2017	
98.0 %	%	%	
0.1			
1.9			
<u>100.0 %</u>	<u>N/A %</u>	<u>N/A %</u>	
8.5 %	%	%	
109.3			
<u>117.8 %</u>	<u>N/A %</u>	<u>N/A %</u>	
<u>(17.8) %</u>	<u>N/A %</u>	<u>N/A %</u>	

See accompanying independent auditor's report.

District Mailing Address - Kaufman County Municipal Utility District No. 4
c/o Coats Rose, P.C.
14755 Preston Road, Suite 600
Dallas, TX 75254

District Telephone Number - (972) 982-8450

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>July 31, 2019</u>	Expense Reimbursements for the year ended <u>July 31, 2019</u>	<u>Title</u>
Jimmy Perryman	05/16 05/20 (Elected)	\$ 1,050	\$ 40	President
Oliver A. Robinson	05/18 05/22 (Elected)	\$ 600	\$ 27	Vice President
Nathaniel Klein	05/16 05/20 (Elected)	\$ 1,050	\$ 40	Secretary
Rhodes Baker	05/16 05/20 (Elected)	\$ 750	\$ 28	Assistant Secretary
Jackie Ramos	05/18 05/22 (Elected)	\$ 1,200	\$ 113	Assistant Secretary

Submission date of most recent District Registration Form: September 4, 2018.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on June 30, 2005. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

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KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2019

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended July 31, 2019</u>	<u>Title</u>
Coats Rose, P.C.	06/30/05	\$ 20,880 \$ 201,076	General Counsel/ Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	08/17/17	\$ 8,500 \$ 12,500	Audit Related BAN/Bond Related
L & S District Services, LLC	06/30/05	\$ 10,673	Bookkeeper
J. Volk Consulting, Inc.	07/16/15	\$ 66,416	Engineer
Robert W. Baird & Co. Incorporated	07/16/15	\$ 158,535	Financial Advisor
Inframark Water & Infrastructure Services, LLC	12/19/08	\$ 5,894	Operator
Kaufman County Tax Office	09/26/16	\$ 460	Tax Assessor/ Collector
Debra Loggins		\$ -0-	Investment Officer

See accompanying independent auditor's report.

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

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

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN