

OFFICIAL STATEMENT DATED AUGUST 18, 2021

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW AND IS NOT INCLUDED IN THE ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS. SEE "TAX MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The District has not designated the Bonds as "qualified tax-exempt obligations" for financial institutions. See "NOT QUALIFIED TAX-EXEMPT OBLIGATIONS" herein.

NEW ISSUE – Book Entry Only

**RATINGS: S&P Global Ratings (AGM Insured) "AA"
Moody's Investors Service, Inc (AGM Insured) "A2"
Moody's Investors Service, Inc. (Underlying) "Baa2"
See "MUNICIPAL BOND INSURANCE" and "RATINGS" herein.**

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14

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

**\$6,420,000
UNLIMITED TAX ROAD BONDS
SERIES 2021**

Dated: September 1, 2021

Due: March 1, as shown on inside cover

The \$6,420,000 Kaufman County Municipal Utility District No. 14 Unlimited Tax Road Bonds, Series 2021 (the "Bonds") are obligations of Kaufman County Municipal Utility District No. 14 (the "District") and are not obligations of the State of Texas (the "State" or "Texas"); Kaufman County, Texas (the "County"); the City of Crandall, Texas (the "City"); or any entity other than the District. Neither the faith and credit nor the taxing power of the State; the County; the City; 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, Houston, Texas, or any successor paying agent/registrant (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 (the "Bondholder(s)") 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 is payable on March 1, 2022, and each September 1 and March 1 thereafter 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 "Record Date"). Unless otherwise agreed between the Paying Agent/Registrar and a Bondholder, such interest is payable by check mailed to such persons or by other means acceptable to such person and the Paying Agent/Registrar. 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 AND CUSIPS" on inside cover.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.**



The Bonds constitute the seventh series of unlimited tax bonds issued by the District for the purpose of purchasing, constructing, acquiring and maintaining roads (the "Road System") to serve the District. The District has previously issued one (1) series of unlimited tax refunding bonds for the Road System and two (2) series of unlimited tax bonds for the purpose of constructing and/or acquiring water, sewer and drainage facilities (the "Utility System") to serve the District. At an election held within the District on November 8, 2005, voters of the District authorized the issuance of the following: \$72,000,000 principal amount of unlimited tax bonds for Road System purposes, \$108,000,000 principal amount of unlimited tax refunding bonds for Road System purposes, \$88,000,000 principal amount of unlimited tax bonds for Utility System purposes, and \$132,000,000 principal amount of unlimited tax refunding bonds for Utility System purposes. Following the issuance of the Bonds, \$34,275,000 principal amount of unlimited tax bonds for Road System purposes, \$107,865,000 principal amount of unlimited tax refunding bonds for Road System purposes, \$76,965,000 principal amount of unlimited tax bonds for Utility System purposes, and \$132,000,000 principal amount of unlimited tax refunding bonds for Utility System purposes will remain authorized but unissued. See "THE BONDS – Authority for Issuance."

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 against all taxable property within the District.

Investment in the Bonds is subject to special Investment Considerations as described herein. See "INVESTMENT CONSIDERATIONS" herein.

The Bonds are offered when, as and if issued by the District and accepted by the winning bidder for the Bonds (the "Initial Purchaser"), subject among other things to the approval of the initial Bonds by the Attorney General of Texas and the approval of certain legal matters by Coats Rose, P.C., Dallas, Texas, Bond Counsel. The Bonds in definitive form are expected to be available for delivery in book-entry-only form through the facilities of DTC on or about September 16, 2021. See "LEGAL MATTERS."

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

\$6,420,000 Unlimited Tax Road Bonds, Series 2021

\$4,485,000 Serial Bonds

Due (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 48619K (b)	Due (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 48619K (b)
2023	\$ 250,000	2.000%	0.400%	HE0	2032 (c)	\$ 240,000	2.000%	1.800%	HP5
2024	250,000	2.000%	0.500%	HF7	2033 (c)	245,000	2.000%	2.000%	HQ3
2025	245,000	2.000%	0.650%	HG5	2034 (c)	240,000	2.000%	2.100%	HR1
2026	245,000	2.000%	0.800%	HH3	2035 (c)	245,000	2.000%	2.200%	HS9
2027 (c)	245,000	2.000%	1.000%	HJ9	2036 (c)	250,000	2.000%	2.250%	HT7
2028 (c)	245,000	1.000%	1.300%	HK6	2037 (c)	250,000	2.125%	2.300%	HU4
2029 (c)	245,000	1.250%	1.500%	HL4	2038 (c)	250,000	2.125%	2.350%	HV2
2030 (c)	245,000	2.000%	1.450%	HM2	2039 (c)	255,000	2.250%	2.400%	HW0
2031 (c)	240,000	2.000%	1.600%	HN0	2040 (c)	300,000	2.250%	2.450%	HX8

\$1,935,000 Term Bonds

\$935,000 Term Bonds Due March 1, 2043 (c)(d), Interest Rate: 2.375% (Price: \$97.933) (a), CUSIP No. 48619K JA6 (b)

\$1,000,000 Term Bonds Due March 1, 2046 (c)(d), Interest Rate: 2.375% (Price: \$96.829) (a), CUSIP No. 48619K JD0 (b)

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- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from September 1, 2021 is to be added to the price.
- (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. None of the District, Financial Advisor, or Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers.
- (c) The Bonds maturing on and after March 1, 2027, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on March 1, 2026, or any date thereafter, at a price equal to the principal thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*."
- (d) Subject to mandatory redemption as provided herein under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, resolutions, contracts, audits, 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 Robert W. Baird & Co. Incorporated, 1331 Lamar, Suite 1360, Houston, Texas 77010, Financial Advisor to the District.

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

Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”

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

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

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net effective interest rate, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser"). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the cover page of this Official Statement, at a price of 97.142745% of the principal amount thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 2.396090%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

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

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 reoffering prices, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") 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 an appendix 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.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured

finance markets and asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strengths

On July 8, 2021, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On October 29, 2020, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Capitalization of AGM

At June 30, 2021:

- The policyholders' surplus of AGM was approximately \$2,943 million.
- The contingency reserve of AGM was approximately \$947 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,137 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE").

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

Merger of MAC into AGM

On April 1, 2021, MAC was merged into AGM, with AGM as the surviving company. Prior to that merger transaction, MAC was an indirect subsidiary of AGM (which indirectly owned 60.7% of MAC) and AGM's affiliate, Assured Guaranty Corp., a Maryland-domiciled insurance company ("AGC") (which indirectly owned 39.3% of MAC). In connection with the merger transaction, AGM and AGC each reassumed the remaining outstanding par they ceded to MAC in 2013, and AGC sold its indirect share of MAC to AGM. All of MAC's direct insured par exposures have become insured obligations of AGM.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (filed by AGL with the SEC on February 26, 2021);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 (filed by AGL with the SEC on May 7, 2021); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021 (filed by AGL with the SEC on August 6, 2021).

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

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

Miscellaneous Matters

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading “MUNICIPAL BOND INSURANCE.”

RATINGS

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

The Bonds are expected to receive an insured rating of “A2” (stable outlook) from Moody’s solely in reliance upon the issuance of the municipal bond insurance policy by AGM at the time of delivery of the Bonds. Moody’s has assigned an underlying rating of “Baa2” to the Bonds. An explanation of the ratings may be obtained from Moody’s, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell, or hold securities. There is no assurance that such ratings will continue for any given period of time or that the ratings will not be revised downward or withdrawn entirely by Moody’s, if, in its judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings 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 ratings of S&P and Moody's as described above.

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OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The Issuer Kaufman County Municipal Utility District No. 14 (the “District”), a political subdivision of the State of Texas (the “State” or “Texas”), is located approximately 18 miles east of downtown Dallas and wholly in the extraterritorial jurisdiction of the City of Crandall (the “City”) and within Kaufman County, Texas (the “County”). The District is part of the approximately 1,550-acre master-planned community being marketed as “Heartland.”

The Issue The District is issuing its \$6,420,000 Unlimited Tax Road Bonds, Series 2021 (the “Bonds”). Interest accrues from September 1, 2021, and the Bonds mature in serial installments on March 1 of each of the years and in the amounts shown on the inside cover hereof. Interest is payable March 1, 2022, and on each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds maturing on and after March 1, 2027, are subject to redemption prior to maturity at the option of the District, in whole or in part, on March 1, 2026, 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 – General”, and “– Redemption Provisions – *Optional Redemption.*”

The Bonds that mature on March 1 in the years 2043 and 2046 are term bonds that are also subject to mandatory redemption as provided herein under “THE BONDS – Redemption Provisions – *Mandatory Redemption.*”

Authority for Issuance..... The Bonds are the seventh series of bonds issued out of an aggregate of \$72,000,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of purchasing, constructing, acquiring and maintaining a road system to serve the District (the “Road System”). Such bonds are authorized by the legislation creating the District, the order of the District’s Board of Directors authorized the issuance of the Bonds (the “Bond Order”), Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District on November 8, 2005, and the general laws of the State. See “THE BONDS – Authority for Issuance, and – Issuance of Additional Debt.”

Source of Payment Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State, the County, the City, or any entity other than the District. See “THE BONDS – Sources of Payment.”

Use of Proceeds A portion of the proceeds of the Bonds will be used to reimburse the Developer (hereinafter defined) for the road improvements and related engineering and land costs as shown herein under “THE BONDS – Use and Distribution of Bond Proceeds.” Additionally, proceeds from the Bonds will be used to pay certain costs of issuance of the Bonds and Developer interest.

Not Qualified Tax-Exempt Obligations The District **has not** designated the Bonds as “qualified tax-exempt obligations” for financial institutions. See “NOT QUALIFIED TAX-EXEMPT OBLIGATIONS.”

Outstanding Bonds The District has previously issued the following: six (6) series of unlimited tax bonds for the purpose of acquiring or constructing the Road System to serve the District, of which \$26,980,000 principal amount remains outstanding and one (1) series of unlimited tax refunding bonds for the Road System, of which \$1,415,000 principal amount remains outstanding (the “Outstanding Road System Bonds”). The District has also previously issued two (2) series of unlimited tax bonds for the purpose of constructing and/or acquiring water, sewer, and drainage facilities (the “Utility System”) to serve the District, of which \$11,035,000 principal amount remains outstanding (the “Outstanding Utility System Bonds”). The Outstanding Road System Bonds and the Outstanding Utility System Bonds are herein referred to as the “Outstanding Bonds.” As of July 1, 2021, there are \$39,430,000 principal amount of Outstanding Bonds.

Payment Record..... The District has never defaulted on the timely payment of principal and interest on its Outstanding Bonds. See “THE BONDS – Source of Payment.”

Municipal Bond Insurance Assured Guaranty Municipal Corp. (“AGM”). See “MUNICIPAL BOND INSURANCE.”

Ratings..... S&P Global Ratings (AGM Insured): “AA” (stable outlook). Moody’s Investors Service, Inc. (“Moody’s”) (AGM Insured): “A2” (stable outlook). Moody’s (Underlying): “Baa2.” See “RATINGS.”

Legal Opinion Coats Rose, P.C., Dallas, Texas, Bond Counsel. See “LEGAL MATTERS.”

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, Houston, Texas.

INFECTIOUS DISEASE OUTLOOK (COVID-19)

Infectious Disease Outlook (COVID-19)..... In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus (“COVID-19”) to be a public health emergency. On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in the State because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19.

Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment except in counties with an “area with high hospitalizations” where a county judge may impose COVID-19 related mitigation strategies. The County is not currently an “area with high hospitalizations.” The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

With the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

THE DISTRICT

Description..... The District is a political subdivision of the State and is located in the extraterritorial jurisdiction of the City in the County, approximately 18 miles east of the City of Dallas, 8 miles east of the City of Mesquite and 2 miles north of the City. It is bordered on the north by Interstate 20, on the south by F.M. 2757 and is adjacent to F.M. 741. The District is located in the Crandall Independent School District. All of the land within the District is within the extraterritorial jurisdiction of the City. See “THE DISTRICT – General,” and “– Description.”

Authority..... The rights, powers, privileges, authority and functions of the District are established by the general laws of the State pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT – General.”

Heartland..... The District is part of the approximately 1,550-acre master-planned community of “Heartland.” Heartland is comprised of the District, Kaufman County Municipal Utility District No. 10 (“KCMUD 10”), and Kaufman County Municipal Utility District No. 11 (“KCMUD 11”), which are collectively referred to herein as the “Heartland Districts”. See “HEARTLAND.”

Status of Development

 Within the District..... Of the approximately 554 acres of land located within the District, approximately 529 acres within the District have been developed with water distribution, sanitary sewer and storm drainage and road facilities to serve the single-family residential subdivisions of Heartland, Phases 1A, 2A, 3A, 7B, 8, 9, 10A, 10B, 13, 14, 15 and 16 (approximately 386 acres and 1,558 lots) and Parcels 5, 6A, 7A, 8, 9A, 9B, 10A and 10B (approximately 143 acres and 556 lots). As of July 1, 2021, the District was comprised of 1,732 completed and

occupied homes; 21 completed and unoccupied homes; 246 homes under construction; and 115 vacant, developed lots. The remaining acreage within the District is comprised of 25 undevelopable acres. See "DEVELOPMENT STATUS OF THE DISTRICT."

Status of Development within Heartland ... There are approximately 952 acres fully developed in Heartland. As of June 30, 2021, development within the Heartland Districts included 3,803 completed lots, 355 lots under development (approximately 106 acres), 3,175 completed homes and 346 homes under construction. The Heartland Districts also contain approximately 832 undeveloped but developable acres, approximately 147 acres of commercial reserves and approximately 112 undevelopable acres. On July 1, 2021, 300 acres of the Heartland Districts was sold by UST-Heartland to Lennar Homes who will be developing its acreage as "Eastland." In addition, Lennar is scheduled to close in two years on another 308 acres to be developed as Eastland. See "HEARTLAND."

Developer..... The developer of land within the District is UST-Heartland, L.P., a Texas limited partnership ("UST" or the "Developer"). UST was formerly known as HW Heartland, L.P.

UST Heartland GP, LLC, a Texas limited liability company ("Heartland GP"), is the sole general partner of UST. UST Subpartnership II, L.P., a Delaware limited partnership ("USTII"), is the sole limited partner of UST. Each of UST II and Heartland GP are wholly owned by UST Joint Venture Opportunity I, L.P., a Delaware limited partnership ("UST JV"), formed to invest in industrial, commercial, residential, office, hotel, hospital, medical, sports arena, mixed use, condominium, timeshare, golf course, and recreation properties throughout the United States. The Developer is managed by UST Opportunity Corporation, a company owned by Lothar Estein who has over 40 years' experience in US real estate investments in the United States. UST currently owns no developable acres and 74 vacant developed lots in the District, as well as a portion of the vacant land in the remainder of Heartland. See "DEVELOPER."

Development Manager..... In July of 2013, UST engaged Huffines Management Partners, L.P. (d/b/a "Huffines Communities"), to perform management services related to the development of property within Heartland. Huffines Communities is in the business of managing and developing real property, including residential communities. Since its inception in 1985, Huffines Communities has owned, or has developed or managed for development, over 15,000 residential lots. Among its "signature" communities are: Waterview in Rowlett, Texas; Providence in Providence, Texas; Savannah in Savannah, Texas; and Inspiration in Collin County, Texas. Huffines Communities also has significant experience as the developer of master planned communities located within special districts in Texas similar to the District, having been involved with more than ten special districts in the state. There is no assurance that Huffines Communities will continue to be the manager for the development of the property, as UST and Huffines Communities have the right, upon prior notice to the other and for certain other reasons, to terminate the management services agreement between them. Huffines Communities has no ownership in Heartland or UST.

Homebuilders Within the District..... Homebuilders active within the District include History Maker Homes, Highland Homes, Impression Homes, Bloomfield Homes and Lennar Homes. Home prices range from approximately \$200,000 to \$360,000 and home sizes range from approximately 1,400 to 3,500 square feet. See “THE DEVELOPER” and “DEVELOPMENT STATUS OF THE DISTRICT.”

Master District Facilities Kaufman County Municipal Utility District No. 12 (“KCMUD 12” or the “Master District”) is the municipal utility district which has contracted with the District and the remaining Heartland Districts as well as Kaufman County Municipal Utility District No. 9 (“KCMUD 9”) to provide the water supply and wastewater treatment capacity as well as the regional water distribution trunklines, regional wastewater collection trunk lines and regional storm water collection trunklines necessary to serve Heartland and the development within KCMUDs 9 and 12 (collectively, the “Master District Facilities”). It is expected that in the future the Master District will issue contract revenue bonds to finance the Master District facilities and the District will levy a contract tax to pay a pro-rata portion of the debt service thereon based on the District’s assessed value relative to the Master District’s service area assessed value. See “THE UTILITY SYSTEM” and “INVESTMENT CONSIDERATIONS – Future Debt.”

Agreements with City of Mesquite Water supply and wastewater treatment are provided to the Heartland Districts and KCMUDs 9 and 12 (collectively referred to as the “Participants” and individually as a “Participant”) by the City of Mesquite. The City of Mesquite, in turn, purchases water and wastewater treatment service from the North Texas Municipal Water District (“NTMWD”), a regional provider of such services.

In April 2006, NTMWD issued bonds to construct a wastewater interceptor, within the vicinity of the Participants. The City of Mesquite and the City of Seagoville are the entities entitled to utilize capacity in the interceptor and are responsible for paying debt service on such bonds. The City of Mesquite has contracted with the Master District to obtain payment of amounts sufficient to cover their portion of the debt service. In turn, the Master District collects payment from each internal Participant for their portion of the debt service. Currently, the Participants are obligated through the Master District’s contract with the City of Mesquite to pay 78.21% of the annual debt service. For the fiscal year ending September 30, 2020, the payments allocable to the Participants were \$1,501,372, and the projected payments allocable to the Participants for the fiscal year ending September 30, 2021 are approximately \$1,450,989. Such payments are secured by the unlimited taxing authority of the Participants. However, such payments currently are being made from net revenues of the District and also monies advanced to the Master District by the Developer. See “THE UTILITY SYSTEM” and “INVESTMENT CONSIDERATIONS.”

INVESTMENT CONSIDERATIONS

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

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**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2021 Taxable Assessed Valuation.....		\$418,157,253 (a)
(100% of taxable value as of January 1, 2021)		
Estimated Valuation as of July 1, 2021		\$468,371,011 (b)
(100% of estimated taxable value as of July 1, 2021)		
Direct Debt:		
The Outstanding Bonds	\$ 39,430,000	
The Bonds	<u>6,420,000</u>	
Total	\$ 45,850,000	
Estimated Overlapping Debt.....	<u>\$ 41,144,362</u> (c)	
Total Direct and Estimated Overlapping Debt	<u>\$ 86,994,362</u>	
Ratio of Direct Debt to.....	2021 Taxable Assessed Valuation (\$418,157,253)	10.96%
	Estimated Valuation as of July 1, 2021 (\$468,371,011)....	9.79%
Ratio of Direct and Estimated		
Overlapping Debt to.....	2021 Taxable Assessed Valuation (\$418,157,253)	20.80%
	Estimated Valuation as of July 1, 2021 (\$468,371,011)....	18.57%
Utility System Debt Service Fund Balance (as of July 21, 2021)	\$ 403,648 (d)	
Road System Debt Service Fund Balance (as of July 21, 2021)	\$ 1,163,486 (e)	
General Fund Balance (as of July 21, 2021)	\$ 3,492,508	
2020 Tax Rate		
Utility System Debt Service.....	\$0.10	
Road System Debt Service	\$0.51	
Maintenance & Operation.....	<u>\$0.39</u>	
Total.....	<u>\$1.00</u> (f)	
Average Annual Debt Service Requirements (2022-2046).....	\$ 2,528,672 (g)	
Maximum Annual Debt Service Requirements (2039).....	\$ 2,813,097 (g)	
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to		
Pay Average Annual Debt Service Requirements on the Bonds and		
Outstanding Bonds (2022-2046) at 95% Tax Collections		
Based Upon 2021 Assessed Valuation (\$418,157,253)	\$0.64	
Based Upon Estimated Valuation as of July 1, 2021 (\$468,371,011).....	\$0.57	
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to		
Pay Maximum Annual Debt Service Requirements on the Bonds and		
Outstanding Bonds (2039) at 95% Tax Collections		
Based Upon 2021 Assessed Valuation (\$418,157,253)	\$0.71	
Based Upon Estimated Valuation as of July 1, 2021 (\$468,371,011).....	\$0.64	
Single-Family Homes (including 246 homes under construction) as of July 1, 2021.....	1,999	

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- (a) Represents the taxable assessed valuation as of January 1, 2021, of all taxable property in the District, as provided by the Kaufman County Appraisal District (the "Appraisal District") upon certification of its 2021 tax rolls. Such value includes \$8,786,305 of value that is the taxpayer's opinion of the taxable assessed value of the taxable properties that remain under review of the Kaufman County Appraisal Review Board (the "Appraisal Review Board"). The taxpayer's opinion represents the estimated minimum amount of taxable value that will ultimately be approved by the Appraisal Review Board upon which the District will levy its tax. See "TAX DATA" and "TAXING PROCEDURES."
 - (b) Provided by the Appraisal District for information purposes only. Reflects the addition of value of new construction within the District from January 1, 2021 to July 1, 2021. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAX DATA" and "TAXING PROCEDURES."
 - (c) See "DISTRICT DEBT – Estimated Overlapping Debt."
 - (d) Neither Texas law nor the Bond Order (hereinafter defined) 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 (such as the Bonds).
 - (e) Neither Texas law nor the Bond Order 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.
 - (f) The District has authorized the publication of the intended total tax rate of \$1.00 per \$100 of assessed valuation for the 2021 tax year. Such rate is expected to be composed of a maintenance and operations tax rate of \$0.39 per \$100 of assessed valuation, a Utility System debt service tax rate of \$0.13 per \$100 of assessed valuation, and a Road System debt service tax rate of \$0.48 per \$100 of assessed valuation. See "TAX DATA – Tax Rate Distribution" and "- General."
 - (g) Debt service on the Bonds. See "DISTRICT DEBT – Debt Service Requirements."

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Kaufman County Municipal Utility District No. 14 (the "District"), of its \$6,420,000 Unlimited Tax Road Bonds, Series 2021 (the "Bonds").

The Bonds are issued pursuant to (i) the legislation creating the District; (ii) the bond order ("Bond Order") adopted by the Board of Directors of the District (the "Board") on the date of the sale of the Bonds; (iii) Article III, Section 52, of the Constitution and the general laws of the State of Texas (the "State" or "Texas"), particularly Chapters 49 and 54, Texas Water Code, as amended; and (iv) an election held by the District on November 8, 2005.

Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order, except as otherwise indicated herein.

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.

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 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 will mature on March 1 of the years and in principal amounts, and will bear interest from September 1, 2021 at the rates per annum, set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable March 1, 2022, and semiannually thereafter on each September 1 and March 1 until maturity or redemption.

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, 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 certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

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

Redemption proceeds, principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or 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 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, Houston, Texas, as the initial Paying Agent/Registrar for the Bonds. 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.

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 is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the principal payment office of the Paying Agent/Registrar in Houston, Texas. 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. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Bondholder. The Bonds are exchangeable upon presentation at the designated office(s) of

the Paying Agent/Registrar, for an equal principal amount of Bonds of the same series and maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Bondholder or assignee of the Bondholder within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Mutilated, Lost, Stolen or Destroyed Bonds

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

Authority for Issuance

The bonds authorized by the resident electors of the District, the amount of bonds issued and the remaining authorized but unissued bonds are as follows:

Election Date	Purpose	Amount		Remaining Authorized But Unissued
		Authorized	Amount Issued	
11/08/2005	Road System	\$72,000,000	\$37,725,000 (a)	\$ 34,275,000
11/08/2005	Utility System	88,000,000	11,035,000	76,965,000
11/08/2005	Road System Refunding	108,000,000	135,000	107,865,000
11/08/2005	Utility System Refunding	132,000,000	-	132,000,000

(a) Includes the Bonds.

The Bonds are issued by the District pursuant to the terms and conditions of (i) the legislation creating the District, (ii) the Bond Order, (iii) Article III, Section 52, of the Constitution and the general laws of the State, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and (iv) an election held within the District on November 8, 2005.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

Source of Payment

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

Redemption Provisions

Optional Redemption

The Bonds maturing on and after March 1, 2027, shall be subject to redemption at the option of the District, in whole or from time to time in part, on March 1, 2026, or on any date thereafter, at the par value thereof plus

accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by a random selection method in integral multiples of \$5,000 within any one maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mandatory Redemption

The Bonds maturing on March 1 in the years 2043 and 2046 (the “Term Bonds”) are also subject to mandatory sinking fund redemption by the District by lot or other customary method of random selection prior to the scheduled maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (“Mandatory Redemption Date”), and in the principal amount set forth in the following schedule:

\$935,000 Term Bonds Maturing on March 1, 2043

Mandatory Redemption Date	Principal Amount
March 1, 2041	\$ 305,000
March 1, 2042	\$ 310,000
March 1, 2043 (Maturity)	\$ 320,000

\$1,000,000 Term Bonds Maturing on March 1, 2046

Mandatory Redemption Date	Principal Amount
March 1, 2044	\$ 325,000
March 1, 2045	\$ 335,000
March 1, 2046 (Maturity)	\$ 340,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Registrar shall (i) determine the principal amount of such Term Bond that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Term Bond or portions of the Term Bond of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Resolution. The principal amount of any Term Bond to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bond, which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

Outstanding Bonds

The District has previously issued the following: six (6) series of unlimited tax bonds for the purpose of purchasing, constructing, acquiring and maintaining roads to serve the District (the “Road System”), of which \$26,980,000 principal amount remains outstanding and one (1) series of unlimited tax bonds for the purpose of refunding previously issued Road System Bonds, of which \$1,415,000 principal amount remains outstanding (the “Outstanding Road System Bonds”). The District has also previously issued two (2) series of unlimited tax bonds for the purpose of constructing and/or acquiring water, sewer, and drainage facilities to serve the District (the “Utility System”), of which \$11,035,000 principal amount remains outstanding (the “Outstanding Utility System Bonds”). The Outstanding Road System Bonds and the Outstanding Utility System Bonds are herein referred to as the “Outstanding Bonds.” As of July 1, 2021, there are \$39,430,000 principal amount of Outstanding Bonds.

Annexation

The District lies entirely within the extraterritorial jurisdiction of the City of Crandall, Texas (the "City"). The City operates as a Type A municipality. The District may be annexed and dissolved by the City only if (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners, consenting to annexation. If the District is annexed, the City must assume the District's assets and obligations (including the Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council, and therefore, the District can make no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should the annexation occur. The Bond Order provides for the termination of the pledge of taxes to the Bonds upon annexation and dissolution by the City.

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.

No Arbitrage

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

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 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 ad valorem taxes, 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.

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

Issuance of Additional Debt

The District intends to issue additional bonds from its voted authorization. At an election held within the District on November 8, 2005, voters of the District authorized the issuance of the following: \$72,000,000 principal amount of unlimited tax bonds for Road System purposes, \$108,000,000 principal amount of unlimited tax refunding bonds for Road System purposes, \$88,000,000 principal amount of unlimited tax bonds for Utility System purposes, and \$132,000,000 principal amount of unlimited tax refunding bonds for Utility System purposes. The Bonds are the seventh series of unlimited tax bonds for Road System purposes issued by the District. Following the issuance of the Bonds, \$34,275,000 principal amount of unlimited tax bonds for Road System purposes, \$107,865,000 principal amount of unlimited tax refunding bonds for Road System purposes, \$76,965,000 principal amount of unlimited tax bonds for Utility System purposes, and \$132,000,000 principal amount of unlimited tax refunding bonds for Utility System purposes will remain authorized but unissued. See "THE BONDS – Authority for Issuance." Any bonds issued by the District, however, must be approved by the Attorney General of Texas. Currently, approval of the Texas Commission on Environmental Quality (the "TCEQ") is not necessary for the issuance of bonds issued to finance the acquisition or construction of roads and roadway improvements (such as the Bonds). However, if the issuance of debt is for the purpose of financing water, sewer or drainage facilities, approval of the TCEQ is required. See "THE DISTRICT – General."

Following the issuance of the Bonds, the District will owe the Developer approximately \$10,500,000 for the expenditures to construct the Utility System and nothing remaining for the expenditures to construct the Road System to serve the developed land within the District.

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. Except with respect to the issuance of bonds for Road System purposes, the District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. The total amount of bonds and other obligations of the District issued for Road System purposes may not exceed one-fourth of the assessed valuation of the real property in the District.

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.

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 statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights and creditors of political subdivisions, such as the District.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Use and Distribution of Bond Proceeds

A portion of the proceeds of the Bonds will be used to reimburse the Developer for the road improvements and related engineering and land costs as shown below. Additionally, proceeds from the Bonds will be used to pay certain costs of issuance of the Bonds and developer interest.

The construction costs described below were compiled by Peloton Land Solutions, the District's engineer (the "Engineer"), based, in some cases, on the estimated costs of the facilities. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and the District's financial advisor, Robert W. Baird & Co. Incorporated (the "Financial Advisor").

<u>Construction Costs</u>	<u>Amount</u>
1. Grading, Paving, Drainage & Related Road Improvements to Serve Heartland Phases, 9, 13, 14 & 16; Model Park; and, County Road 257	\$ 4,520,591
2. Engineering for Item No. 1	806,521
3. Right-Of-Way Acquisition	<u>434,741</u>
TOTAL CONSTRUCTION COSTS	\$ 5,761,853
<u>Non-Construction Costs</u>	
A. Legal Fees	\$ 153,400
B. Fiscal Agent Fees	116,300
C. Developer Interest	147,885
D. Bond Discount	183,436
E. Attorney General Fee (0.10% or \$9,500 max)	6,420
F. Bond Issuance Expenses	41,542
G. Contingency (a)	<u>9,164</u>
TOTAL NON-CONSTRUCTION COSTS	<u>\$ 658,147</u>
TOTAL BOND ISSUE REQUIREMENT	\$ 6,420,000

(a) Represents the difference between the estimated and actual amounts of Bond Discount.

DISTRICT DEBT

General

The following tables and calculations relate to the Bonds. The District and various other political subdivisions of government which overlap all or a portion of the District are empowered to incur debt to be raised by taxation against all or a portion of the property within the District.

