

OFFICIAL STATEMENT DATED SEPTEMBER 22, 2021

In the opinion of Bond Counsel, under existing law, assuming continuing compliance by the District (defined herein) after the date of initial delivery of the Bonds described below (the "Bonds") with certain covenants contained in the Order (defined below) authorizing the Bonds and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds (the "Code"). In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. See "TAX MATTERS" herein.

RATING:

S&P: "AA" (Stable outlook/BAM Insured)

"BBB" (stable outlook/underlying)

(see "MUNICIPAL BOND RATING" "BOND INSURANCE" and "BOND INSURANCE RISKS" herein)

NEW ISSUE-BOOK-ENTRY-ONLY

THE BONDS HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—Qualified Tax Exempt Obligations for Financial Institutions."

\$2,550,000
KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
(A political subdivision of the State of Texas located within Kaufman County)
UNLIMITED TAX UTILITY SYSTEM BONDS, SERIES 2021

Dated Date: October 1, 2021

Due: September 1, as shown on page 2

The Kaufman County Fresh Water Supply District No. 1-C Unlimited Tax Utility System Bonds, Series 2021 (the "Bonds") are being issued by the Kaufman County Fresh Water Supply District No. 1-C (the "District") pursuant to the Texas Constitution and general laws of the State of Texas, including particularly Chapters 49, 51 and, for limited purposes, 53 of the Texas Water Code, an election held by the District on May 7, 2016, which modified an election held on May 3, 2003, and an order adopted by the Board of Directors of the District (the "Board") authorizing the issuance of the Bonds (the "Bond Order"). See "THE BONDS - Authority for Issuance" herein.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. INVESTMENT IN THE BONDS IS SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. See "INVESTMENT CONSIDERATIONS."

Interest on the Bonds will accrue from the Dated Date, specified above, and will be payable on March 1 and September 1 of each year, commencing on March 1, 2022, until stated maturity or prior redemption and will be calculated on the basis of a 360-day year of twelve 30-days months.

The definitive Bonds will be issued in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository (the "Securities Depository"). Book entry interests in the Bonds will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Bonds ("Beneficial Owners" or "Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by the Paying Agent/Registrar, initially BOKF, NA, Dallas, Texas, to DTC, which will in turn remit such principal and interest, to its participants, which will in turn remit such principal and interest, to the Beneficial Owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

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 Build America Mutual Assurance Company ("BAM"). See "BOND INSURANCE".



Proceeds from the sale of the Bonds will be used to (1) finance certain water, wastewater and storm drainage facilities serving the District, including related engineering costs and land acquisition costs, and (2) pay for the costs of issuance of the Bonds. See "THE BONDS - Purpose" and "PLAN OF FINANCING – Estimated Sources and Uses of Funds."

CUSIP PREFIX: 486189

BOND TERMS and 9 DIGIT CUSIP

See Page 2

The Bonds are offered when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the delivery of the legal opinion of Winstead PC, San Antonio, Texas, Bond Counsel. See Appendix B – Form of Bond Counsel's Opinion. See "LEGAL MATTERS." Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about October 28, 2021 (the "Date of Delivery").

SAMCO CAPITAL MARKETS

BOND TERMS

CUSIP Prefix: 486189 ^(b)

Principal Amount	Maturity	Interest Rate	Initial Reoffering Yield ^(a)	CUSIP Suffix ^(b)
\$ 255,000	9/1/2022	2.000%	0.250%	JP9
220,000	9/1/2023	2.000%	0.350%	JQ7
215,000	9/1/2024	2.000%	0.500%	JR5
225,000	9/1/2025	2.000%	0.650%	JS3
225,000	9/1/2026	2.000%	0.800%	JT 1
225,000	9/1/2027 ^{(c) (d)}	2.000%	0.900%	JU8
230,000	9/1/2028 ^(c)	1.000%	1.200%	JV6
235,000	9/1/2029 ^(c)	1.000%	1.450%	JW4
235,000	9/1/2030 ^{(c) (d)}	2.000%	1.400%	JX2
245,000	9/1/2031 ^{(c) (d)}	2.000%	1.600%	JY0
240,000	9/1/2032 ^{(c) (d)}	2.000%	1.800%	JZ7

- (a) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Initial Purchaser (defined herein) for offers to the public and which subsequently may be changed. Accrued interest from October 1, 2021, is to be added to the purchase price.
- (b) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the Initial Purchaser, the District, nor the Financial Advisor (defined herein) is responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (c) Bonds maturing on and after September 1, 2027, are subject to redemption at the option of the District prior to their maturity dates in whole or from time to time in part, on September 1, 2026, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS – Redemption Provisions – Optional Redemption.”
- (d) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on September 1, 2026, the first optional call date for the Bonds, at a redemption price of par plus accrued interest to the redemption date.

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

All of the summaries of the statutes, resolutions, orders, contracts, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Crawford & Jordan LLP, 19 Briar Hollow Lane, Suite 245, Houston, Texas 77027.

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 as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this Official Statement until delivery of the Bonds to the Initial Purchaser (as herein defined) and thereafter only as specified in "PREPARATION OF OFFICIAL STATEMENT—Updating the Official Statement."

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

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

NEITHER THE DISTRICT, THE FINANCIAL ADVISOR NOR THE INITIAL PURCHASER MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM OR THE INFORMATION REGARDING ANY BOND INSURER OR BOND INSURANCE POLICY.

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING THE ATTACHED APPENDICES AND SCHEDULES, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, 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 accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets (the "Initial Purchaser") bearing the interest rates shown on page 2 hereof, at a price of 100.365908% of the principal amount thereof plus accrued interest to the Date of Delivery as defined on the cover hereof, which resulted in a net effective interest rate of 1.711511% as calculated pursuant to the Notice of Sale and Bidding Instructions.

Prices and Marketability

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

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

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds may 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.

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OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The summary should not be detached and should be used in conjunction with more complete information contained herein. A full review should be made of the entire Official Statement and of the documents summarized or described therein.

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED “INVESTMENT CONSIDERATIONS.”

THE DISTRICT

Description...

Kaufman County Fresh Water Supply District No. 1 (“KCFWSD No. 1”) was created pursuant to an Order of the Kaufman County Commissioners Court dated January 8, 2001, and confirmation of the voters of KCFWSD No. 1 at an election held on January 20, 2001. KCFWSD No. 1 was created as a fresh water supply district operating under Chapter 53, Texas Water Code. Pursuant to an election held on May 5, 2001, KCFWSD No. 1 was authorized to assume sanitary sewer and road district powers. On May 10, 2001, KCFWSD No. 1 converted to a water control and improvement district operating under Chapter 51, Texas Water Code, retaining certain powers set forth in Chapter 53, Texas Water Code. Pursuant to an election held on August 11, 2001, KCFWSD No. 1 was divided into Kaufman County Fresh Water Supply District No. 1-A (“Original KCFWSD No. 1-A”) and Kaufman County Fresh Water Supply District No. 1-B (“KCFWSD No. 1-B”). Pursuant to an election held on September 14, 2002, Original KCFWSD No. 1-A was divided into resulting Kaufman County Fresh Water Supply District No. 1-A (“KCFWSD No. 1-A”) and Kaufman County Fresh Water Supply District No. 1-C (the “District”). The District was formally created pursuant to an “Order Declaring Results of Election to Divide Kaufman County Fresh Water Supply District No. 1-A into Two Districts,” which was passed and approved on September 17, 2002. The District succeeded to the rights and powers of KCFWSD No. 1-A, including sanitary sewer powers and road district powers under Chapter 257, Texas Transportation Code, pursuant to such September 14, 2002, election. The District is a conservation and reclamation district and political subdivision of the State of Texas and operates pursuant to Article XVI, Section 59, and Article III, Section 52, of the Texas Constitution, and Chapters 49, 51, and for certain limited purposes, 53, Texas Water Code. The District currently encompasses approximately 604.07 acres. See “THE DISTRICT.”

Location...

The District is located approximately 22 miles east of the Dallas, Texas central business district, and 12 miles east of the Lyndon B. Johnson Freeway (I-635) on U.S. Highway 80, within the master planned community known as “Windmill Farms”. The District lies in the unincorporated area of Kaufman County, adjacent to the City of Forney and four miles west of the City of Terrell. A majority of the land within the District is located within the extraterritorial jurisdiction of the City of Forney, and the remainder is located within the extraterritorial jurisdiction of the City of Dallas.

Status of Development...

The District consists of Phases 2, 3 and 5 of the Windmill Farms development. Phase 2 of Windmill Farms is sold out. It consisted of 559 single family lots, which were delivered to the homebuilders in the late fall of 2003. As of September 1, 2008, there were 559 completed homes in Phase 2.

Phase 3A of Windmill Farms consisting of 311 completed lots has 311 homes completed; Phase 3C consisting of 298 completed lots has 298 homes completed; Phase 3MP consisting of 27 completed lots has 27 homes completed; Phase 5B consisting of 137 completed lots has 136 homes completed; and Phase 5A, consisting of 148 completed lots, has 148 homes completed. Phase 3B, consisting of 175 completed lots, has 172 completed homes and Phase 3E consisting of 82 completed lots has 20 completed homes. Five lot sizes are offered ranging from 50 to 80 feet, with pricing ranging from \$225,000 to \$375,000. The active builders include Megatall Homes, DR Horton Express and LGI Homes. The average homestead assessed value within the District on the Kaufman Central Appraisal District Tax Rolls for 2021 is \$235,870.

473.966 acres within the District have been developed for single-family development. There are currently 1,737 completed single-family lots within the District and 1,671 homes were completed and occupied as of August 17, 2021.

Additional improvements have been made in the District to serve an elementary school, a middle school, a daycare facility and an HOA amenity/swim center. Of the approximately 94.7 total acres planned for non-single-family uses, approximately 79.9 acres have been developed, an 18.451-acre site within the District located along U.S. Highway 80 is developed for multi-family use, with a 272-unit apartment complex constructed on the site. The remaining undeveloped 14.8 acres planned for non-single-family use is composed of four non-contiguous tracts located in various locations within the District.

Approximately 35.4 acres in the District consist of easements, flood plain and roadway rights-of-way and are undevelopable. See “THE DISTRICT – Status of Development.”

The Windmill Farms Development...

The District is a portion of the master planned community known as Windmill Farms. Windmill Farms is a 3,852-acre master planned community located in unincorporated Kaufman County, Texas, east of Dallas, Texas, on U.S. Highway 80, midway between the Cities of Forney and Terrell. The remaining developed and undeveloped land within Windmill Farms is located within Kaufman County Fresh Water Supply District No. 1-A (“KCFWSD No. 1-A”), Kaufman County Fresh Water Supply District No. 1-B (“KCFWSD No. 1-B”), Kaufman County Fresh Water Supply District No. 1-D (“KCFWSD No. 1-D”), Kaufman County Fresh Water Supply District No. 1-E (“KCFWSD No. 1-E”), and Kaufman County Fresh Water Supply District No. 1-F (“KCFWSD No. 1-F”) (the District, KCFWSD No. 1-A, KCFWSD No. 1-B, KCFWSD No. 1-D, KCFWSD No. 1-E, and KCFWSD No. 1-F collectively, the “FWSDs” and individually each a “FWSD”).

Community Facilities...

Community facilities are available in the District and its general geographic area. Fire protection is provided by the Forney Volunteer Fire Department. Police protection is provided by the Kaufman County Sheriff's Department, and under a contract for supplemental law enforcement patrol services, by the Kaufman County Precinct No. 2 constable's office. The District is located in the Forney Independent School District. One elementary school and one middle school are located within the District, and one middle school is located within KCFWSD No. 1-D. One high school is located outside of Windmill Farms just west of KCFWSD No. 1-D.

The Developers...

Land within Windmill Farms, including within the District, was initially developed by Siepiela Development Corporation, a Texas corporation, and British American Development Corporation, a Texas Corporation.

EQK Windmill Farms, Ltd., a Texas limited partnership (“EQK Windmill”), purchased all of the undeveloped property within future phases in the District from Lemar Development, Ltd., a subsequent developer, in late 2006 and has since sold such land.

EQK Bridgeview Plaza, Inc. (now EQK Bridgeview Plaza, LLC) (“Bridgeview”), an affiliate of EQK Windmill, has developed Windmill Farms, Phase 5A and Phase 5B within the District.

Liberty Bankers Life Insurance Company (“LBL”), has developed Windmill Farms, Phase 3B and Phase 3E within the District.

JMJ Development (“JMJ”) has developed an 18.451-acre site within the District located along U.S. Highway 80 for multi-family use, with a 272-unit apartment complex constructed on the site.

Pillar Income Asset Management, Inc. (“Pillar”), an affiliate of EQK Windmill and Bridgeview, has advanced funds for the District's share of certain improvements to and an expansion of the joint wastewater treatment plant serving the area within the Windmill Farms development. Pillar also is advancing funds for the District's share of an expansion of joint water supply facilities, which expansion currently is being constructed.

EQK Windmill, Bridgeview, LBL, Pillar and JMJ are referred to herein together as the “Developers.” See “THE DISTRICT – Status of Development” and “THE DEVELOPERS.”

THE BONDS

<i>Description...</i>	\$2,550,000 Unlimited Tax Utility System Bonds, Series 2021 (the “Bonds”) are scheduled to mature on the dates and in the principal amounts and pay interest at the rates shown on page 2 hereof. The Bonds will be issued in book-entry form only in principal denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from the Dated Date, and is payable on March 1, 2022, and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. See “THE BONDS” and “BOOK-ENTRY-ONLY SYSTEM.”
<i>Redemption...</i>	The Bonds maturing on and after September 1, 2027 are subject to redemption in whole or from time to time in part, at the option of the District, prior to their maturity dates on September 1, 2026, and on any date thereafter at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS—Redemption Provisions – Optional Redemption.”
<i>Use of Proceeds...</i>	Proceeds from the sale of the Bonds will be used to (1) finance certain water, wastewater and storm drainage facilities serving the District, including related engineering costs and land acquisition costs, and (2) pay for the costs of issuance of the Bonds. See "THE BONDS - Purpose" and “PLAN OF FINANCING - Estimated Sources and Uses of Funds.”
<i>Authority for Issuance...</i>	The Bonds are being issued pursuant to the Texas Constitution and general laws of the State of Texas, including particularly Chapters 49, 51 and, for limited purposes, 53 of Texas Water Code; an approving order of the Texas Commission on Environmental Quality, an election held by the District on May 7, 2016, which modified an election held on May 3, 2003, and an Order adopted by the Board of Directors of the District (the "Board") authorizing the issuance of the Bonds (the "Bond Order"). See "THE BONDS - Authority for Issuance".
<i>Source of Payment...</i>	The Bonds, together with the Outstanding Bonds (hereinafter defined), are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See "THE BONDS-Source and Security for Payment." The Bonds are obligations solely of the District and are not obligations of the State of Texas; Kaufman County; the Cities of Forney or Dallas (the municipalities with extraterritorial jurisdiction over land within the District) or any political subdivision or entity other than the District.
<i>Investment Considerations...</i>	Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the bonds. See "INVESTMENT CONSIDERATIONS."
<i>Qualified Tax Exempt Obligations...</i>	The Bonds have been designated as “qualified tax exempt obligations” for financial institutions.
<i>Payment Record...</i>	The District has never defaulted in the timely payment of its debt obligations.
<i>Municipal Bond Insurance...</i>	The scheduled payment of principal 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 Build America Mutual Assurance Company ("BAM"). See “BOND INSURANCE” herein.”
<i>Municipal Bond Rating...</i>	S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC ("S&P"), is expected to assign its municipal bond rating of "AA" to this issue of Bonds by virtue of a municipal bond insurance policy to be issued by BAM upon delivery of the Bonds to the Initial Purchaser. S&P has assigned an underlying credit rating of “BBB” (stable outlook), to the Bonds and the District's presently outstanding debt. See "MUNICIPAL BOND RATING" “BOND INSURANCE RISKS” and “BOND INSURANCE”.
<i>Outstanding Bonds...</i>	The District has \$7,875,000 in unlimited tax bonds outstanding from its “Unlimited Tax Utility System Bonds, Series 2019”, \$6,855,000 outstanding from its “Unlimited Tax Utility System Bonds, Series 2017”, and \$1,685,000 outstanding from its “Unlimited Tax Utility System Refunding Bonds, Series 2016” (together, the “Outstanding Utility System Bonds”); \$3,580,000 outstanding from its “Unlimited Tax Road Bonds, Series 2021”; \$5,540,000 outstanding from its “Unlimited Tax Road Bonds, Series 2019”, \$1,480,000 outstanding from its “Unlimited Tax Road Bonds, Series 2017”, and \$8,710,000 outstanding from its “Unlimited Tax Road Refunding Bonds, Series 2016” (together the “Outstanding Road Bonds” and together with the Outstanding

Utility System Bonds the "Outstanding Bonds").

Future Debt...

The District expects that it may issue additional bonds to reimburse the Developers for reimbursable projects. Reimbursements to Developers with proceeds from bond sales are contingent upon approval from the Texas Commission on Environmental Quality ("TCEQ" or the "Commission"), with respect to utility bonds, and the Texas Attorney General with respect to either road or utility bonds, and the availability of ad valorem tax revenues to secure debt service. As of 3/31/2021, the District recorded a Due to the Developer in the amount of \$6,097,307 and Developer advances of \$453,718 also recorded in the Statement of Net Position. The Bonds are providing for a reimbursement to the Developer in the amount of \$1,419,112, including \$74,782 in operating advances.

*Infectious Disease
Outbreak (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 of Texas (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. 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 reposition of restrictions.

Bond Counsel...

Winstead PC, San Antonio, Texas. See "LEGAL MATTERS" and "TAX MATTERS."

Disclosure Counsel...

McCall, Parkhurst & Horton L.L.P., Dallas, Texas. See "MANAGEMENT OF THE DISTRICT."

General Counsel...

Crawford & Jordan LLP, Houston, Texas. See "MANAGEMENT OF THE DISTRICT."

Financial Advisor...

Hilltop Securities Inc., Dallas, Texas. See "PREPARATION OF OFFICIAL STATEMENT – Financial Advisor."

Paying Agent/Registrar...

BOKF, NA, Dallas, Texas. See "THE BONDS—Method of Payment of Principal and Interest."

Engineer...

BGE, Inc., Frisco, Texas See "MANAGEMENT OF THE DISTRICT."