2021 Taxable Assessed Valuation.....	\$418,157,253 (a)
(100% of taxable value as of January 1, 2021)	
Estimated Valuation as of July 1, 2021	\$468,371,011 (b)
(100% of estimated taxable value as of July 1, 2021)	
Direct Debt:	
The Outstanding Bonds	\$ 39,430,000
The Bonds	<u>6,420,000</u>
Total	\$ 45,850,000
Estimated Overlapping Debt.....	<u>\$ 41,144,362 (c)</u>
Total Direct and Estimated Overlapping Debt	<u>\$ 86,994,362</u>
Ratio of Direct Debt to.....	
2021 Taxable Assessed Valuation (\$418,157,253).....	10.96%
Estimated Valuation as of July 1, 2021 (\$468,371,011)...	9.79%
Ratio of Direct and Estimated	
Overlapping Debt to.....	
2021 Taxable Assessed Valuation (\$418,157,253).....	20.80%
Estimated Valuation as of July 1, 2021 (\$468,371,011)....	18.57%
Utility System Debt Service Fund Balance (as of July 21, 2021)	\$ 403,648 (d)
Road System Debt Service Fund Balance (as of July 21, 2021)	\$ 1,163,486 (e)
General Fund Balance (as of July 21, 2021)	\$ 3,492,508
2020 Tax Rate	
Utility System Debt Service.....	\$0.10
Road System Debt Service.....	\$0.51
Maintenance & Operation.....	<u>\$0.39</u>
Total.....	<u>\$1.00</u> (f)
Average Annual Debt Service Requirements (2022-2046).....	\$ 2,528,672 (g)
Maximum Annual Debt Service Requirements (2039).....	\$ 2,813,097 (g)
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to	
Pay Average Annual Debt Service Requirements on the Bonds and	
Outstanding Bonds (2022-2046) at 95% Tax Collections	
Based Upon 2021 Assessed Valuation (\$418,157,253)	\$0.64
Based Upon Estimated Valuation as of July 1, 2021 (\$468,371,011).....	\$0.57
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to	
Pay Maximum Annual Debt Service Requirements on the Bonds and	
Outstanding Bonds (2039) at 95% Tax Collections	
Based Upon 2021 Assessed Valuation (\$418,157,253)	\$0.71
Based Upon Estimated Valuation as of July 1, 2021 (\$468,371,011).....	\$0.64
Single-Family Homes (including 246 homes under construction) as of July 1, 2021	1,999

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- (a) Represents the taxable assessed valuation as of January 1, 2021, of all taxable property in the District, as provided by the Kaufman County Appraisal District (the "Appraisal District") upon certification of its 2021 tax rolls. Such value includes \$8,786,305 of value that is the taxpayer's opinion of the taxable assessed value of the taxable properties that remain under review of the Kaufman County Appraisal Review Board (the "Appraisal Review Board"). The taxpayer's opinion represents the estimated minimum amount of taxable value that will ultimately be approved by the Appraisal Review Board upon which the District will levy its tax. See "TAX DATA" and "TAXING PROCEDURES."
 - (b) Provided by the Appraisal District for information purposes only. Reflects the addition of value of new construction within the District from January 1, 2021 to July 1, 2021. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAX DATA" and "TAXING PROCEDURES."
 - (c) See "DISTRICT DEBT – Estimated Overlapping Debt."
 - (d) Neither Texas law nor the Bond Order (hereinafter defined) 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 (such as the Bonds).
 - (e) Neither Texas law nor the Bond Order 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.
 - (f) The District has authorized the publication of the intended total tax rate of \$1.00 per \$100 of assessed valuation for the 2021 tax year. Such rate is expected to be composed of a maintenance and operations tax rate of \$0.39 per \$100 of assessed valuation, a Utility System debt service tax rate of \$0.13 per \$100 of assessed valuation, and a Road System debt service tax rate of \$0.48 per \$100 of assessed valuation. See "TAX DATA – Tax Rate Distribution" and "- General."
 - (g) Debt service on the Bonds. See "DISTRICT DEBT – Debt Service Requirements."

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 the 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 as of June 30, 2021	Percent	Overlapping Amount
Kaufman County	\$ 149,957,667	2.86%	\$ 4,282,124
Crandall ISD	132,070,805	27.91%	<u>36,862,238</u>
TOTAL ESTIMATED OVERLAPPING DEBT			\$ 41,144,362
Direct Debt			<u>\$ 45,850,000</u> (a)
TOTAL DIRECT & ESTIMATED OVERLAPPING DEBT (b)			<u>\$ 86,994,362</u>

(b) Includes the Bonds.

(c) In addition to the Estimated Overlapping Debt, the Participants are liable to the City of Mesquite for wastewater capacity. See "INVESTMENT CONSIDERATIONS – Obligations to City of Mesquite."

Debt Ratios

	2021 Taxable Assessed Valuation	July 1, 2021 Estimated Valuation
Direct Debt	10.96%	9.79%
Total Direct and Estimated Overlapping Debt	20.80%	18.57%

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Debt Service Requirements

The following schedule sets forth the principal and interest requirements on the Outstanding Bonds, plus the principal and interest requirements for the Bonds. Totals may not sum due to rounding.

Year Ending 12/31	Outstanding Debt Service	Plus: The Bonds		Total New Debt Service	Total Debt Service
		Principal	Interest		
2021	\$ 584,611	-	-	-	\$ 584,611
2022	2,354,044	-	\$ 133,381	\$ 133,381	2,487,425
2023	2,363,168	\$ 250,000	130,881	380,881	2,744,049
2024	2,371,026	250,000	125,881	375,881	2,746,907
2025	2,387,475	245,000	120,931	365,931	2,753,406
2026	2,392,673	245,000	116,031	361,031	2,753,704
2027	2,396,199	245,000	111,131	356,131	2,752,331
2028	2,412,591	245,000	107,456	352,456	2,765,047
2029	2,423,186	245,000	104,700	349,700	2,772,886
2030	2,432,907	245,000	100,719	345,719	2,778,625
2031	2,444,200	240,000	95,869	335,869	2,780,069
2032	2,451,006	240,000	91,069	331,069	2,782,075
2033	2,459,063	245,000	86,219	331,219	2,790,281
2034	2,474,463	240,000	81,369	321,369	2,795,831
2035	2,477,438	245,000	76,519	321,519	2,798,956
2036	2,477,631	250,000	71,569	321,569	2,799,200
2037	2,489,663	250,000	66,413	316,413	2,806,075
2038	2,497,966	250,000	61,100	311,100	2,809,066
2039	2,502,522	255,000	55,575	310,575	2,813,097
2040	2,156,244	300,000	49,331	349,331	2,505,575
2041	2,149,913	305,000	42,334	347,334	2,497,247
2042	1,964,913	310,000	35,031	345,031	2,309,944
2043	1,971,113	320,000	27,550	347,550	2,318,663
2044	1,533,025	325,000	19,891	344,891	1,877,916
2045	913,638	335,000	12,053	347,053	1,260,691
2046	373,700	340,000	4,038	344,038	717,738
	<u>\$55,454,373</u>	<u>\$ 6,420,000</u>	<u>\$ 1,927,041</u>	<u>\$ 8,347,041</u>	<u>\$ 63,801,414</u>

Average Annual Requirements (2022-2046) \$ 2,528,672
 Maximum Annual Requirement (2039) \$ 2,813,097

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Outstanding Bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully above under "THE BONDS - Source of Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and for the payment of certain contractual obligations. The District levied a Utility System debt service tax rate of \$0.10 per \$100 of assessed valuation, a Road System debt service tax rate of \$0.51 per \$100 of assessed valuation, and a maintenance and operation tax rate of \$0.39 per \$100 of assessed valuation for the 2020 tax year. The District has authorized the publication of the intended total tax rate of \$1.00 per \$100 of assessed valuation for the 2021 tax year. Such rate is expected to be composed of a maintenance and operations tax rate of \$0.39 per \$100 of assessed valuation, a Utility System debt service tax rate of \$0.13 per \$100 of assessed valuation, and a Road System debt service tax rate of \$0.48 per \$100 of assessed valuation. See "TAX DATA-Tax Rate Limitation" and "- General."

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, 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 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 the 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 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. 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 the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of one hundred percent (100%) is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. 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 at no cost to the veteran. This exemption applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. The surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by July 15. The District has not adopted a general homestead exemption.

Freeport Goods Exemption and "Goods-in-Transit": A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit Exemption" is applicable to the same

categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

The County may designate all or part of the area within the District as a reinvestment zone. The District and the 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.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and 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, open space land and timberland.

Disaster Exemption

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is

prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

Tax Payment Installments after Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the taxpayer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

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.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the district has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing 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 "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

Special Taxing Districts

Special Taxing 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 Special Taxing 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 Special Taxing District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Developing Districts.

Developing Districts

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

The District

A determination as to a district's status as a Special Taxing District, Developed District or Developing 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 was determined as a "developing district" for the 2020 tax year. 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.

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 October 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 Tax Code also makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

Property owners who are disabled or at least 65 years of age or older and qualify to receive a homestead exemption, may pay property taxes in four equal installments following a disaster. Further, a person who is 65 years of age or older or disabled is entitled by law to pay current taxes on his residential homestead in installments or to receive a deferral or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead. Effective September 1, 2017, certain classes of disabled veterans may receive a deferral or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year 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 Outstanding Bonds and 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. The District levied a 2020 tax rate of \$0.10 per \$100 of assessed valuation for Utility System debt service purposes, \$0.51 per \$100 of assessed valuation for Road System debt service purposes, and \$0.39 per \$100 of assessed valuation for operation and maintenance purposes. The District has authorized the publication of the intended total tax rate of \$1.00 per \$100 of assessed valuation for the 2021 tax year. Such rate is expected to be composed of a maintenance and operations tax rate of \$0.39 per \$100 of assessed valuation, a Utility System debt service tax rate of \$0.13 per \$100 of assessed valuation, and a Road System debt service tax rate of \$0.48 per \$100 of assessed valuation.

Tax Rate Limitation

Water, Sewer and Drainage Debt Service:	Unlimited (no legal limit as to rate or amount).
Road Debt Service:	Unlimited (no legal limit as to rate or amount).
Contract Tax:	Unlimited (no legal limit as to rate or amount).
Contract Tax Supporting Agreements with Mesquite (a):	Unlimited (no legal limit as to rate or amount).
Maintenance:	\$1.00 per \$100 Assessed Valuation.

(a) See "INVESTMENT CONSIDERATIONS – Overlapping Master District Debt and Contract Tax."

Historical Tax Collections

The following table illustrates the collection history of the District for the 2016-2020 tax years:

Tax Year	Certified Assessed Valuation	Tax Rate/ \$100 (a)	Adjusted Levy	% of Collections Current Year	Fiscal Year Ending 9/30	% of Collections as of 05/31/2021
2016	\$ 77,725,405	\$ 1.000	\$ 777,254	99.76%	2017	100.00%
2017	122,125,664	1.000	1,221,257	99.85%	2018	100.00%
2018	195,524,720	1.000	1,955,247	99.97%	2019	97.61%
2019	272,010,996	1.000	2,720,110	99.23%	2020	99.76%
2020	343,689,961	1.000	3,436,900	99.24% (b)	2021	99.24% (b)

(a) Includes a tax for maintenance and operation purposes. See " - Tax Rate Distribution" below.

(b) In the process of collections as of May 31, 2021.

Tax Rate Distribution

	2020 (a)	2019	2018	2017	2016
Utility System Debt Service	\$ 0.100	\$ 0.000	\$ 0.000	\$ 0.000	\$ 0.000
Road System Debt Service	0.510	0.635	0.640	0.650	0.590
Maintenance and Operations	<u>0.390</u>	<u>0.365</u>	<u>0.360</u>	<u>0.350</u>	<u>0.410</u>
	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000

(a) The District has authorized the publication of the intended total tax rate of \$1.00 per \$100 of assessed valuation for the 2021 tax year. Such rate is expected to be composed of a maintenance and operations tax rate of \$0.39 per \$100 of assessed valuation, a Utility System debt service tax rate of \$0.13 per \$100 of assessed valuation, and a Road System debt service tax rate of \$0.48 per \$100 of assessed valuation.

Analysis of Tax Base

The following table illustrates the District's total taxable assessed value in the tax years 2017-2021 by type of property.

Type of Property	2021 Assessed Valuation (a)	2020 Assessed Valuation	2019 Assessed Valuation	2018 Assessed Valuation	2017 Assessed Valuation
Land	\$ 111,450,032	\$ 99,792,490	\$ 73,444,990	\$ 48,974,250	\$ 35,614,660
Improvements	319,073,396	261,998,231	213,695,236	151,484,006	89,193,851
Personal Property	379,978	565,590	681,120	84,010	23,620
Less Exemptions	<u>(21,532,458)</u>	<u>(18,666,350)</u>	<u>(15,810,350)</u>	<u>(5,017,546)</u>	<u>(2,706,467)</u>
Total	\$ 409,370,948	\$ 343,689,961	\$ 272,010,996	\$ 195,524,720	\$ 122,125,664

(a) Does not include any value that is under review of the Appraisal Review Board as of the original certification of the 2021 tax rolls by the Appraisal District.

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2021.

Taxpayer	Type of Property	Assessed Valuation 2021 Tax Roll	Percentage of 2021 Tax Roll
Bloomfield Homes LP (a)	Land & Improvements	\$ 6,899,570	1.65%
HW Heartland LP	Land & Improvements	6,087,616	1.46%
Lennar Homes of Texas Land & Construction Ltd. (a)	Land & Improvements	4,872,367	1.17%
HMH Lifestyles LP	Land & Improvements	2,717,627	0.65%
Impression Homes LLC (a)	Land & Improvements	2,581,002	0.62%
Kaufman 1 Townhomes LLC	Land & Improvements	2,288,772	0.55%
Heartland Lakes Dental & Orthodontics PLLC	Land & Improvements	1,299,251	0.31%
AMH 2015-1 Borrower LLC	Land & Improvements	1,164,000	0.28%
M Nazir Raja Inc.	Land & Improvements	930,000	0.22%
American Homes 4 Rent Properties Eight LLC	Land & Improvements	752,025	0.18%
Total		\$ 29,592,230	7.08%

(a) See "DEVELOPMENT STATUS OF THE DISTRICT - Homebuilders within the District."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Taxable Assessed Valuation that would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2021 Taxable Assessed Valuation (\$418,157,253) or the Estimated Valuation as of July 1, 2021 (\$468,371,011). The foregoing further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Average Annual Debt Service Requirement (2022–2046)	\$2,528,672
Debt Service Tax Rate of \$0.64 on the 2021 Taxable Assessed Valuation produces	\$2,542,396
Debt Service Tax Rate of \$0.57 on the Estimate of Value as of July 1, 2021, produces.....	\$2,536,229
Maximum Annual Debt Service Requirement (2039).....	\$2,813,097
Debt Service Tax Rate of \$0.71 on the 2021 Taxable Assessed Valuation produces	\$2,820,471
Debt Service Tax Rate of \$0.64 on the Estimate of Value as of July 1, 2021, produces.....	\$2,847,696

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 a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see “DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement”), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is a compilation of all 2020 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.

<u>Taxing Jurisdiction</u>	<u>2020 Tax Rate/ Per \$100 of A.V.</u>
The District	\$ 1.000000
Kaufman County	0.416322
Crandall Independent School District	1.374700
Kaufman County Road and Bridge	0.088635
Kaufman County Emergency Service District No. 7	0.074300
Trinity Valley Community College District	0.138540
Estimated Total Tax Rate	\$ 3.092497

THE DISTRICT

General

The District is a limited-purpose political subdivision of the State 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 House Bill No. 3622 passed by the 78th Texas Legislature, Regular Session, 2003 and originally named Kingsborough Municipal Utility District No. 1. As of February 3, 2006, by order of the TCEQ, the District’s name was changed to Kaufman County Municipal Utility District No. 8. Further, as of March 30, 2010, by order of the TCEQ, the District’s name was changed to Kaufman County Municipal Utility District No. 14. The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. In addition, the District is authorized to purchase, construct, operate and maintain roads. The District is also 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; the control and diversion of storm water. The District may also provide solid waste collection and disposal service and operate and maintain recreational facilities. The District may operate and maintain a fire department, independently or with one or more 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 central Kaufman County, approximately 18 miles east of the City of Dallas; approximately 8 miles east of the City of Mesquite; and approximately 2 miles north of the City. It is bordered on the north by Interstate 20, on the south by FM 2757 and is adjacent to FM 741. The District is located wholly within the extraterritorial jurisdiction of the City and wholly within Crandall Independent School District. The District is located wholly within the approximately 1,550-acre master-planned community known as “Heartland.”

Management of the District

The District is governed by a board of five (5) directors which has control over and management supervision of all affairs of the District. Directors are elected in even-numbered years for four-year staggered terms. The present members and officers of the Board are listed below:

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Patricia Tobolka	President	2022
Gloria A. Young	Vice President	2024
Linda White	Secretary	2024
Dene Allred	Assistant Secretary	2024
Rick Ikeler	Assistant Secretary	2022

The District has contracted with following companies and individuals for professional services and to operate its utilities and recreational facilities:

Tax Assessor/Collector – The District's Tax Assessor/Collector is the Kaufman County Tax Office.

Bookkeeper – The District contracts with L&S District Services, LLC, for bookkeeping services.

Utility System Operator – The District's operator is Inframark.

Auditor – As required by the Texas Water Code, the District retains 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 September 30, 2020, 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 Peloton Land Solutions (the “Engineer”).

Bond Counsel – The District employs Coats Rose, P.C., Dallas, Texas, as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds. Coats Rose, P.C. also acts as general counsel for the District.

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 – The District has engaged the firm of Robert W. Baird & Co. Incorporated as financial advisor to the District. Payment to the Financial Advisor by the District is contingent upon the issuance, 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.