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2021 Certified Net Taxable Assessed Value	\$415,576,121 ⁽¹⁾
Outstanding Direct Debt (Combined Road and Utility)	\$ 35,725,000
The Bonds	<u>2,550,000</u>
Total Net Direct Debt	<u>\$ 38,275,000</u>
Estimated Overlapping Debt	\$ 36,237,309 ⁽²⁾
Total Net Direct Debt and Estimated Overlapping Debt	<u>\$ 74,512,309</u>
Ratio of Net Direct Debt to 2021 Certified Net Taxable Assessed Valuation	9.21%
Ratio of Net Direct and Overlapping Debt to 2021 Certified Net Taxable Assessed Valuation	17.93%
Annual Combined Debt Service Requirement (2022)	\$ 2,725,740
Average Annual Combined Debt Service Requirement (2022-2046)	\$ 2,099,554
Maximum Annual Combined Debt Service Requirement (2022)	\$ 2,725,740
Based upon the 2021 Certified Net Taxable Assessed Valuation	
Tax Rate Required to Pay Annual Combined Debt Service Requirement (2022)	\$ 0.6762 ⁽³⁾
Tax Rate Required to Pay Average Annual Combined Debt Service Requirement (2022-2046)	\$ 0.5208 ⁽³⁾
Tax Rate Required to Pay Maximum Annual Combined Debt Service Requirement (2022)	\$ 0.6762 ⁽³⁾
2021 District Tax Rate (per \$100 Assessed Valuation) ⁽⁴⁾	
Debt Service (combined)	\$ 0.6528
Maintenance and Operations	<u>0.2300</u>
Total Tax Rate	<u>\$ 0.8828</u>
General Fund Balance as of 9/22/2021	\$ 2,479,601
Capital Projects Fund Balance as of 9/22/2021	\$ 4,429,509
Interest and Sinking Fund Balance as of 9/22/2021	\$ 2,476,026 ⁽⁵⁾
Status of Home Construction as of 8/17/2021 ⁽⁶⁾	
Single Family Homes Completed	1,671
Single Family Homes Under Construction	65
Completed Lots	1,737
Builder Contracted Lots	1,737

(1) As reported by Kaufman Central Appraisal District as the "Certified Estimate of Taxable Value." See "TAXING PROCEDURES." Includes \$24,310,827 of the \$27,863,683 in taxable value still under protest and Appraisal Review Board review at the time of certification.

(2) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) - Estimated Overlapping Debt and Taxes."

(3) Calculated at 97% collections. See "TAX DATA - Tax Distribution and Historical Collections."

(4) See "TAX DATA." The current tax rate consists of a maintenance and operations tax rate of \$0.2300, a debt service tax rate of \$0.3298 for debt service payments on the outstanding road bonds and any additional road bonds issued in the future and a debt service tax rate of \$0.3230 for debt service payments on the Bonds, the outstanding utility bonds and any additional utility bonds issued in the future. The District has established a separate road bonds debt service fund and a separate utility bonds debt service fund. Taxes collected and deposited to the road bonds debt service fund cannot be used to pay debt service on the Bonds, the outstanding utility bonds or any future utility bonds. Likewise, taxes collected and deposited to the utility bonds debt service fund cannot be used to pay debt service on the outstanding road bonds or any future road bonds.

(5) Any funds collected from the utility bonds debt service tax are pledged only to pay the debt service on the Bonds, the outstanding utility bonds and any additional utility bonds. Likewise, any funds collected from the road bonds debt service tax are pledged only to pay the debt service on the outstanding road bonds and any additional road bonds and are not pledged to pay debt service on the Bonds. Neither Texas law nor the orders authorizing the issuance of the outstanding bonds require the District to maintain any minimum balance in the Interest and Sinking Fund. Net of the September 1, 2021 debt service payments on the currently outstanding road bonds and utility bonds. Includes \$3,476.25 accrued interest on the Bonds from the Dated Date to the Delivery Date.

(6) As reported by District Engineer and Developer. See "THE DISTRICT - Status of Development."

OFFICIAL STATEMENT

\$2,550,000

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
(A political subdivision of the State of Texas located within Kaufman County)
UNLIMITED TAX UTILITY SYSTEM BONDS, SERIES 2021

This Official Statement provides certain information in connection with the issuance by Kaufman County Fresh Water Supply District No. 1-C (the "District") of its \$2,550,000 Unlimited Tax Utility System Bonds, Series 2021 (the "Bonds").

This Official Statement includes descriptions, among others, of the Bonds, the Bond Order (as defined below), and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Crawford & Jordan LLP, General Counsel to the District, 19 Briar Hollow Lane, Suite 245, Houston, Texas 77027, upon payment of the cost of duplication.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order (defined below). 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.

Description

The Bonds will be dated October 1, 2021 (the "Dated Date"). Interest on the Bonds will accrue from the Dated Date, with such interest payable on March 1 and September 1 of each year, commencing March 1, 2022, until stated maturity or prior redemption. The Bonds will mature on the dates, in the principal amounts, and will bear interest at the rates set forth on page 2 of this Official Statement.

The Bonds will be issued only as fully registered bonds. The Bonds will be issued in principal denominations of \$5,000 or any integral multiple thereof within a stated maturity. Principal of, and interest on the Bonds are payable in the manner described herein under "BOOK-ENTRY-ONLY SYSTEM". In the event the Book-Entry- Only System is discontinued, the interest on the Bonds will be payable to the registered owner as shown on the security register maintained by BOKF, NA, Dallas, Texas, as the initial Paying Agent/Registrar (hereinafter defined), as of the Record Date (defined below), by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal, of the Bonds will be payable at stated maturity upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar.

If the date for the payment of the principal of and interest on the Bonds will be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date will have the same force and effect as if made on the original date payment was due.

Authority for Issuance

The Bonds are issued pursuant to the Texas Constitution and general laws of the State of Texas, including particularly Chapters 49, 51 and, for limited purposes, 53 of the Texas Water Code, an approving order of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission") issued July 29, 2021, an election held by the District on May 7, 2016, which modified an election held on May 3, 2003, and an order expected to be adopted by the Board of Directors of the District (the "Board") on September 22, 2021 authorizing the issuance of the Bonds (the "Bond Order").

Source and Security for Payment

The Bonds, together with the Outstanding Bonds (hereinafter defined) and any bonds subsequently issued payable in whole or in part from taxes, are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District (see "TAXING PROCEDURES"). The Bonds involve certain investment considerations, and all prospective purchasers are urged to examine carefully this Official Statement

with respect to the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS." The Bonds are obligations solely of the District and are not obligations of the State of Texas; Kaufman County; the following municipalities with extraterritorial jurisdiction over land within the District: the City of Forney and the City of Dallas; or any political subdivision or entity other than the District.

Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of the taxes granted by the District under the Bond Order and such pledge is, therefore, valid, effective, and perfected. Should Texas law be amended at any time while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the taxes granted by the District under the Bond Order is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, in order to preserve to the registered owners of the Bonds a security interest in such pledge, the District agrees to take such measures as it determines are reasonable and necessary to enable a filing of a security interest in said pledge to occur.

Payment Record

The District has previously issued its "Unlimited Tax Road Refunding Bonds, Series 2016," "Unlimited Tax Road Bonds, Series 2017", "Unlimited Tax Road Bonds, Series 2019" and "Unlimited Tax Road Bonds, Series 2021" (the "Outstanding Road Bonds") its "Unlimited Tax Utility System Refunding Bonds, Series 2016", "Unlimited Tax Utility System Bonds, Series 2017", and its "Unlimited Tax Utility System Bonds, Series 2019" (the "Outstanding Utility System Bonds" together with the Outstanding Road Bonds, the "Outstanding Bonds") a total of \$35,725,000 of which is currently outstanding. After issuance of the Bonds, the District's total debt outstanding will be \$38,275,000. The District has never defaulted in the timely payment of debt service on its outstanding debt obligations.

Interest and Sinking Fund

The Bond Order reconfirms the establishment of the District's Interest and Sinking Fund (Utility System Bonds) (the "Interest and Sinking Fund") in the orders authorizing the Outstanding Utility System Bonds. The Interest and Sinking Fund, which constitutes a trust fund for the benefit of the Owners of the Bonds, the Outstanding Utility System Bonds, and any additional tax bonds issued by the District (for utility or utility refunding purposes), is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds, the Outstanding Utility System Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes for utility purposes. Amounts on deposit in the Interest and Sinking Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar and, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, the Outstanding Utility System Bonds, and any additional bonds payable from taxes for utility purposes.

Construction Fund (Utility Bonds): The Bond Order confirms the establishment of the District's Construction Fund (Utility Bonds) (the "Construction Fund") established in the orders authorizing the Outstanding Utility Bonds. After the initial deposits into the Interest and Sinking Fund all remaining proceeds of the sale of the Bonds will be deposited into the Construction Fund and used to pay costs of issuance, reimbursement to the Developers, and construction costs.

Purpose

Proceeds from the sale of the Bonds will be used to (1) finance certain water, wastewater and storm drainage facilities serving the District, including related engineering costs and land acquisition costs, and (2) pay for the costs of issuance of the Bonds. See "PLAN OF FINANCING – Estimated Sources and Uses of Funds"

Redemption Provisions

Optional Redemption:

The District reserves the right, at its option, to redeem the Bonds maturing on and after September 1, 2027, prior to their scheduled maturities, in whole or from time to time in part, principal denomination of \$5,000 and integral multiples of \$5,000 thereof, on September 1, 2026, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption.

If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed will be determined by the District, provided, however, that if fewer than all the Bonds within a particular maturity are redeemed at any time, the particular Bonds within each such maturity to be redeemed will be selected by the Paying Agent/Registrar from the Bonds which have not previously been called for redemption, by lot or other customary method of random selection. However, if during any period in which ownership of the Bonds is determined only by a book entry at a securities depository, if fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds will be selected in accordance with arrangements between the District and the securities depository. See "BOOK-ENTRY-ONLY SYSTEM."

Notice of Redemption:

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Beneficial Owner of each Bond to be redeemed in whole or in part at the address shown on the register. By the date fixed for redemption, due provision must be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bond or portions thereof so redeemed will no longer be regarded as outstanding except for purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Beneficial Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption will terminate on the date fixed for redemption.

Conditional Notice of Redemption:

The Bond Order provides that the District may make any notice of redemption conditional on the occurrence of a condition precedent. In the event that the District chooses to provide a conditional notice of redemption, the District must include in the notice of redemption that the redemption is conditioned upon the occurrence of a condition precedent.

The Paying Agent/Registrar must give prompt notice of any such rescission of a conditional notice of redemption to the affected Beneficial Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded shall remain outstanding and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the District to make money or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

Method of Payment of Principal and Interest

The Board has appointed BOKF, NA, having a designated payment office in Dallas, Texas, as the initial paying agent/registrar for the Bonds (the "Paying Agent/Registrar,"). However, initially, the principal of and interest on the Bonds will be paid to DTC, which will make distribution of the amounts so paid to the Beneficial Owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM." Interest calculations are based upon a thirty (30) day month and a three hundred sixty (360) day year. The Record Date (defined herein) for payment of the interest on any regularly scheduled interest payment date is defined below as the 15th day of the month (whether or not a business day) preceding such payment date.

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar will keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar will provide for the registration and transfer of Bonds in accordance with the terms of the Bond Order.

In the event the Book-Entry-Only System should be discontinued, each Bond will be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Beneficial Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar.

Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefore, to the extent possible and under reasonable circumstances within three business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

All Bonds will be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate principal amount or maturing amounts, as appropriate, equal to the unpaid principal amount or maturing amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate, deliver, and exchange Bonds. Each Bond delivered will be entitled to the benefits and security of the Bond Order to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar will be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the 30-day period prior to the date fixed for redemption of such Bond.

The District or the Paying Agent/Registrar may require the Beneficial Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange will be paid by the District.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar will be required to accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District must be either a duly qualified and competent bank or trust company organized under the laws of the State of Texas.

Lost, Stolen, or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a lost, stolen, damaged or mutilated Bond, the Paying Agent/Registrar will authenticate and deliver in exchange therefor a substitute Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, will, upon receipt of certain documentation from the Beneficial Owner and indemnification satisfactory of the District, execute and the Paying Agent/Registrar will authenticate and deliver a substitute Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Beneficial Owners of lost, stolen, destroyed, damaged, or mutilated Bonds will be required to pay the District's costs and fees to replace such bond. In addition, the District or the Paying Agent/Registrar may require the Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is an excerpt of 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) authorizes bonds of the District (including the Bonds) to be eligible as collateral for public funds.

No representation is made, however, that the Bonds will be suitable for or acceptable to financial or public entities for investment purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which might 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.