DEVELOPMENT STATUS OF THE DISTRICT

Of the approximately 554 acres of land located within the District, approximately 529 acres within the District have been developed with water distribution, sanitary sewer and storm drainage and road facilities to serve the single-family residential subdivisions of Heartland, Phases 1A, 2A, 3A, 7B, 8, 9, 10A, 10B, 13, 14, 15 and 16 (approximately 386 acres and 1,558 lots) and Parcels 5, 6A, 7A, 8, 9A, 9B, 10A and 10B (approximately 143 acres and 556 lots). As of July 1, 2021, the District was comprised of 1,732 completed and occupied homes; 21 completed and unoccupied homes; 246 homes under construction; and 115 vacant, developed lots. The remaining acreage within the District is comprised of 25 undevelopable acres.

The table below summarizes the development within the District as of July 1, 2021 by section.

	Approximate Acreage	Lots	Homes		Vacant Developed Lots
			Completed	Under Construction	
Heartland, Phase 1A	35	153	152	-	1
Heartland, Phase 2A	8	45	45	-	-
Heartland, Phase 3A	20	126	126	-	-
Heartland, Phase 7B	6	17	17	-	-
Heartland, Phase 8	67	294	294	-	-
Heartland, Phase 9	54	220	220	-	-
Heartland, Phase 10A	41	181	158	8	15
Heartland, Phase 10B	83	174	126	38	10
Heartland, Phase 13	14	63	28	30	5
Heartland, Phase 14	34	131	-	90	41
Heartland, Phase 15	1	11	3	8	-
Heartland, Phase 16	23	143	28	72	43
Heartland, Parcel 5	29	156	156	-	-
Heartland, Parcel 6A	16	48	48	-	-
Heartland, Parcel 7A	13	34	34	-	-
Heartland, Parcel 8	25	48	48	-	-
Heartland, Parcel 9A	20	92	92	-	-
Heartland, Parcel 9B	20	69	69	-	-
Heartland, Parcel 10A	10	61	61	-	-
Heartland, Parcel 10B	10	48	48	-	-
Totals	529	2,114	1,753	246	115
Currently Under Development	-				
Undevelopable Acres	<u>25</u>				
Total	<u>554</u>				

Homebuilders within the District

Homebuilding in the District began in April 2006. Homebuilders active within the District include History Maker Homes, Highland Homes, Impression Homes, Bloomfield Homes and Lennar Homes. Homes range in price from approximately \$200,000 to \$360,000 and range in size from approximately 1,400 to 3,500 square feet.

HEARTLAND

Heartland is an approximately 1,550-acre master-planned community located 18 miles east of downtown Dallas, 8 miles east of Mesquite and 2 miles north of the City. Heartland is bounded by US Interstate 20 on the north, FM 2757 on the south and FM 741 is adjacent to the project.

There are approximately 952 acres fully developed in Heartland. As of June 30, 2021, development within the Heartland Districts included 3,803 completed lots, 355 lots under development (approximately 106 acres), 3,175 completed homes and 346 homes under construction. The Heartland Districts also contain approximately 832 undeveloped but developable acres, approximately 147 acres of commercial reserves and approximately 112 undevelopable acres. On July 1, 2021, 300 acres of the Heartland Districts was sold by UST-Heartland to Lennar Homes who will be developing its acreage as "Eastland." In addition, Lennar is scheduled to close in two years on another 308 acres to be developed as Eastland.

All of the land in Heartland is located within one of three municipal utility districts created through the Texas Legislature to serve Heartland: Kaufman County Municipal Utility District No. 10 ("KCMUD 10"), Kaufman County Municipal Utility District No. 11 ("KCMUD 11"), and Kaufman County Municipal Utility District No. 14 ("KCMUD 14"). The development in Heartland has occurred either within KCMUD 10, KCMUD 11, and the District.

In July, 2021 Lennar Homes purchased approximately 300 acres in KCMUD 9 and KCMUD 12 ("Master District") from UST, Lennar entered into a contract to purchase an additional approximately 300 acres from UST in KCMUD 12 in approximately 2 years which Lennar Homes plans to develop as Eastland.

DEVELOPER

The Role of a Developer

In general, the activities of a developer in a municipal utility district, such as the District, include the following: acquiring the land within the district, designing the subdivision, the utilities and streets to be constructed in the subdivision, and any community facilities to be built; defining a marketing program and building schedule; securing necessary governmental approvals and permits for development; arranging for the construction of roads and the installation of utilities; and selling improved lots and commercial reserves to builders and other developers or other third parties. Pursuant to the rules of the TCEQ, a developer can be required to pay up to 30% of the cost of constructing certain water, wastewater and drainage facilities in a municipal utility district. The relative success or failure of a developer to perform such activities in the development of property within a municipal utility district may have a profound effect on the security of the bonds issued by a district. A developer is generally under no obligation to a municipal utility district to develop the property that it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a municipal utility district.

The Developer

The principal developer of land within the District is UST-Heartland, L.P., a Texas limited partnership ("UST" or the "Developer"). UST was formerly known as HW Heartland, L.P.

UST Heartland GP, LLC, a Texas limited liability company ("Heartland GP"), is the sole general partner of UST. UST Subpartnership II, L.P., a Delaware limited partnership ("USTII"), is the sole limited partner of UST. Each of UST II and Heartland GP are wholly owned by UST Joint Venture Opportunity I, L.P., a Delaware limited partnership ("UST JV"), formed to invest in industrial, commercial, residential, office, hotel, hospital, medical, sports arena, mixed use, condominium, timeshare, golf course, and recreation properties throughout the United States. The Developer is managed by UST Opportunity Corporation, a company owned by Lothar Estein who has over 40 years' experience in US real estate investments in the United States. UST currently owns no developable acres and 74 vacant developed lots in the District, as well as a portion of all the vacant land in the remainder of Heartland.

Lot Sales Contracts

The Developer has entered into lot sales contracts with each of Lennar Homes, History Maker Homes, Bloomfield Homes, Highland Homes and Impression Homes. The contracts for the sale of lots between UST and the builders require that earnest money be deposited with a title company and establish certain required purchases quarterly. UST's sole remedy for homebuilders not purchasing lots in accordance with the contracts

is cancellation of the contract and retention of the earnest money on deposit.

According to the Developer, each of the homebuilders is in compliance, in all material respects, with their respective lots sale contracts.

Development Financing

The Developer is financing the current development of Heartland (including the development within the District) with a loan from Texas Capital Bank, National Association, originally dated May 18, 2018, in the amended amount of \$25,000,000 with an interest rate of prime plus 1%. Such loan matures on May 18, 2022 and is secured by the land and the reimbursements the Developer expects to receive from the bond sales of the District. As of June 30, 2021, the balance on such loan was \$2,204,490.36. According to the Developer, it is in compliance with all material terms of such loan.

Development Manager

In July, 2013, UST engaged Huffines Management Partners, L.P. (d/b/a "Huffines Communities"), to perform management services related to the development of property within Heartland. Huffines Communities is in the business of managing and developing real property, including residential communities. Since its inception in 1985, Huffines Communities has owned, or has developed or managed for development, over 20,000 residential lots. Among its "signature" communities are: Waterview in Rowlett, Texas; Providence in Providence, Texas; Savannah in Savannah, Texas; and Inspiration in Collin County, Texas. Huffines Communities also has significant experience as the developer of master planned communities located within special districts in Texas similar to the District, having been involved with more than ten special districts in the state. There is no assurance that Huffines Communities will continue to be the manager for the development of the property, as UST and Huffines Communities have the right, upon prior notice to the other and for certain other reasons, to terminate the management services agreement between them. Huffines Communities has no ownership in Heartland or UST.

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**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken July 2021)**



**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken July 2021)**



THE UTILITY SYSTEM

Regulation

According to the Engineer, the water distribution, wastewater collection and storm water drainage facilities constructed by the District 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 the 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.

Operation of the waterworks and sewer treatment facilities serving the District is subject to regulation by, among others, the Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

Description of the Utility System

- Wastewater Treatment and Conveyance System -

The City of Mesquite is the wholesale sewer provider to the Master District. The City of Mesquite, in turn, has contracted with the North Texas Municipal Water District ("NTMWD") for service from NTMWD's regional wastewater treatment plant. NTMWD has completed construction of a regional sewer line called the Lower East Fork Interceptor System ("LEFIS") along Mustang Creek southwest of the Participant Districts that will serve all of the Participant Districts as well as other future development in the Mustang Creek basin. See "Agreement Regarding Wholesale Wastewater Treatment Service" below.

- Water Supply and Distribution -

The City of Mesquite is the wholesale water provider to the Master District. The City of Mesquite, in turn, contracts with the NTMWD for the provision of treated water to the City in the volume set forth in the contract and to the extent such water is available. The contract between the City of Mesquite and the Master District provides that the City of Mesquite will provide adequate water supply for all of the Participant Districts, including approximately 8,000 residential units, schools, commercial, civic and other associated uses. There is an existing 24-inch water line from Mesquite to the Heartland pump station on the north side of I-20. This water line has the capacity to serve approximately 12,000 home (full build-out of the District). The existing pump station currently provides x2-500 & x2-1,500 gallon per minute (gpm) pumps, x2 16,000 gallon hydro-pneumatic tanks and a 500,000 gallon ground storage tank. The system also provides for a 750,000 gallon elevated storage tank which resides in the limits of the District. The existing system has the pumping capacity to serve the approximately 4,050 occupied homes. Additional expansions are scheduled to take place in 2022/23 and will provide for additional pumping and storage capacity. These scheduled expansions will provide the capacity to serve approximately 10,000 homes. See "Agreement Regarding Wholesale Treated Water Service" below.

- Drainage -

Stormwater runoff from Heartland discharges into two major creeks, Buffalo Creek to the east and Mustang Creek to the west. There are numerous small tributaries to these creeks that convey runoff from developed areas. The master development plan for Heartland indicates that these tributaries will be preserved in their natural state.

There is also a large Natural Resource Conservation Service flood control dam at the northeast corner of Heartland. The reservoir has a capacity of approximately 200 acre-feet. The dam and spillway were originally constructed during the 1950's. These facilities were reconstructed and brought up to then current design standards in 2005.

- Agreement Regarding Wholesale Treated Water Service -

Effective August 27, 2004, the then developer of Heartland entered into an Agreement Regarding Wholesale Treated Water Service with the City of Mesquite. Each of the Participant Districts has been added as a party to such agreement. Pursuant to such agreement, the City of Mesquite agrees to provide water necessary for the full development of the Participant Districts, contingent upon the City being able to purchase water from the North Texas Municipal Water District. Each of the Participant Districts pays the bulk rate per 1,000 gallons that

Mesquite is charged for purchasing treated water from NTMWD plus 40% per 1,000 gallons. Based upon the City of Mesquite's existing contracts, Mesquite has sufficient water supply to serve all the existing lots within Heartland as well as the additional development underway.

- Agreement Regarding Wholesale Wastewater Treatment Service -

Effective August 27, 2004, the then developer of Heartland entered into an Agreement Regarding Wholesale Wastewater Treatment Service with the City of Mesquite. Each of the Participant Districts has been added as a party to such agreement. Pursuant to such agreement, the City of Mesquite agrees to provide wastewater treatment capacity necessary for the full development of the Participant Districts, contingent upon the City being able to purchase wastewater treatment capacity from the NTMWD. Each of the Participant Districts pays the bulk rate per 1,000 gallons that Mesquite is charged for purchasing wastewater treatment services from North Texas Municipal Water District plus 40% per 1,000 gallons. Based upon the City of Mesquite's existing contracts, Mesquite has sufficient wastewater treatment capacity to serve all the existing lots within Heartland as well as the additional development underway.

- Master District -

On March 7, 2005, the District executed a "Contract for Financing, Operation and Maintenance of Regional Water, Sanitary Sewer and Drainage Facilities" ("Master District Contract") with Kaufman County Municipal Utility District No. 12 ("Master District") relating to the following facilities and services: the Master District wastewater collection system, the Master District water distribution system, the water supply system and the off-site wastewater transportation system (collectively, the "Master District Facilities"). The Master District Contract was approved by the voters of the District at an election held on May 7, 2005.

Pursuant to the Master District Contract, the District and all other Participants that have executed similar contracts with the Master District, are obligated to pay a pro rata share of debt service on contract revenue bonds issued by the Master District (the "Contract Revenue Bonds") to finance Master District facilities based upon certified appraised valuation. The District's pro rata share of the debt service requirements on the Contract Revenue Bonds is based upon the District's certified gross appraised value as a percentage of the certified gross appraised value of all of the Participants, calculated annually. Each Participant is obligated to make such payments (the "Contract Payments") from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by such Participant for such purpose on taxable property within its boundaries (the "Contract Tax"), from revenues derived from the operations of such Participant's water distribution system and wastewater collection system, or from any other lawful source of such Participant's income. See "INVESTMENT CONSIDERATIONS – Overlapping Master District Debt and Contract Tax" and "- Obligations to City of Mesquite."

Each Participant 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 District Facilities will be constructed in stages to meet the needs of a continually expanding population within the Participant Districts. In the event that the Master District fails to meet its obligations under the Master District Contract to provide Master District Facilities, each of the other Heartland Districts has the right pursuant to its Master District Contract to design, acquire, construct, or expand the Master District Facilities needed to provide service to such district, and convey such Master District Facilities to the Master District in consideration of payment by the Master District of the actual capital costs expended by such district for such Master District Facilities.

The District is further obligated to pay monthly charges for water and sewer services rendered pursuant to the Master District Contract. The monthly charges will be used to pay the District's share of operation and maintenance expenses of the Master District Facilities and to provide for an operation and maintenance reserve equivalent to three (3) months of operation and maintenance expenses. The District's share of operation and maintenance expenses and reserve requirements is determined by dividing the total number of equivalent single family residential connections ("ESFCs") for all of the Participant 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 Master District.

Pursuant to the Master District Contract, the District is obligated to establish and maintain rates, fees and charges for services provided by the District's water distribution system and wastewater collection system,

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

Historical Operations of the Utility System

The following is a summary of the District's Operating Fund for the last 5 years. The figures for the fiscal years ending September 30, 2016, through September 30, 2020, were obtained from the District's annual financial reports, reference to which is hereby made. The figures for the fiscal year ended September 30, 2021, are unaudited and have been obtained from the reports of the District's Bookkeeper. The District is required by statute to have a certified public accountant prepare and file an annual audit of its financial records with the TCEQ.

Revenues	Fiscal Year Ending September 30,					
	2021 (a)	2020	2019	2018	2017	2016
Property Taxes	\$1,331,257	\$ 985,247	\$ 709,205	\$ 426,590	\$ 319,117	\$ 240,184
Water Service	1,135,062	1,278,324	1,069,862	935,537	558,964	362,847
Wastewater Service	567,355	752,943	626,357	498,881	332,303	218,533
Garbage Service	132,554	201,921	175,677	125,959	83,028	59,743
Penalty & Interest	25,845	63,290	54,039	42,936	32,305	23,789
Tap Connection & Inspection	257,374	952,621	1,154,548	1,375,496	769,582	846,425
Miscellaneous Revenues	143,390	28,590	29,715	7,786	3,132	1,760
Total	\$3,592,836	\$ 4,262,936	\$ 3,819,403	\$ 3,413,185	\$ 2,098,431	\$ 1,753,281
Expenditures						
Professional Fees	\$ 63,988	\$ 175,823	\$ 54,266	\$ 32,211	\$ 36,559	\$ 56,350
Contracted Services	265,533	346,273	326,963	200,046	146,276	108,005
Purchased Master District Services	715,981	2,484,661	2,298,600	2,067,809	1,356,896	1,027,584
Repairs & Maintenance	210,015	362,369	296,499	152,271	199,561	106,781
Other	223,472	246,576	277,855	336,335	209,179	237,803
Capital Outlay	525,158	59,344	34,980	-	-	-
Total	\$2,004,147	\$ 3,675,046	\$ 3,289,073	\$ 2,788,672	\$ 1,948,471	\$ 1,536,523
NET REVENUES (Deficit)	\$1,588,689	\$ 587,890	\$ 530,330	\$ 624,513	\$ 149,960	\$ 216,758
Other financing sources (uses)	\$ -	\$ -	\$ 9,500	\$ 7,100	\$ -	\$ 3,660
Beginning fund balance	\$2,513,024	\$ 1,925,134	\$ 1,385,304	\$ 753,691	\$ 603,731	\$ 383,313
Ending fund balance	\$4,101,713	\$ 2,513,024	\$ 1,925,134	\$ 1,385,304	\$ 753,691	\$ 603,731

(a) Unaudited as of April 30, 2021. Totals may not sum due to rounding.

THE ROAD SYSTEM

Construction of the Road System within the boundaries of the District has been financed with funds advanced by the Developer. Roadways within the District are constructed of reinforced concrete with curbs on lime-stabilized subgrade. Roads vary in width but are sized to accommodate the anticipated traffic demands of full build-out of the project. The District owns and maintains the Road System within the District.

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations of the District and are not obligations of the State, the County, the City, the State, or any political subdivision other than the District. The Bonds are secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District. See "THE BONDS - Source of Payment." The ultimate security for payment of 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 housing industry, not only due to general economic conditions, but also due to the particular factors discussed below.

Infectious Disease Outlook (COVID-19)

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment except in counties with an "area with high hospitalizations" where a county judge may impose COVID-19 related mitigation strategies. The County is not currently an "area with high hospitalizations." The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

With the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

Economic Factors Affecting Taxable Values and Tax Payments

The rate of development within the District is directly related to the vitality of the single-family housing market in the Dallas and Mesquite metropolitan areas, particularly in the price range (\$200,000 to \$360,000) of homes in the District. New single-family residential construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of single-family residential

construction would restrict the growth of property values in the District. Although in excess of 1,999 single-family homes are either completed or under construction within the District, the District cannot predict the pace or magnitude of any future development in the District. See "DEVELOPMENT STATUS OF THE DISTRICT."

Developer's Obligations to the District: There is no commitment by or legal requirement of the Developer or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any home builder to proceed at any particular pace with the construction of homes 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 profitability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "DEVELOPMENT STATUS OF THE DISTRICT," and "DEVELOPER."

Dependence on Major Taxpayers and the Developer: The ten principal taxpayers represent \$29,592,230 or 7.08% of the 2021 Taxable Assessed Valuation, which represents ownership as of January 1, 2021. If these or other principal taxpayers were to default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds would be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its debt service fund. See "Tax Collections and Foreclosure Remedies" in this section, "TAX DATA - Principal Taxpayers" and "TAXING PROCEDURES - Levy and Collection of Taxes."

Maximum Impact on District Tax Rate: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2021 Assessed Valuation of property within the District (see "SELECTED FINANCIAL INFORMATION"), is \$418,157,253 and the July 1, 2021, Estimated Valuation is \$468,371,011. After issuance of the Bonds, the maximum annual debt service requirement will be \$2,813,097 (2039) and the average annual debt service requirement will be \$2,528,672 (2022 through 2046, inclusive). Assuming no increase or decrease from the 2021 Assessed Valuation, tax rates of \$0.71 and \$0.64 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirements and the average annual debt service requirements, respectively (see "DISTRICT DEBT - Debt Service Requirements"). Assuming no increase or decrease from the July 1, 2021, Estimated Valuation, tax rates of \$0.64 and \$0.57 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 requirements, respectively. The District levied a tax rate of \$0.10 per \$100 of assessed valuation for Utility System debt service purposes, a tax rate of \$0.51 per \$100 of assessed valuation for Road System debt service purposes, and a tax rate of \$0.39 per \$100 of assessed valuation for maintenance purposes in 2020. The District has authorized the publication of the intended total tax rate of \$1.00 per \$100 of assessed valuation for the 2021 tax year. Such rate is expected to be composed of a maintenance and operations tax rate of \$0.39 per \$100 of assessed valuation, a Utility System debt service tax rate of \$0.13 per \$100 of assessed valuation, and a Road System debt service tax rate of \$0.48 per \$100 of assessed valuation.

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; (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property; or (d) the taxpayer's right to redeem the property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. See "TAXING PROCEDURES".

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 taxpayer’s 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 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 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.

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 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 proceeds 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 Owners’ 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, \$34,275,000 principal amount of unlimited tax bonds for Road System purposes, \$107,865,000 principal amount of unlimited tax refunding bonds for Road System purposes, \$76,965,000 principal amount of unlimited tax bonds for Utility System purposes, and \$132,000,000 principal amount of unlimited tax refunding bonds for Utility System purposes will remain authorized but unissued. See “THE BONDS – Authority for Issuance.” The District reserves in the Bond Order the right to issue the remaining

authorized but unissued bonds plus such additional bonds as may hereafter be authorized by voters in the District. In addition, the District has the right to issue obligations, other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow money for any valid public purpose. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for and the investment quality and value of the Bonds. See "DEVELOPMENT STATUS OF THE DISTRICT."

Following the issuance of the Bonds, the District will owe the Developer approximately \$10,500,000 for the expenditures to construct the Utility System and nothing remaining for the expenditures to construct the Road System to serve the developed land within the District.

Based on present engineering cost estimates and on development plans supplied by the Developer, 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 the Developer for the existing facilities and to finance the water, sewer and drainage facilities and roads necessary to serve the remaining undeveloped but developable land within the District.

Overlapping Master District Debt and Contract Tax

The District is part of the approximately 1,550-acre master-planned community of "Heartland." Heartland is comprised of the District, KCMUD 10, and KCMUD 11, collectively referred to as the "Heartland Districts" or "Participants" and individuals as a "Participant." See "HEARTLAND."

The District, along with the other Heartland Districts, Kaufman County Municipal Utility District No. 9 ("KCMUD 9") and Kaufman County Municipal Utility District No. 12 ("KCMUD 12" or the "Master District") have entered into a "Contract for Financing, Operation and Maintenance of Regional Water, Sanitary Sewer and Drainage Facilities" (the "Master District Contract") with the Master District pursuant to which the Master District will provide the regional water, sanitary sewer and drainage facilities and capacities (the "Master District Facilities"). The Heartland Districts along with KCMUD 9 and KCMUD 12 are known as "Participants" to the Master District Contract.

The Master District is authorized and expected to issue contract revenue bonds sufficient to complete acquisition and construction of the Master District Facilities (the "Contract Revenue Bonds"). Pursuant to the Master District Contract, the District and all other Participants that have executed similar contracts with the Master District, are obligated to pay a pro rata share of debt service on the Contract Revenue Bonds based upon certified appraised valuation. The District's pro rata share of the debt service requirements on the Contract Revenue Bonds is based upon the District's certified gross appraised value as a percentage of the certified gross appraised value of all of the Participants, calculated annually. Each Participant is obligated to make such payments (the "Contract Payments") from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by such Participant for such purpose on taxable property within its boundaries (the "Contract Tax"), from revenues derived from the operations of such Participant's water distribution system and wastewater collection system, or from any other lawful source of such Participant's income.

Currently, the Master District owes the Developer approximately \$9,106,000 for the Master District Facilities, of which \$5,503,662 is allocated to the District. The Master District has no immediate plans to issue any Contract Revenue Bonds and anticipates issuing its bonds when the projected contract tax necessary to amortize such bonds when combined with the other ad valorem taxes then being levied by each Participant does not exceed \$1.00 per \$100 valuation. See "THE UTILITY SYSTEM."

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

Obligations to City of Mesquite

The Master District has entered into an "Agreement Regarding Wholesale Treated Water Service" and an "Agreement Regarding Wholesale Wastewater Treatment Service" with the City of Mesquite. Pursuant to such agreements, the City of Mesquite currently provides wholesale water supply and wastewater treatment

services to the Master District. See "THE UTILITY SYSTEM." In turn, the City of Mesquite has entered into a contract with NTMWD, a regional provider of wholesale water and wastewater services for areas located southeast, east and northeast of the City of Dallas, pursuant to which NTMWD provides wholesale water and wastewater service to the City of Mesquite and its retail and wholesale customers.

In April 2006, NTMWD issued bonds to construct a wastewater interceptor, within the vicinity of Heartland, to serve the area within the Participants. The City of Mesquite and the City of Seagoville are the entities entitled to utilize capacity in the interceptor and are responsible for paying debt service on such bonds. The City of Mesquite has contracted with the Master District to obtain payment of amounts sufficient to cover their portion of the debt service and operating costs of the interceptor. In turn, the Master District collects payment from each internal Participant for their portion of the debt service. Currently, the Participants are obligated through the Master District's contract with the City of Mesquite to pay 78.21% of the annual debt service. The City of Seagoville is paying the remaining annual debt service payments. To the extent that the City of Mesquite serves other wholesale customers in the future, such customers will pay a portion of the debt service currently being paid by the Participants. For the fiscal year ending September 30, 2020, the payments allocable to the Participants were \$1,501,372, and the projected payments allocable to the Participants for the fiscal year ending September 30, 2021 are approximately \$1,450,989. Such payments are secured by the unlimited taxing authority of the Participants. However, such payments currently are being made from net revenues of the Participants.

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.

Competitive Nature of Dallas Residential Market

The housing industry in the Dallas area is very competitive, and the District can give no assurance that the building programs which are planned by the Developer will be continued or completed. The respective competitive positions of the Developer and any of the homebuilders are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

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 - Collection."

Environmental Regulation

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

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

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

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

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

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

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

In 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule (“CWR”) aimed at redefining “waters of the United States” over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. The CWR was challenged in numerous jurisdictions, including the Southern District of Texas, causing significant uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction.

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal officially became final on December 23, 2019, but the repeal has itself become the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule (“NWPR”), which contains a new definition of “waters of the United States.” The stated purpose of the NWPR is to restore and maintain the integrity of the nation’s waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states’ primary authority over land and water resources. The new definition outlines four categories of waters that are considered “waters of the United States,” and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not “waters of the United States,” and

therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR became effective on June 22, 2020 and is the subject of further litigation.

Due to ongoing rulemaking activity, as well as existing and possible future litigation, there remains uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

The District is subject to the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required plans, as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Costs associated with these compliance activities could be substantial in the future.

2021 Legislation

The Texas Legislature session for its 87th Regular Session (the “Regular Session”), ended May 31, 2021. The Governor has called a special session scheduled for July 8th, 2021. In addition, the Governor may call one or more additional special sessions following the Regular Session. During this time, the Texas Legislature may enact laws that materially change taxing procedures or statutory authority related thereto. The District can make no representation regarding the actions the Texas Legislature may take.

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 “LEGAL MATTERS--Tax Exemption.”

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. TCEQ approval of the Bonds is not required and, therefore, no engineering report or bond application has been submitted to the TCEQ and neither the Bonds, the project, nor the feasibility of the District will be reviewed, considered or approved by the TCEQ with respect to the Bonds.

Bond Insurance Risk Factors

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable bond insurance policy (the “Insurance 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 Insurance 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 District which is recovered by the District 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 bond insurer at such time and in such amounts as would have been due absence such prepayment by the bond insurer 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 Insurance 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 "MUNICIPAL BOND INSURANCE" and "RATINGS."

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

Neither the District or Initial Purchaser (hereinafter defined) 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 District to pay principal and interest on the Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" herein for further information provided by the bond insurer and the Insurance Policy, which includes further instructions for obtaining current financial information concerning the bond insurer.

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 EXEMPTION." 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-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.

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.

TAX MATTERS

Opinion

In the opinion of Coats Rose, P.C., Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals.

The Internal Revenue Code of 1986, as amended (the "Code") imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Bond Order that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Order pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purpose, and in addition, will rely on representations by the District and the Initial Purchaser with respect to matters solely within the knowledge of the District and the Initial Purchaser, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Order or if the foregoing representations or report should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received, or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Except as stated above, Bond Counsel will express no opinion as to any federal, state, or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain

foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel’s opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel’s knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel’s opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel’s legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

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.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

The District **has not** designated the Bonds as “qualified tax-exempt obligations” for financial institutions.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to the EMMA annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “DISTRICT DEBT” (excluding the subsection titled “Estimated Overlapping Debt Statement”), “TAX DATA,” and “APPENDIX A.”

The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2021.

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

The District's fiscal year end is currently September 30. Accordingly, it must provide updated information by March 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12 (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 other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The 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. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

The District has agreed to provide the 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 the Developer, 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

During the last five years, the District has materially complied with its continuing disclosure undertakings pursuant to the Rule.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the District's records, the District Engineer, the Developer, the Tax Assessor/Collector, the Auditor, information publicly available from the Kaufman 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 September 30, 2020, 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 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 "DEVELOPER," "HEARTLAND," and "STATUS OF DEVELOPMENT" has been provided by the Developer and has been included herein in reliance upon the authority and knowledge of such party concerning the matters described therein.

The information contained in this Official Statement relating to engineering and to the description of the Utility System generally and, in particular, the engineering information included in the sections captioned "THE

DISTRICT”, “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 to 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.

CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of Kaufman County Municipal Utility District No. 14 as of the date specified on the first page hereof.

/s/ Patricia Tobolka
President, Board of Directors
Kaufman County Municipal Utility District No. 14

ATTEST:

/s/ Linda White
Secretary, Board of Directors
Kaufman County Municipal Utility District No. 14

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

**KAUFMAN COUNTY MUNICIPAL
UTILITY DISTRICT NO. 14**

KAUFMAN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2020

**KAUFMAN COUNTY MUNICIPAL
UTILITY DISTRICT NO. 14**

KAUFMAN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kaufman County Municipal Utility District No. 14
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. 14 (the "District"), as of and for the year ended September 30, 2020, 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 September 30, 2020, 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

January 20, 2021

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Management's discussion and analysis of Kaufman County Municipal Utility District No. 14's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2020. 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 all of 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 as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, 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. 14
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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"). A budgetary comparison schedule is included as RSI for the General Fund.

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 and deferred outflows of resources by \$3,087,810 as of September 30, 2020. A portion of the District's net position reflects its net investment in capital assets (land and roads as well as 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 the Statement of Net Position as of September 30, 2020, and September 30, 2019.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2020	2019	Change Positive (Negative)
Current and Other Assets	\$ 4,621,123	\$ 3,819,997	\$ 801,126
Capital Assets (Net of Accumulated Depreciation)	41,099,889	41,821,041	(721,152)
Total Assets	\$ 45,721,012	\$ 45,641,038	\$ 79,974
Deferred Outflows of Resources	\$ 45,714	\$ 50,700	\$ (4,986)
Due to Developer	\$ 15,147,542	\$ 17,891,334	\$ 2,743,792
Bonds Payable	32,961,464	29,809,045	(3,152,419)
Other Liabilities	745,530	926,211	180,681
Total Liabilities	\$ 48,854,536	\$ 48,626,590	\$ (227,946)
Net Position:			
Net Investment in Capital Assets	\$ (6,204,249)	\$ (5,208,569)	\$ (995,680)
Restricted	809,303	659,351	149,952
Unrestricted	2,307,136	1,614,366	692,770
Total Net Position	\$ (3,087,810)	\$ (2,934,852)	\$ (152,958)

The following table provides a summary of the District's operations for the years ended September 30, 2020, and September 30, 2019. The District's net position decreased by \$152,958 during the current fiscal year.

	Summary of Changes in the Statement of Activities		
	2020	2019	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,721,310	\$ 1,964,827	\$ 756,483
Charges for Services	3,253,655	3,084,352	169,303
Other Revenues	44,976	40,790	4,186
Total Revenues	\$ 6,019,941	\$ 5,089,969	\$ 929,972
Expenses for Services	6,172,899	6,169,019	(3,880)
Change in Net Position	\$ (152,958)	\$ (1,079,050)	\$ 926,092
Net Position, Beginning of Year	(2,934,852)	(1,855,802)	(1,079,050)
Net Position, End of Year	\$ (3,087,810)	\$ (2,934,852)	\$ (152,958)

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of September 30, 2020, were \$3,941,759, an increase of \$973,174 from the prior year.

The General Fund fund balance increased by \$587,890, primarily due to property tax revenues and service revenues that exceeded operating and capital expenditures.

The Debt Service Fund fund balance increased by \$149,039, primarily due to the structure of the District's outstanding debt and receipt of capitalized interest in the current fiscal year.