Issuance of Additional Debt

See “THE BONDS – Future Debt” in the Summary, on page 9. Any bonds issued by the District, however, must be approved by the Texas Attorney General. Currently, approval of the Commission is not necessary for the issuance of additional road bonds. However, if the debt is for water, sewer, or drainage purposes, approval of the Commission is required. See “THE DISTRICT - General.”

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 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

purposes may not exceed one-fourth of the certified assessed valuation of the real property in the District. The following bonds have been authorized by the voters within the District pursuant to elections:

- a. Road Bonds for road improvements in a principal amount not to exceed \$19,250,000;
- b. Road refunding bonds in a principal amount not to exceed \$30,165,000;
- c. Bonds for water, sewer, and drainage improvements in a principal amount not to exceed \$23,435,000; and
- d. Water, sewer, and drainage refunding bonds in a principal amount not to exceed \$22,655,000.

See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) - Unlimited Tax Bonds Authorized But Unissued” herein for a description of remaining unissued bonds authorized by the elections.

The District also has the right to issue revenue bonds payable solely from revenue derived from contracts with other entities, including private corporations, municipalities, and political subdivisions issued particularly for the purchase, construction, improvement, extension, replacement, enlargement, or repair of the facilities needed in performing any such contract.

Remedies in Event of Default

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 may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or Bond Order and the District’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bond Order does not provide for the appointment of a trustee to represent the interest of the owners upon any failure of the District to perform in accordance with the terms of the Bond Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government’s governmental 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 Bondholders cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, subject to authorization by the Commission the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Chapter 9 includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or owners of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bond Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

Record Date for Interest Payment

The date for determining the person to whom the interest on the Bonds is payable on any interest payment date means the close of business on the fifteenth business day of the next preceding calendar month (the “Record Date”). In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest which will be 15 days after the Special Record Date, must be sent at least five (5) business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Owner appearing on the Register at the close of business on the last business day next preceding the date of mailing of such notice.

Defeasance

Except to the extent provided in the Bond Order, any Bond, and the interest thereon, will be deemed to be paid, retired, and no longer outstanding within the meaning of the Bond Order (a “Defeased Bond”) when payment of the principal of such

Bond, plus interest thereon to the due date (whether such due date be by reason of maturity, redemption, or otherwise) either: (i) will have been made or caused to be made in accordance with the terms of such Bond (including the giving of any required notice of redemption), or (ii) will have been provided for on or before such due date by irrevocably depositing with or making available to a person (a "Depository"), with respect to the safekeeping, investment, administration, and disposition of a deposit for such payment (the "Deposit") lawful money of the United States of America sufficient to make such payment or Government Obligations (as defined in the Bond Order, which definition includes other securities that may be authorized from time to time under Texas law to be used as defeasance securities), which may be in book-entry form, that mature and bear interest payable at times and in amounts sufficient to provide for the scheduled payment or redemption of any Defeased Bond. To cause a Bond scheduled to be paid or redeemed on a date later than the next scheduled interest payment date on such Bond to become a Defeased Bond, the District must, with respect to the Deposit, enter into an escrow or similar agreement with a Depository.

In connection with any defeasance of the Bonds, the District will cause to be delivered: (i) in the event an escrow or similar agreement has been entered into with a Depository to effectuate such defeasance, a report of an independent firm of nationally recognized certified public accountants verifying the sufficiency of the escrow established to pay the Defeased Bonds in full on the maturity or redemption date thereof ("Verification") or (ii) in the event no escrow or similar agreement has been entered into, a certificate from the paying agent for the bonds being defeased or the District's financial advisor certifying that the amount deposited with a Depository is sufficient to pay the Defeased Bonds in full on the maturity or redemption date thereof (a "Sufficiency Certificate"). In addition to the required Verification or Sufficiency Certificate, the District will also cause to be delivered an opinion of nationally recognized bond counsel to the effect that the Defeased Bonds are no longer outstanding pursuant to the terms of the Bond Order and a certificate of discharge of the Paying Agent/Registrar with respect to the Defeased Bonds. The Verification, if any, and each certificate and opinion required under the Bond Order shall be acceptable in form and substance, and addressed, if applicable, to the Paying Agent/Registrar and the District. The Bonds will remain outstanding unless and until they are in fact paid and retired or the above criteria are met.

At such time as a Bond is deemed to be a Defeased Bond, and all required criteria under the Bond Order have been met, such Bond and the interest thereon will no longer be outstanding or unpaid and will no longer be entitled to the benefits of the pledge of the security interest granted under the Bond Order, and such principal and interest will be payable solely from the Deposit of money or Government Obligations (as defined in the Bond Order). Provided, however, the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, 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 reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in a manner which would permit other investments to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investment may not be of the same investment quality as currently permitted under Texas law.

Annexation

A majority of land in the District lies within the extraterritorial jurisdiction of the City of Forney, and the remainder of land in the District lies within the extraterritorial jurisdiction of the City of Dallas. Under existing Texas law, land within the District located in the extraterritorial jurisdiction of a home rule municipality may be annexed without the consent of the District, subject to compliance by the annexing city with the requirements of Chapter 43 of the Texas Local Government Code, including certain election requirements. Both Forney and Dallas are home rule cities, but neither may annex the entire District.

Because the District lies within the extraterritorial jurisdiction of two cities, neither city may alone annex the entire District and dissolve the District. If all the land within the District is later annexed into such cities, the District may be dissolved only by agreement among the District and both cities. In this event, the agreement among the District and the cities would be expected to provide for a pro-rata assumption by the cities of any outstanding District indebtedness. Annexation of territory by the cities is a policy-making matter within the discretion of the respective governing bodies of the cities, and, therefore, the District makes no representation that the cities will ever propose to annex the District and assume its debt, nor does the District make any representation concerning the ability of the cities to pay debt service on the District's bonds if annexation were to occur.

Consolidation

The District has the legal authority, upon a favorable election in each district, to consolidate with one or more other districts and, thereafter, to become one district and be governed as one district. However, debts created prior to consolidation, such as the Bonds and the Outstanding Bonds, remain debts of the original districts, payable from taxes or assessments levied on land in the original districts as if they had not consolidated or from contributions from the consolidated district on terms

stated in a consolidation agreement. No representation is made concerning whether the District will consolidate with any other district, and the District currently has no plans to do so.

BOND INSURANCE

BOND INSURANCE POLICIES

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue a Municipal Bond Insurance Policy for the Bonds (a “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.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

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

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

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

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

Capitalization of BAM

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2021 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$488.6 million, \$165.5 million and \$323.1 million, respectively.