The Capital Projects Fund fund balance increased by \$236,245, primarily due to current year bond proceeds exceeding developer reimbursements.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year which was amended to increase budgeted service revenues. Actual revenues were \$239,830 more than budgeted due to higher than anticipated service revenues as a result of growth in the District. Actual expenditures were \$562,193 less than budgeted expenditures. Higher than anticipated professional fees and maintenance costs were offset by lower than anticipated capital expenditures and purchased services.

CAPITAL ASSETS

Capital assets as of September 30, 2020, total \$41,099,889 (net of accumulated depreciation) and include land and roads as well as the water, wastewater and drainage facilities. The District used bond proceeds to reimburse its Developer for certain utilities facilities (see Note 12).

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2020	2019	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 3,703,385	\$ 3,703,385	\$
Capital Assets, Net of Accumulated Depreciation:			
Landscape and Hardscape	757,077	774,058	(16,981)
Water System	3,789,277	3,842,734	(53,457)
Wastewater System	3,225,740	3,242,365	(16,625)
Drainage System	11,721,346	11,911,189	(189,843)
Roads	17,903,064	18,347,310	(444,246)
Total Net Capital Assets	\$ 41,099,889	\$ 41,821,041	\$ (721,152)

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

LONG-TERM DEBT ACTIVITY

At fiscal year end, the District had total bond debt payable of \$33,100,000. The changes in the debt position of the District during the fiscal year ended September 30, 2020, are summarized as follows:

Bond Debt Payable, October 1, 2019	\$ 29,955,000
Add: Bond Sale	3,850,000
Less: Bond Principal Paid	<u>705,000</u>
Bond Debt Payable, September 30, 2020	<u>\$ 33,100,000</u>

The Series 2017 Road Bonds carry an insured rating of "AA/AA+" by virtue of bond insurance issued by Municipal Assurance Corp. The Series 2018 Road Bonds and Series 2019 Road Bonds carry underlying ratings of "Baa2" and insured ratings of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2020 Bonds carry an underlying rating of "Baa2" and an insured rating of "AA/A2" by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The above ratings are as of September 30, 2020, and reflect changes, if any, through the fiscal year-end.

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. 14, c/o Coats Rose, P.C., 14755 Preston Road, Suite 600, Dallas, Texas 75254.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2020

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 1,391,701	\$ 143,500
Investments	1,040,000	740,000
Receivables:		
Property Taxes	7,984	13,817
Service Accounts	202,052	
Accrued Interest	890	220
Due from Other Funds	267	
Prepaid Costs	9,186	
Advance for Operations of Master District Facilities	526,491	
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 3,178,571	\$ 897,537
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,178,571	\$ 897,537

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>
\$ 545,282	\$ 2,080,483	\$	\$ 2,080,483
	1,780,000		1,780,000
	21,801		21,801
	202,052		202,052
	1,110		1,110
	267	(267)	
	9,186		9,186
	526,491		526,491
		3,703,385	3,703,385
		<u>37,396,504</u>	<u>37,396,504</u>
<u>\$ 545,282</u>	<u>\$ 4,621,390</u>	<u>\$ 41,099,622</u>	<u>\$ 45,721,012</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 45,714</u>	<u>\$ 45,714</u>
<u>\$ 545,282</u>	<u>\$ 4,621,390</u>	<u>\$ 41,145,336</u>	<u>\$ 45,766,726</u>

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2020

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 488,272	\$
Accrued Interest Payable		
Due to Developer		
Due to Other Funds		267
Security Deposits	169,291	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 657,563	\$ 267
 DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 7,984	\$ 13,817
 FUND BALANCES/NET POSITION		
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 9,186	\$
Master District Facilities Operating Advance	526,491	
Restricted for Authorized Construction		
Restricted for Debt Service		883,453
Assigned to 2021 Budgeted Deficit	189,788	
Unassigned	1,787,559	
TOTAL FUND BALANCES	\$ 2,513,024	\$ 883,453
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,178,571	\$ 897,537
 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>
\$	\$ 488,272	\$	\$ 488,272
		87,967	87,967
		15,147,542	15,147,542
	267	(267)	
	169,291		169,291
		855,000	855,000
		32,106,464	32,106,464
<u>\$ -0-</u>	<u>\$ 657,830</u>	<u>\$ 48,196,706</u>	<u>\$ 48,854,536</u>
<u>\$ -0-</u>	<u>\$ 21,801</u>	<u>\$ (21,801)</u>	<u>\$ - 0 -</u>
\$	\$ 9,186	\$ (9,186)	\$
	526,491	(526,491)	
545,282	545,282	(545,282)	
	883,453	(883,453)	
	189,788	(189,788)	
	1,787,559	(1,787,559)	
<u>\$ 545,282</u>	<u>\$ 3,941,759</u>	<u>\$ (3,941,759)</u>	<u>\$ - 0 -</u>
<u>\$ 545,282</u>	<u>\$ 4,621,390</u>		
		\$ (6,204,249)	\$ (6,204,249)
		809,303	809,303
		2,307,136	2,307,136
		<u>\$ (3,087,810)</u>	<u>\$ (3,087,810)</u>

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

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

Total Fund Balances - Governmental Funds		\$ 3,941,759
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter.</p>		45,714
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.</p>		41,099,889
<p>Deferred inflows of resources related to property taxes receivable for the 2019 and prior tax levies became part of recognized revenue in the governmental activities of the District.</p>		21,801
<p>Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:</p>		
Due to Developer	\$ (15,147,542)	
Accrued Interest Payable	(87,967)	
Bonds Payable	<u>(32,961,464)</u>	<u>(48,196,973)</u>
Total Net Position - Governmental Activities		<u>\$ (3,087,810)</u>

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

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KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 985,247	\$ 1,714,909
Water Service	1,278,324	
Wastewater Service	752,943	
Garbage Service	201,921	
Penalty and Interest	63,290	4,556
Connection and Inspection Fees	952,621	
Investment and Miscellaneous Revenues	28,590	15,552
	<u>\$ 4,262,936</u>	<u>\$ 1,735,017</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 175,823	\$ 919
Contracted Services	346,273	33,115
Purchased Master District Services	2,484,661	
Repairs and Maintenance	362,369	
Depreciation		
Other	246,576	191
Developer Interest		
Capital Outlay	59,344	
Debt Service:		
Bond Issuance Costs		
Bond Principal		705,000
Bond Interest		991,034
	<u>\$ 3,675,046</u>	<u>\$ 1,730,259</u>
TOTAL EXPENDITURES/EXPENSES		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	<u>\$ 587,890</u>	<u>\$ 4,758</u>
OTHER FINANCING SOURCES (USES)		
Proceeds From Issuance of Long-Term Debt	<u>\$ -0-</u>	<u>\$ 144,281</u>
NET CHANGE IN FUND BALANCES	<u>\$ 587,890</u>	<u>\$ 149,039</u>
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - OCTOBER 1, 2019	<u>1,925,134</u>	<u>734,414</u>
FUND BALANCES/NET POSITION - SEPTEMBER 30, 2020	<u>\$ 2,513,024</u>	<u>\$ 883,453</u>

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 Activities</u>
\$	\$ 2,700,156	\$ 21,154	\$ 2,721,310
	1,278,324		1,278,324
	752,943		752,943
	201,921		201,921
	67,846		67,846
	952,621		952,621
834	44,976		44,976
<u>\$ 834</u>	<u>\$ 5,998,787</u>	<u>\$ 21,154</u>	<u>\$ 6,019,941</u>
\$ 71,582	\$ 248,324	\$	\$ 248,324
	379,388		379,388
	2,484,661		2,484,661
	362,369		362,369
		780,496	780,496
289	247,056		247,056
246,632	246,632		246,632
2,743,791	2,803,135	(2,803,135)	
408,014	408,014		408,014
	705,000	(705,000)	
	991,034	24,925	1,015,959
<u>\$ 3,470,308</u>	<u>\$ 8,875,613</u>	<u>\$ (2,702,714)</u>	<u>\$ 6,172,899</u>
<u>\$ (3,469,474)</u>	<u>\$ (2,876,826)</u>	<u>\$ 2,723,868</u>	<u>\$ (152,958)</u>
<u>\$ 3,705,719</u>	<u>\$ 3,850,000</u>	<u>\$ (3,850,000)</u>	<u>\$ -0-</u>
\$ 236,245	\$ 973,174	\$ (973,174)	\$
		(152,958)	(152,958)
309,037	2,968,585	(5,903,437)	(2,934,852)
<u>\$ 545,282</u>	<u>\$ 3,941,759</u>	<u>\$ (7,029,569)</u>	<u>\$ (3,087,810)</u>

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Net Change in Fund Balances - Governmental Funds	\$	973,174
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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.		21,154
--	--	--------

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.		(780,496)
--	--	-----------

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.		2,803,135
---	--	-----------

Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		705,000
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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.		(24,925)
---	--	----------

Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.		<u>(3,850,000)</u>
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Change in Net Position - Governmental Activities	\$	<u>(152,958)</u>
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The accompanying notes to the financial statements are an integral part of this report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1. CREATION OF DISTRICT

Kaufman County Municipal Utility District No. 14, formerly known as Kingsborough Municipal Utility District No. 1 and Kaufman County Municipal Utility District No. 8 of Kaufman County, Texas, was created in 2003, by H.B. No. 3622, 78th Legislature of Texas, Regular Session, as a conservation and reclamation district created under and essential to accomplishing the purposes of Section 59, Article XVI and Section 52, Article II of the Texas Constitution. The District is under the oversight of the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants, and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, roads, solid waste collection and disposal, including recycling. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its organizational meeting on February 28, 2005, and sold its first bonds on March 31, 2009.

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.

The District and the other districts in the development have contracted with the Kaufman County Municipal Utility District No. 12 (“Master District”) for the financing, operation, and maintenance of regional water, sanitary sewer, and drainage facilities. These facilities are under the oversight of the Master District’s Board of Directors and financial activity of the Master District has been included in the financial statements of the District as a note disclosure (see Note 8).

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

These financial statements have been prepared in accordance with Governmental Accounting Standards Board (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.
- 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.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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, operating costs and general expenditures.

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.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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. At year end, the Debt Service Fund owes the General Fund \$267 for maintenance tax collections.

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 an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$10,000 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:

	Years
Buildings and Improvements	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
Roads	10-50

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and revised budget amounts compared to the actual amounts of revenues and expenditures for the current year.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

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

Measurement Focus

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

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

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

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. The District assigned \$189,788 of its General Fund fund balance to the 2021 budgeted deficit.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

	<u>Road Refunding Series 2014</u>	<u>Road Series 2015</u>	<u>Road Series 2016</u>
Amount Outstanding - September 30, 2020	\$1,545,000	\$3,465,000	\$2,820,000
Interest Rates	2.8523%	3.00% - 4.125%	2.00% - 3.50%
Maturity Dates - Serially Beginning/Ending	March 1, 2021/2030	March 1, 2021/2039	March 1, 2021/2041
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2024 *	March 1, 2024 *	March 1, 2025 *

* Or on any date thereafter, callable at par plus unpaid accrued interest in whole or in part at the option of the District. Series 2014 term bonds due March 1, 2031, March 1, 2033, March 1, 2035, March 1, 2037, and March 1, 2039, are subjected to mandatory redemption by lot or other customary method at a price of par plus accrued interest beginning March 1, 2029, March 1, 2032, March 1, 2034, March 1, 2036, and March 1, 2038, respectively. Series 2015 term bonds due March 1, 2031, March 1, 2033, March 1, 2035, March 1, 2037, and March 1, 2039, are subject to mandatory redemption beginning March 1, 2029, March 1, 2032, March 1, 2034, March 1, 2036, and March 1, 2038, respectively. Series 2016 term bonds maturing on March 1, 2041 are subject to mandatory redemption beginning March 1, 2037.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 3. LONG-TERM DEBT (Continued)

	Road Series 2017	Road Series 2018	Road Series 2019	Utility Series 2020
Amount Outstanding - September 30, 2020	\$6,710,000	\$9,785,000	\$4,925,000	\$3,850,000
Interest Rates	3.00% - 3.50%	3.00% - 4.00%	2.00% - 2.75%	2.00% - 3.00%
Maturity Dates - Serially Beginning/Ending	March 1, 2021/2043	March 1, 2021/2044	March 1, 2021/2045	March 1, 2022/2045
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2025 *	March 1, 2023 *	March 1, 2025 *	March 1, 2025 *

* Or on any date thereafter, callable at par plus unpaid accrued interest in whole or in part at the option of the District. Series 2017 term bonds maturing on March 1, 2043 are subject to mandatory redemption beginning March 1, 2040. Series 2018 term bonds maturing on March 1, 2044 are subject to mandatory redemption beginning March 1, 2038. Series 2019 term bonds maturing on March 1, 2032, March 1, 2034, March 1, 2036, and March 1, 2044 are subject to mandatory redemption beginning on March 1, 2031, March 1, 2033, March 1, 2035, and March 1, 2037, respectively. Series 2020 term bonds maturing on March 1, 2032, March 1, 2034, March 1, 2036, March 1, 2038, March 1, 2040, and March 1, 2045 are subject to mandatory redemption beginning on March 1, 2031, March 1, 2033, March 1, 2035, March 31, 2037, March 1, 2039, and March 1, 2041, respectively.

The Series 2014 Road Refunding Bonds are private placement bonds.

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2020:

	October 1, 2019	Additions	Retirements	September 30, 2020
Bonds Payable	\$ 29,955,000	\$ 3,850,000	\$ 705,000	\$ 33,100,000
Unamortized Discounts	(145,955)		(7,419)	(138,536)
Bonds Payable, Net	<u>\$ 29,809,045</u>	<u>\$ 3,850,000</u>	<u>\$ 697,581</u>	<u>\$ 32,961,464</u>
		Amount Due Within One Year		\$ 855,000
		Amount Due After One Year		32,106,464
		Bonds Payable, Net		<u>\$ 32,961,464</u>

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 3. LONG-TERM DEBT (Continued)

As of September 30, 2020, the District had authorized but unissued bonds in the amount of \$40,695,000 for roads, \$84,150,000 for water, sewer and drainage facilities, \$132,000,000 for refunding water, sewer and drainage facilities bonds, and \$107,865,000 for refunding road bonds. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

As of September 30, 2020, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 855,000	\$ 1,043,969	\$ 1,898,969
2022	985,000	1,019,305	2,004,305
2023	1,020,000	992,781	2,012,781
2024	1,055,000	965,088	2,020,088
2025	1,100,000	936,088	2,036,088
2026-2030	6,085,000	4,192,864	10,277,864
2031-2035	7,310,000	3,169,866	10,479,866
2036-2040	8,465,000	1,813,772	10,278,772
2041-2045	6,225,000	441,901	6,666,901
	<u>\$ 33,100,000</u>	<u>\$ 14,575,634</u>	<u>\$ 47,675,634</u>

During the year ended September 30, 2020, the District levied an ad valorem debt service tax of \$0.635 per \$100 of assessed valuation, which resulted in a tax levy of \$1,727,618 on the adjusted valuation of \$272,065,971 for the 2019 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. See Note 7 for the maintenance tax levy.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

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.

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, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of each issue.

Series 2020 bond proceeds of \$144,281 were deposited into the Debt Service Fund to be used for the payment of bond interest during the construction period.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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 \$3,860,483 and the bank balance was \$4,174,451. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2020, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 1,391,701	\$ 1,040,000	\$ 2,431,701
DEBT SERVICE FUND	143,500	740,000	883,500
CAPITAL PROJECTS FUND	545,282		545,282
TOTAL DEPOSITS	\$ 2,080,483	\$ 1,780,000	\$ 3,860,483

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.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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.