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

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

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

BAM GreenStar Bonds

The Bonds have been designated BAM GreenStar Bonds because BAM has determined that the use of bond proceeds by the Issuer as described in this Official Statement and in any additional information obtained by BAM aligns with one of the Green Bond Principles (“GBPs”) developed by the International Capital Markets Association (“ICMA”). The GBPs were developed by the ICMA with the goal of establishing universally accepted guidelines for the issuance of green bonds, and one of the key requirements addresses the use of proceeds. BAM has been identified by the ICMA as an observer organization that is active in the field of green and/or social or sustainability finance and as a Climate Bond Initiative approved verifier. The GreenStar Credit Profile prepared by BAM for the Bonds will identify which of the following GBP categories applies to the Bonds:

1. renewable energy
2. energy efficiency
3. pollution prevention and control
4. environmentally sustainable management of living natural resources and land use
5. terrestrial and aquatic biodiversity
6. clean transportation
7. climate change adaptation
8. sustainable water and wastewater management
9. green buildings

Each of the GBPs correlates to one of the following UN Sustainable Development Goals which will also be included in the GreenStar Credit Profile for the Bonds:

1. clean water and sanitation
2. affordable and clean energy
3. sustainable cities and communities
4. industry innovation and infrastructure
5. responsible consumption and production
6. climate action
7. life below water
8. life on land

The Issuer makes no representation regarding the applicability of or suitability of the GreenStar designation. The term “GreenStar” is neither defined in, nor related to, the security documents relating to the Bonds. The GreenStar designation is solely for identification purposes and is not intended to provide or imply that the owners of the Bonds are entitled to any security other than that described in this official statement. The Issuer is under no contractual or other legal obligation to ensure compliance with any legal or other principles relating to “GreenStar” designation. The Issuer has made no commitment to provide ongoing reporting or information regarding the designation or compliance with the GBPs.

The BAM GreenStar designation is based upon an assessment by BAM at the time of the issuance of the Bonds and such designation by BAM reflects only the views of BAM. BAM does not charge a fee in connection with the designation, does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. The designation is provided on an “AS IS” basis and is based on BAM’s own investigation, studies, assumptions, and criteria using its reasonable best efforts. In issuing its GreenStar designation, BAM has assumed and relied upon the accuracy and completeness of the information made publicly available by the Issuer or that was otherwise made available to BAM. BAM makes no representation or warranty, express or implied, including, but not limited to, the accuracy, results, timeliness, completeness, merchantability or fitness for any particular purpose with respect to the designation. A complete description of BAM GreenStar, and its limitations and terms of use, are available on BAM’s website <https://buildamerica.com/greenstar> and <https://buildamerica.com/terms-of-use> and incorporated herein by reference. The BAM GreenStar designation is determined solely by BAM; it has not been reviewed or approved by the issuer or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for such designation.

BAM’s GreenStar designation does not and is not intended to make any representation or give any assurance with respect to any other matter relating to the Bonds and is not a recommendation to any person to purchase, hold, or sell the Bonds. Such labeling does not address the market price, marketability or suitability of these Bonds for a particular investor. There is no assurance that the designation will be retained for any given period of time or that the designation will not be revised, suspended, or withdrawn by BAM if, in its judgment, circumstances so warrant.

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

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

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

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

The information above concerning BAM has been provided by BAM for inclusion in this Official Statement. Although the District believes the source of such information to be reliable, it takes no responsibility for the accuracy or completeness thereof.

BOND INSURANCE RISKS

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 Bond shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the 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 Policy, however, such payments will be made by the insurer at such time and in such amounts as would have been due absent such prepayment by the District unless the bond insurer chooses to pay such amounts at an earlier date.

Under no circumstances does default of payment of principal and interest obligate acceleration of the obligations of the bond insurer without its consent, so long as the bond insurer performs its obligations under the Policy. In the event the bond insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the sources pledged in the Bond Order. 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 rating on the Bonds is dependent in part on the financial strength of the bond insurer and its claims 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 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 RATING" herein for a description of the ratings.

The obligations of the bond insurer are general obligations of the bond insurer and in an event of default by the bond insurer the remedies may be limited by applicable bankruptcy law. Neither the District nor the Financial Advisor has made an independent investigation into the claims paying ability of any potential bond insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential bond insurer is given.

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 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, the Financial Advisor and the Initial Purchaser believe the source of such information to be reliable, but none of the District, the Financial Advisor, or the Initial Purchaser takes any responsibility for the accuracy or completeness thereof.

Neither the District nor the Initial Purchaser can give any assurances 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 Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC New York, NY, 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 requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity 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 purchaser 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 affect 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 the District (or the Trustee on behalf thereof) as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or 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 principal, premium, if any, interest payments and redemption proceeds 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 transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

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

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PLAN OF FINANCING

Estimated Sources and Uses of Funds

Proceeds from the sale of the Bonds will be used to (1) finance certain water, wastewater and storm drainage facilities serving the District, including related engineering costs and land acquisition costs, as shown below, and (2) pay for the costs of issuance of the Bonds. Construction and engineering costs, and certain non-construction costs, will be finalized after sale of the Bonds and reviewed by an independent auditor.

I. CONSTRUCTION COSTS	District Share
A. Developer Contribution Items	
1. Windmill Farms Phase 3E - W, WW & D	\$ 1,241,609
2. Engineering	177,503
Subtotal Developer Contribution Items	\$ 1,419,112
 B. District Items	
1. Windmill Farms Pump Station Expansion - Phase 1	\$ 203,535
2. Windmill Farms WWTP 0.24 MGD Expansion	120,858
3. Windmill Farms Lease Equipment Installation	8,186
4. Land Acquisition Costs for Detention Ponds	164,013
5. Engineering	134,443
Subtotal District Items	\$ 631,035
TOTAL CONSTRUCTION COSTS	\$ 2,050,147
 II. NON-CONSTRUCTION COSTS	
A. Legal and Fiscal Professional Fees	\$ 143,250
B. Developer Interest	126,939
C. Bond Discount	(9,331)
D. Bond Issuance Expenses	35,825
E. Bond Application Report Costs	42,000
F. Operating Expenses	74,782
G. Attorney General Fee	2,550
H. TCEQ Bond Issuance Fee	6,375
I. Surplus Funds	77,463
TOTAL NON-CONSTRUCTION COSTS	\$ 499,853
TOTAL BOND ISSUE REQUIREMENT	\$ 2,550,000

In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ, where required. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

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THE DISTRICT

General

The District is a conservation and reclamation district created by an "Order Declaring Results of Election to Divide Kaufman County Fresh Water Supply District No. 1A into Two Districts", dated September 17, 2002, and operates pursuant to Article 3, Section 52, and Article 16, Section 59 of the Texas Constitution, the provisions of Chapters 49, 51, and, for certain limited purposes, 53 of the Texas Water Code, other general statutes of Texas applicable to water control and improvement districts, Chapter 257, Texas Transportation Code, and other general statutes of Texas applicable to road districts.