The District records certificates of deposit at acquisition cost. As of September 30, 2020, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
Certificates of Deposit	\$ 1,040,000	\$ 1,040,000
<u>DEBT SERVICE FUND</u>		
Certificates of Deposit	740,000	740,000
TOTAL INVESTMENTS	\$ 1,780,000	\$ 1,780,000

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District manages credit risk by typically investing in certificates of deposit with balances below FDIC coverage or those which are secured by pledged collateral.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the 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. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020 is as follows:

	October 1, 2019	Increases	Decreases	September 30, 2020
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 3,703,385	\$ - 0 -	\$ - 0 -	\$ 3,703,385
Capital Assets Subject to Depreciation				
Landscape and Hardscape	\$ 1,088,660	\$ 59,344	\$	\$ 1,148,004
Water System	4,210,082			4,210,082
Wastewater System	3,772,565			3,772,565
Drainage System	12,678,776			12,678,776
Roads	19,710,464			19,710,464
Total Capital Assets Subject to Depreciation	<u>\$ 41,460,547</u>	<u>\$ 59,344</u>	<u>\$ - 0 -</u>	<u>\$ 41,519,891</u>
Less Accumulated Depreciation				
Landscape and Hardscape	\$ 314,602	\$ 76,325	\$	\$ 390,927
Water System	367,348	53,457		420,805
Wastewater System	530,200	16,625		546,825
Drainage System	767,587	189,843		957,430
Roads	1,363,154	444,246		1,807,400
Total Accumulated Depreciation	<u>\$ 3,342,891</u>	<u>\$ 780,496</u>	<u>\$ - 0 -</u>	<u>\$ 4,123,387</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 38,117,656</u>	<u>\$ (721,152)</u>	<u>\$ - 0 -</u>	<u>\$ 37,396,504</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 41,821,041</u>	<u>\$ (721,152)</u>	<u>\$ - 0 -</u>	<u>\$ 41,099,889</u>

NOTE 7. MAINTENANCE TAX

On May 7, 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 systems and other operating and maintenance expenses. During the current fiscal year, the District levied an ad valorem maintenance tax rate of \$0.365 per \$100 of assessed valuation, which resulted in a tax levy of \$993,040 on the adjusted taxable valuation of \$272,065,971 for the 2019 tax year.

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 8. MASTER DISTRICT CONTRACT

On February 28, 2005, the District executed a 50-year contract with Kaufman County Municipal Utility District No. 12 for the financing, operation and maintenance of the Master District's regional water, sanitary sewer, and drainage facilities. The Master District administers the contract for the Participants, one of which is the Master District itself. The District, Kaufman County Municipal Utility District No. 9, Kaufman County Municipal Utility District No. 10, Kaufman County Municipal Utility District No. 11, and Kaufman County Municipal Utility District No. 12 are the Participants at this time.

The Master District has entered into the Agreement Regarding Wholesale Treated Water Service and the Agreement Regarding Wholesale Wastewater Treatment Service with the City of Mesquite, Texas for the purpose of providing both water and wastewater treatment services. Each Participant has been added as additional parties to these agreements. Each Participant has contracted with the Master District to provide, receive, and transport its water supply, sanitary waste, and storm waters through the Master District facilities. The Master District will finance the Master District facilities through the issuance of Master District bonds. Each Participant will be responsible for its pro rata share of the debt service requirements on the Master District bonds. Pro rata shares will be calculated by dividing each Participant's certified appraised value by the cumulative total of the certified values of all the Participants. The Master District owns and operates the Master District facilities.

The Master District's Developer has paid for the construction, engineering and related costs necessary to fund the construction of the Master District Facilities. These payments were made in accordance with financing agreements entered into between the Master District and its Developer.

The Master District prepares an operating budget annually. The Master District bills each Participant its share of the monthly charges incurred by the Master District. Each Participant's share of the monthly charges is determined by dividing the total number of equivalent single family residential connections for all Participants by the number of equivalent single-family connections for each Participant. During the year ended September 30, 2020, the District recorded expenditures of \$2,484,661 in relation to purchased Master District services, operating and maintenance costs, and capital improvements. The District also funded its share of the operating reserve in the amount of \$526,491.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 8. MASTER DISTRICT CONTRACT (Continued)

The following summary financial data of the Master District is presented for the fiscal year ending September 30, 2020. Copies of the Master District's financial statements can be obtained by contacting its attorney Coats Rose, P.C., 14755 Preston Road, Suite 600, Dallas, TX 75254.

	Enterprise Fund
Total Assets	\$ 14,532,224
Total Liabilities	11,081,268
Total Net Position	\$ 3,450,956
Total Operating and Nonoperating Revenues	\$ 11,608,463
Total Operating Expenses	5,400,049
Change in Net Position	\$ 6,208,414
Net Position – October 1, 2019	(2,757,458)
Net Position – September 30, 2020	\$ 3,450,956

NOTE 9. UNREIMBURSED DEVELOPER COSTS

The District and the Developer have executed agreements which provides for the Developer to fund costs associated with construction of District infrastructure as well as make operating advances. Reimbursement to the Developer for these projects and operating advances will come from proceeds of future bond sales. The prior year Developer liability of \$17,891,334 was reduced by reimbursements from Series 2020 bond proceeds of \$2,743,792 leaving an ending Developer liability balance of \$15,147,542.

NOTE 10. RISK MANAGEMENT

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

NOTE 11. CONTRACT TAX

On May 7, 2005, the voters within the District approved the levy and collection of an annual contract tax imposed on all taxable property within the boundaries of the District at an unlimited amount per \$100 of assessed valuation for purposes of making payments pursuant to the contract for financing the regional water, sanitary sewer and storm sewer facilities, the contract for wholesale treated water service and the contract for wholesale treated wastewater service (see Note 8). By Order dated July 10, 2006, the Texas Commission on Environmental Quality approved the levy of a contract tax by the District in a sufficient amount to make payments related to the above noted contracts. During the current fiscal year, the District did not levy a contract tax.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 12. BOND SALE

On May 14, 2020, the District closed on the sale of its \$3,850,000 Series 2020 Unlimited Tax Bonds. The net proceeds were used to reimburse the Developer for water, sewer, and drainage improvements and related engineering associated with Heartland, Phases 1A, 2A, 3A, and 6A. Additional proceeds funded capitalized interest, operating costs, developer interest and bond issuance costs.

NOTE 13. PENDING BOND SALE

On or about March 18, 2021, subsequent to the report date, the District expects to close on the sale of its \$7,185,000 Series 2021 Unlimited Tax Bonds. The net proceeds will be used to reimburse the Developer for water, sewer, and drainage improvements and related engineering associated with Heartland, Phases 5, 7A, 7B, 8, 9A, 9B, 10A and 10B. Additional proceeds will fund developer interest and bond issuance costs.

NOTE 14. ECONOMIC UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. As a result, economic uncertainties have arisen which could have an impact on the operations of the District. The District is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty, as the potential financial impact of this pandemic is unknown at this time.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2020

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 971,606	\$ 971,606	\$ 985,247	\$ 13,641
Water Service	970,000	1,206,000	1,278,324	72,324
Wastewater Service	565,000	704,000	752,943	48,943
Garbage Service	180,000	191,500	201,921	10,421
Penalty and Interest	50,000	50,000	63,290	13,290
Connection and Inspection Fees	895,000	895,000	952,621	57,621
Investment and Miscellaneous Revenues	5,000	5,000	28,590	23,590
TOTAL REVENUES	<u>\$ 3,636,606</u>	<u>\$ 4,023,106</u>	<u>\$ 4,262,936</u>	<u>\$ 239,830</u>
EXPENDITURES				
Service Operations:				
Professional Fees	\$ 40,500	\$ 40,500	\$ 175,823	\$ (135,323)
Contracted Services	318,500	318,500	346,273	(27,773)
Purchased Master District Services	3,301,704	3,301,704	2,484,661	817,043
Repairs and Maintenance	202,500	202,500	362,369	(159,869)
Other	181,785	181,785	246,576	(64,791)
Capital Outlay	192,250	192,250	59,344	132,906
TOTAL EXPENDITURES	<u>\$ 4,237,239</u>	<u>\$ 4,237,239</u>	<u>\$ 3,675,046</u>	<u>\$ 562,193</u>
NET CHANGE IN FUND BALANCE	\$ (600,633)	\$ (214,133)	\$ 587,890	\$ 802,023
FUND BALANCE - OCTOBER 1, 2019	<u>1,925,134</u>	<u>1,925,134</u>	<u>1,925,134</u>	<u> </u>
FUND BALANCE - SEPTEMBER 30, 2020	<u>\$ 1,324,501</u>	<u>\$ 1,711,001</u>	<u>\$ 2,513,024</u>	<u>\$ 802,023</u>

See accompanying independent auditor's report.

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KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
SEPTEMBER 30, 2020

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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

<u> X </u>	Retail Water	<u> </u>	Wholesale Water	<u> X </u>	Drainage
<u> X </u>	Retail Wastewater	<u> </u>	Wholesale Wastewater	<u> </u>	Irrigation
<u> X </u>	Parks/Recreation	<u> </u>	Fire Protection	<u> X </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 (specify): _____				

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order dated July 15, 2020.

	<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>
WATER:	\$ 38.81	-0-	N	\$ 3.57	0,001 to 8,000
				\$ 4.31	8,001 to 12,000
				\$ 5.40	12,001 to 15,000
				\$ 6.48	15,001 and up
WASTEWATER:	\$ 23.11	-0-	N	\$ 2.121	0,001 to 8,000
				\$ 3.00	8,001 to 12,000
				\$ 4.00	12,001 to 15,000
				\$ 5.00	15,001 and up
SURCHARGE:					
Garbage Fee	\$ 12.00		Y		

District employs winter averaging for wastewater usage?

<u> </u>	<u> X </u>
Yes	No

Total monthly charges per 10,000 gallons usage: Water: \$75.99 Wastewater: \$46.08 Surcharge: \$12.00

See accompanying independent auditor's report.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>1,655</u>	<u>1,647</u>	x 1.0	<u>1,647</u>
1"	<u>12</u>	<u>12</u>	x 2.5	<u>30</u>
1½"	<u>1</u>	<u>1</u>	x 5.0	<u>5</u>
2"	<u>22</u>	<u>22</u>	x 8.0	<u>176</u>
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u><u>1,690</u></u>	<u><u>1,682</u></u>		<u><u>1,858</u></u>
Total Wastewater Connections	<u><u>1,660</u></u>	<u><u>1,653</u></u>	x 1.0	<u><u>1,653</u></u>

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons billed to customers: 170,490,000 Water Accountability Ratio:*

* The District is part of a jointly operated water system with other participants who receive water from the Kaufman County Municipal Utility District No. 12 Master District.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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 Crandall, 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. 14
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

PROFESSIONAL FEES:	
Auditing	\$ 14,000
Engineering	137,871
Legal	<u>23,952</u>
TOTAL PROFESSIONAL FEES	<u>\$ 175,823</u>
PURCHASED SERVICES FOR RESALE	<u>\$ 2,484,661</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 11,419
Operations and Billing	123,938
Solid Waste Disposal	191,254
Management Fees	<u>19,662</u>
TOTAL CONTRACTED SERVICES	<u>\$ 346,273</u>
UTILITIES	<u>\$ 44,888</u>
REPAIRS AND MAINTENANCE	<u>\$ 362,369</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 7,428
Insurance	8,957
Other	<u>1,159</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 17,544</u>
CAPITAL OUTLAY	<u>\$ 59,344</u>
TAP CONNECTIONS	<u>\$ 11,170</u>
OTHER EXPENDITURES:	
Laboratory Fees	\$ 10,112
Permit Fees	1,713
Inspection Fees	151,255
Regulatory Assessment	<u>9,894</u>
TOTAL OTHER EXPENDITURES	<u>\$ 172,974</u>
TOTAL EXPENDITURES	<u>\$ 3,675,046</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
INVESTMENTS
SEPTEMBER 30, 2020

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
Certificate of Deposit	XXXX1507	0.55%	10/20/20	\$ 145,000	\$ 325
Certificate of Deposit	XXXX5900	0.25%	11/18/20	400,000	370
Certificate of Deposit	XXXX0679	0.35%	02/20/21	<u>495,000</u>	<u>195</u>
TOTAL GENERAL FUND				<u>\$ 1,040,000</u>	<u>\$ 890</u>
<u>DEBT SERVICE FUND</u>					
Certificate of Deposit	XXXX1657	0.25%	02/21/20	\$ 665,000	\$ 187
Certificate of Deposit	XXXX2403	0.40%	02/21/20	<u>75,000</u>	<u>33</u>
TOTAL DEBT SERVICE FUND				<u>\$ 740,000</u>	<u>\$ 220</u>
TOTAL - ALL FUNDS				<u>\$ 1,780,000</u>	<u>\$ 1,110</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
OCTOBER 1, 2019	\$	264	\$	383
Adjustments to Beginning				
Balance		<u>(73)</u>	\$	<u>725</u>
		\$	191	\$
				1,108
Original 2019 Tax Levy	\$	979,949	\$	1,704,843
Adjustment to 2019 Tax Levy		<u>13,091</u>	<u>993,040</u>	<u>22,775</u>
TOTAL TO BE				<u>1,727,618</u>
ACCOUNTED FOR		\$	993,231	\$
				1,728,726
TAX COLLECTIONS:				
Prior Years	\$	(185)	\$	527
Current Year		<u>985,432</u>	<u>985,247</u>	<u>1,714,382</u>
				<u>1,714,909</u>
TAXES RECEIVABLE -				
SEPTEMBER 30, 2020		<u>\$</u>	<u>7,984</u>	<u>\$</u>
				<u>13,817</u>
TAXES RECEIVABLE BY				
YEAR:				
2019	\$	7,608	\$	13,236
2018 and prior		<u>376</u>		<u>581</u>
TOTAL	\$	<u><u>7,984</u></u>	\$	<u><u>13,817</u></u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	2019	2018	2017	2016
PROPERTY VALUATIONS:				
Land	\$ 73,444,990	\$ 48,974,250	\$ 35,614,660	\$ 28,531,980
Improvements	213,695,236	151,484,006	89,193,851	50,464,063
Personal Property	681,120	84,010	23,620	41,730
Exemptions	(15,755,375)	(5,005,546)	(2,699,809)	(1,249,451)
TOTAL PROPERTY VALUATIONS	\$ 272,065,971	\$ 195,536,720	\$ 122,132,322	\$ 77,788,322
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.635	\$ 0.64	\$ 0.65	\$ 0.59
Maintenance	0.365	0.36	0.35	0.41
TOTAL TAX RATES PER \$100 VALUATION	\$ 1.000	\$ 1.00	\$ 1.00	\$ 1.00
ADJUSTED TAX LEVY*	\$ 2,720,658	\$ 1,955,447	\$ 1,221,323	\$ 777,886
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	99.23 %	99.94 %	99.99 %	99.99 %

* 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 May 7, 2005.

See accompanying independent auditor’s report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2020

SERIES - 2014 ROAD REFUNDING

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	\$ 130,000	\$ 41,814	\$ 171,814
2022	140,000	38,000	178,000
2023	145,000	33,974	178,974
2024	150,000	29,807	179,807
2025	150,000	25,569	175,569
2026	155,000	21,260	176,260
2027	165,000	16,740	181,740
2028	165,000	12,079	177,079
2029	170,000	7,346	177,346
2030	175,000	2,472	177,472
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
	<u>\$ 1,545,000</u>	<u>\$ 229,061</u>	<u>\$ 1,774,061</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2020

SERIES - 2015 ROAD

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	\$ 55,000	\$ 134,881	\$ 189,881
2022	55,000	133,231	188,231
2023	55,000	131,581	186,581
2024	55,000	129,931	184,931
2025	65,000	128,131	193,131
2026	65,000	126,100	191,100
2027	60,000	123,995	183,995
2028	70,000	121,632	191,632
2029	75,000	118,819	193,819
2030	75,000	115,819	190,819
2031	260,000	109,119	369,119
2032	275,000	98,419	373,419
2033	285,000	87,219	372,219
2034	300,000	75,519	375,519
2035	315,000	63,219	378,219
2036	325,000	50,419	375,419
2037	340,000	37,118	377,118
2038	360,000	22,893	382,893
2039	375,000	7,734	382,734
2040			
2041			
2042			
2043			
2044			
2045			
	<u>\$ 3,465,000</u>	<u>\$ 1,815,779</u>	<u>\$ 5,280,779</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2020

SERIES - 2016 ROAD

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	\$ 90,000	\$ 86,124	\$ 176,124
2022	95,000	84,274	179,274
2023	95,000	82,376	177,376
2024	100,000	80,176	180,176
2025	105,000	77,613	182,613
2026	110,000	74,925	184,925
2027	115,000	71,825	186,825
2028	120,000	68,300	188,300
2029	120,000	64,700	184,700
2030	125,000	61,025	186,025
2031	130,000	57,119	187,119
2032	135,000	52,894	187,894
2033	140,000	48,425	188,425
2034	145,000	43,794	188,794
2035	150,000	38,907	188,907
2036	160,000	33,676	193,676
2037	165,000	28,088	193,088
2038	170,000	22,225	192,225
2039	175,000	16,188	191,188
2040	185,000	9,888	194,888
2041	190,000	3,325	193,325
2042			
2043			
2044			
2045			
	<u>\$ 2,820,000</u>	<u>\$ 1,105,867</u>	<u>\$ 3,925,867</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2020

SERIES - 2017 ROAD

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	\$ 205,000	\$ 211,663	\$ 416,663
2022	205,000	205,513	410,513
2023	215,000	199,213	414,213
2024	220,000	192,687	412,687
2025	225,000	186,013	411,013
2026	230,000	179,188	409,188
2027	240,000	172,137	412,137
2028	245,000	164,863	409,863
2029	255,000	157,363	412,363
2030	265,000	149,562	414,562
2031	275,000	141,463	416,463
2032	280,000	133,136	413,136
2033	290,000	124,406	414,406
2034	300,000	115,187	415,187
2035	305,000	105,734	410,734
2036	315,000	95,850	410,850
2037	325,000	85,450	410,450
2038	335,000	74,515	409,515
2039	350,000	62,956	412,956
2040	385,000	50,312	435,312
2041	400,000	36,575	436,575
2042	415,000	22,313	437,313
2043	430,000	7,525	437,525
2044			
2045			
	<u>\$ 6,710,000</u>	<u>\$ 2,873,624</u>	<u>\$ 9,583,624</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2020

SERIES - 2018 ROAD

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	\$ 250,000	\$ 354,318	\$ 604,318
2022	260,000	346,668	606,668
2023	270,000	338,718	608,718
2024	280,000	330,468	610,468
2025	295,000	321,843	616,843
2026	305,000	312,843	617,843
2027	315,000	303,346	618,346
2028	330,000	293,063	623,063
2029	345,000	281,878	626,878
2030	355,000	269,844	624,844
2031	370,000	257,157	627,157
2032	385,000	243,704	628,704
2033	400,000	229,226	629,226
2034	415,000	213,944	628,944
2035	435,000	198,006	633,006
2036	450,000	181,131	631,131
2037	470,000	163,306	633,306
2038	490,000	144,400	634,400
2039	505,000	124,500	629,500
2040	530,000	103,800	633,800
2041	550,000	82,200	632,200
2042	570,000	59,800	629,800
2043	595,000	36,500	631,500
2044	615,000	12,300	627,300
2045			
	<u>\$ 9,785,000</u>	<u>\$ 5,202,963</u>	<u>\$ 14,987,963</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2020

SERIES - 2019 ROAD

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	\$ 125,000	\$ 118,981	\$ 243,981
2022	130,000	116,431	246,431
2023	135,000	113,781	248,781
2024	140,000	111,031	251,031
2025	145,000	108,181	253,181
2026	150,000	105,232	255,232
2027	155,000	102,182	257,182
2028	160,000	99,032	259,032
2029	165,000	95,782	260,782
2030	175,000	92,272	267,272
2031	180,000	88,387	268,387
2032	185,000	84,281	269,281
2033	190,000	79,944	269,944
2034	200,000	75,313	275,313
2035	205,000	70,375	275,375
2036	210,000	65,187	275,187
2037	220,000	59,537	279,537
2038	225,000	53,418	278,418
2039	235,000	47,094	282,094
2040	245,000	40,493	285,493
2041	250,000	33,688	283,688
2042	260,000	26,675	286,675
2043	270,000	19,387	289,387
2044	280,000	11,825	291,825
2045	290,000	3,988	293,988
	<u>\$ 4,925,000</u>	<u>\$ 1,822,497</u>	<u>\$ 6,747,497</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2020

S E R I E S - 2 0 2 0 U T I L I T Y

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	\$	\$ 96,188	\$ 96,188
2022	100,000	95,188	195,188
2023	105,000	93,138	198,138
2024	110,000	90,988	200,988
2025	115,000	88,738	203,738
2026	120,000	86,388	206,388
2027	120,000	83,988	203,988
2028	125,000	81,538	206,538
2029	130,000	78,988	208,988
2030	135,000	76,338	211,338
2031	140,000	73,500	213,500
2032	145,000	70,472	215,472
2033	150,000	67,244	217,244
2034	160,000	63,756	223,756
2035	165,000	59,997	224,997
2036	170,000	56,019	226,019
2037	175,000	51,812	226,812
2038	185,000	47,313	232,313
2039	190,000	42,150	232,150
2040	200,000	36,300	236,300
2041	205,000	30,225	235,225
2042	215,000	23,925	238,925
2043	220,000	17,400	237,400
2044	230,000	10,650	240,650
2045	240,000	3,600	243,600
	<u>\$ 3,850,000</u>	<u>\$ 1,525,843</u>	<u>\$ 5,375,843</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2020

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	\$ 855,000	\$ 1,043,969	\$ 1,898,969
2022	985,000	1,019,305	2,004,305
2023	1,020,000	992,781	2,012,781
2024	1,055,000	965,088	2,020,088
2025	1,100,000	936,088	2,036,088
2026	1,135,000	905,936	2,040,936
2027	1,170,000	874,213	2,044,213
2028	1,215,000	840,507	2,055,507
2029	1,260,000	804,876	2,064,876
2030	1,305,000	767,332	2,072,332
2031	1,355,000	726,745	2,081,745
2032	1,405,000	682,906	2,087,906
2033	1,455,000	636,464	2,091,464
2034	1,520,000	587,513	2,107,513
2035	1,575,000	536,238	2,111,238
2036	1,630,000	482,282	2,112,282
2037	1,695,000	425,311	2,120,311
2038	1,765,000	364,764	2,129,764
2039	1,830,000	300,622	2,130,622
2040	1,545,000	240,793	1,785,793
2041	1,595,000	186,013	1,781,013
2042	1,460,000	132,713	1,592,713
2043	1,515,000	80,812	1,595,812
2044	1,125,000	34,775	1,159,775
2045	530,000	7,588	537,588
	<u>\$ 33,100,000</u>	<u>\$ 14,575,634</u>	<u>\$ 47,675,634</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Description	Original Bonds Issued	Bonds Outstanding October 1, 2019
Kaufman County Municipal Utility District No. 14 Unlimited Tax Road Refunding Bonds - Series 2014	\$ 2,245,000	\$ 1,675,000
Kaufman County Municipal Utility District No. 14 Unlimited Tax Road Bonds - Series 2015	3,660,000	3,515,000
Kaufman County Municipal Utility District No. 14 Unlimited Tax Road Bonds - Series 2016	3,150,000	2,905,000
Kaufman County Municipal Utility District No. 14 Unlimited Tax Road Bonds - Series 2017	7,100,000	6,910,000
Kaufman County Municipal Utility District No. 14 Unlimited Tax Road Bonds - Series 2018	10,025,000	10,025,000
Kaufman County Municipal Utility District No. 14 Unlimited Tax Road Bonds - Series 2019	4,925,000	4,925,000
Kaufman County Municipal Utility District No. 14 Unlimited Tax Bonds - Series 2020	<u>3,850,000</u>	<u> </u>
TOTAL	<u><u>\$ 34,955,000</u></u>	<u><u>\$ 29,955,000</u></u>

Bond Authority:	Water, Sewer and Drainage Refunding Bonds	Road Refunding Bonds	Water, Sewer and Drainage Bonds	Road Bonds
Amount Authorized by Voters	\$ 132,000,000	\$ 108,000,000	\$ 88,000,000	\$ 72,000,000
Amount Issued	<u> </u>	<u>135,000</u>	<u>3,850,000</u>	<u>31,305,000</u>
Remaining to be Issued	<u><u>\$ 132,000,000</u></u>	<u><u>\$ 107,865,000</u></u>	<u><u>\$ 84,150,000</u></u>	<u><u>\$ 40,695,000</u></u>

See accompanying independent auditor's report.

Current Year Transactions					
Bonds Sold	Retirements		Bonds Outstanding September 30, 2020	Paying Agent	
	Principal	Interest			
\$	\$ 130,000	\$ 45,487	\$ 1,545,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	50,000	136,456	3,465,000	Zions Bancorporation, NA Houston, Texas	
	85,000	87,874	2,820,000	Zions Bancorporation, NA Houston, Texas	
	200,000	216,738	6,710,000	Zions Bancorporation, NA Houston, Texas	
	240,000	361,668	9,785,000	Zions Bancorporation, NA Houston, Texas	
		114,219	4,925,000	Zions Bancorporation, NA Houston, Texas	
<u>3,850,000</u>		<u>28,592</u>	<u>3,850,000</u>	Zions Bancorporation, NA Houston, Texas	
<u>\$ 3,850,000</u>	<u>\$ 705,000</u>	<u>\$ 991,034</u>	<u>\$ 33,100,000</u>		

Debt Service Fund cash and investment balances as of September 30, 2020: \$ 883,500

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,907,025

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 985,247	\$ 709,205	\$ 426,590
Water Service	1,278,324	1,069,862	935,537
Wastewater Service	752,943	626,357	498,881
Garbage Service	201,921	175,677	125,959
Penalty and Interest	63,290	54,039	42,936
Connection and Inspection Fees	952,621	1,154,548	1,375,496
Investment and Miscellaneous Revenues	28,590	29,715	7,786
TOTAL REVENUES	\$ 4,262,936	\$ 3,819,403	\$ 3,413,185
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 175,823	\$ 54,266	\$ 32,211
Contracted Services	346,273	326,963	200,046
Purchased Master District Services	2,484,661	2,298,600	2,067,809
Repairs and Maintenance	362,369	296,499	152,271
Other	246,576	277,855	336,335
Capital Outlay	59,344	34,890	
TOTAL EXPENDITURES	\$ 3,675,046	\$ 3,289,073	\$ 2,788,672
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 587,890	\$ 530,330	\$ 624,513
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ - 0 -	\$ 9,500	\$ 7,100
NET CHANGE IN FUND BALANCE	\$ 587,890	\$ 539,830	\$ 631,613
BEGINNING FUND BALANCE	1,925,134	1,385,304	753,691
ENDING FUND BALANCE	\$ 2,513,024	\$ 1,925,134	\$ 1,385,304

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 319,117	\$ 240,184	23.1 %	18.6 %	12.5 %	15.2 %	13.7 %
558,964	362,847	30.0	28.0	27.4	26.6	20.7
332,303	218,533	17.7	16.4	14.6	15.8	12.5
83,028	59,743	4.7	4.6	3.7	4.0	3.4
32,305	23,789	1.5	1.4	1.3	1.5	1.4
769,582	846,425	22.3	30.2	40.3	33.7	45.1
3,132	1,760	0.7	0.8	0.2	3.2	3.2
<u>\$ 2,098,431</u>	<u>\$ 1,753,281</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 36,559	\$ 56,350	4.1 %	1.4 %	0.9 %	1.7 %	3.2 %
146,276	108,005	8.1	8.6	5.9	7.0	6.2
1,356,896	1,027,584	58.3	60.2	60.6	64.7	58.6
199,561	106,781	8.5	7.8	4.5	9.5	6.1
209,179	237,803	5.8	7.3	9.9	10.0	13.6
		1.4	0.9			
<u>\$ 1,948,471</u>	<u>\$ 1,536,523</u>	<u>86.2 %</u>	<u>86.2 %</u>	<u>81.8 %</u>	<u>92.9 %</u>	<u>87.7 %</u>
<u>\$ 149,960</u>	<u>\$ 216,758</u>	<u>13.8 %</u>	<u>13.8 %</u>	<u>18.2 %</u>	<u>7.1 %</u>	<u>12.3 %</u>
<u>\$ - 0 -</u>	<u>\$ 3,660</u>					
\$ 149,960	\$ 220,418					
603,731	383,313					
<u>\$ 753,691</u>	<u>\$ 603,731</u>					

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 1,714,909	\$ 1,258,667	\$ 792,330
Penalty and Interest	4,556	3,869	1,965
Investment and Miscellaneous Revenues	<u>15,552</u>	<u>10,448</u>	<u>4,856</u>
TOTAL REVENUES	<u>\$ 1,735,017</u>	<u>\$ 1,272,984</u>	<u>\$ 799,151</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 32,995	\$ 24,287	\$ 10,916
Debt Service Principal	705,000	450,000	250,000
Debt Service Interest and Fees	<u>992,264</u>	<u>817,054</u>	<u>477,946</u>
TOTAL EXPENDITURES	<u>\$ 1,730,259</u>	<u>\$ 1,291,341</u>	<u>\$ 738,862</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 4,758</u>	<u>\$ (18,357)</u>	<u>\$ 60,289</u>
OTHER FINANCING SOURCES (USES)			
Proceeds From Issuance of Long-Term Debt	<u>\$ 144,281</u>	<u>\$ 365,269</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ 149,039	\$ 346,912	\$ 60,289
BEGINNING FUND BALANCE	<u>734,414</u>	<u>387,502</u>	<u>327,213</u>
ENDING FUND BALANCE	<u>\$ 883,453</u>	<u>\$ 734,414</u>	<u>\$ 387,502</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,682</u>	<u>1,478</u>	<u>1,162</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,653</u>	<u>1,460</u>	<u>1,143</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 459,218	\$ 345,199	98.8 %	98.9 %	99.2 %	98.8 %	98.9 %
3,059	1,957	0.3	0.3	0.2	0.7	0.6
2,116	1,810	0.9	0.8	0.6	0.5	0.5
<u>\$ 464,393</u>	<u>\$ 348,966</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 9,259	\$ 7,913	1.9 %	1.9 %	1.4 %	2.0 %	2.3 %
245,000	110,000	40.6	35.4	31.3	52.8	31.5
284,586	183,445	57.2	64.2	59.8	61.3	52.6
<u>\$ 538,845</u>	<u>\$ 301,358</u>	<u>99.7 %</u>	<u>101.5 %</u>	<u>92.5 %</u>	<u>116.1 %</u>	<u>86.4 %</u>
\$ (74,452)	\$ 47,608	0.3 %	(1.5) %	7.5 %	(16.1) %	13.6 %
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ (74,452)	\$ 47,608					
401,665	354,057					
<u>\$ 327,213</u>	<u>\$ 401,665</u>					
<u>796</u>	<u>691</u>					
<u>778</u>	<u>687</u>					

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2020

District Mailing Address - Kaufman County Municipal Utility District No. 14
c/o Coats Rose, P.C.
14755 Preston Road, Suite 600
Dallas, TX 75254

District Telephone Number - (972) 982-8455

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>September 30, 2020</u>	Expense Reimbursements for the year ended <u>September 30, 2020</u>	<u>Title</u>
Patricia Tobolka	05/18 05/22 (Elected)	\$ 1,350	\$ 17	President
Gloria A. Young	05/20 05/24 (Elected)	\$ 1,200	\$ 28	Vice President
Linda White	05/20 05/24 (Elected)	\$ 1,500	\$ 30	Secretary
Dene Allred	05/20 05/24 (Elected)	\$ 1,500	\$ 28	Assistant Secretary
Rick Ikeler	05/18 05/22 (Appointed)	\$ 1,350	\$ 26	Assistant Secretary

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

Submission date of most recent District Registration Form: April 16, 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 February 28, 2005. Fees of Office are the amounts actually paid to a Director during the District’s current fiscal year.

See accompanying independent auditor’s report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2020

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2020</u>	<u>Title</u>
Coats Rose, P.C.	02/28/05	\$ 23,952 \$ 108,901	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	09/20/06	\$ 14,000 \$ 20,500	Auditor Bond Related
L & S District Services, LLC	02/28/05	\$ 13,219	Bookkeeper
Debra Loggins	02/28/05	\$ -0-	Investment Officer
Peloton Land Solutions	11/20/19	\$ 128,602	Engineer
Robert W. Baird	03/18/15	\$ 77,944	Financial Advisor
Capital Consultants Management Corporation	12/01/12	\$ 91,535	Management Services
Inframark, LLC	02/21/06	\$ 339,521	Operator

See accompanying independent auditor's report.

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, AGM 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 AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100