The District is empowered, among other things, to finance, purchase, construct, operate, and maintain macadamized, graveled, or paved roads and turnpikes, or in aid thereof. The District may issue bonds and other forms of indebtedness for such purposes. The District is also empowered to finance, purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District is also empowered to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the Commission and the voters of the District. Other than with respect to road improvements, the TCEQ exercises supervisory jurisdiction over the District.

Location

The District is located approximately 22 miles east of the Dallas central business district, and 12 miles east of the Lyndon B. Johnson Freeway (I-635) on U.S. Highway 80, within the master planned community known as "Windmill Farms". Windmill Farms has over one mile of frontage on U.S. Highway 80, including an interchange sign posted "Windmill Farms Blvd." The District lies in the unincorporated area of Kaufman County, adjacent to the City of Forney and four miles west of the City of Terrell. The District contains approximately 604.07 acres of land, all of which are within the extraterritorial jurisdictions of the City of Forney or the City of Dallas.

Infrastructure Financing

The District contains a portion of the land comprising Windmill Farms. Kaufman County Fresh Water Supply District No. 1-B (KCFWSD No. 1-B) is developed, sold out and fully occupied. The majority of the remaining undeveloped land within Windmill Farms is located within KCFWSD No. 1-A, KCFWSD No. 1-D, KCFWSD No. 1-E and KCFWSD No. 1-F (for purposes of this paragraph the District, KCFWSD No. 1-A, KCFWSD 1-B, KCFWSD No. 1-D, KCFWSD No. 1-E and KCFWSD No. 1-F sometimes individually "FWSD" or collectively, "FWSDs"). Each FWSD proposes to finance, from time to time and in phases, the acquisition and construction of water, sanitary sewer, and drainage systems and road improvements necessary to serve the land within its respective boundaries. Pursuant to a series of agreements, developers have agreed to construct and install roads, water, sanitary sewer, and drainage systems within the FWSDs, and the FWSDs agreed to purchase such improvements and systems from the appropriate developer as funds become available to the FWSDs. To date, no residential development has occurred within KCFWSD No. 1-A, KCFWSD No. 1-E and KCFWSD No. 1-F.

The Windmill Farms Development

The District consists of Phases 2, 3 and 5 of Windmill Farms. Windmill Farms is a 3,852-acre master planned community located in unincorporated Kaufman County, Texas, east of Dallas, Texas, on U.S. Highway 80, midway between the Cities of Forney and Terrell. Most of Windmill Farms originally lay within Kaufman County Fresh Water Supply District No. 1 ("KCFWSD 1"). The division of KCFWSD 1, and subsequent divisions, have resulted in the creation of Kaufman County Fresh Water Supply District Nos. 1-A, 1-B, 1-D, 1-E, 1-F and the District.

Status of Development

Phase 2 of Windmill Farms is sold out. It consisted of 559 single family lots, which were delivered to the homebuilders in the late fall of 2003. As of September 1, 2008, there were 559 completed homes in Phase 2.

Phase 3A of Windmill Farms consisting of 311 completed lots has 311 homes completed; Phase 3C consisting of 298 completed lots has 298 homes completed; Phase 3MP consisting of 27 completed lots has 27 homes completed; Phase 5B consisting of 137 completed lots has 136 homes completed; and Phase 5A, consisting of 148 completed lots, has 148 homes completed. Phase 3B, consisting of 175 lots, has 172 completed homes and Phase 3E consisting of 82 lots has 20 completed homes. Five lot sizes are offered ranging from 50 to 80 feet, with pricing ranging from \$225,000 to \$375,000. The active builders include Megatel Homes, DR Horton Express and LGI Homes. The average homestead assessed value within the District on the Kaufman Central Appraisal District Tax Rolls for 2021 is \$235,870.

473.966 acres within the District have been developed for single-family development. There are currently 1,737 completed single-family lots within the District and 1,671 homes were completed and occupied as of August 17, 2021.

Additional improvements have been made in the District to serve an elementary school, a middle school, a daycare facility and an HOA amenity/swim center. Of the approximately 94.7 total acres planned for non-single-family uses, approximately 79.9 acres have been developed, including, a 18.451-acre site within the District located along U.S. Highway 80 is developed for multi-family use, with a 272-unit apartment complex constructed on the site. The remaining undeveloped 14.8 acres planned for non-single-family use is composed of four non-contiguous tracts located in various locations within the District.

Approximately 35.4 acres in the District consist of easements, flood plain and roadway rights-of-way and are undevelopable.

Planned Single-Family Land Use:

Subdivision Name Parcel Number	Number of		Lots Under Construction	Completed Lots	Completed Homes ⁽¹⁾	Homes	
	Proposed Lots	Acreage				Under Construction	Vacant Lots
2A-1	108	21.46	0	108	108	0	0
2A-2	99	19.588	0	99	99	0	0
2B-1	98	22.609	0	98	98	0	0
2B-2	100	22.496	0	100	100	0	0
2B-3	93	26.523	0	93	93	0	0
2B-4	61	18.087	0	61	61	0	0
3A-1	109	24.68	0	109	109	0	0
3A-2	100	27.08	0	100	100	0	0
3A-3	102	24.92	0	102	102	0	0
3B	175	46.796	0	175	172	3	0
3C-1	105	25.75	0	105	105	0	0
3C-2	109	51.35	0	109	109	0	0
3C-3	84	43.71	0	84	84	0	0
3E	82	25.531	0	82	20	62	0
3 - MP	27	7.94	0	27	27	0	0
5A	148	32.77	0	148	148	0	0
5B	137	32.676	0	137	136	0	1
Totals	1,737	473.966	0	1,737	1,671	65	1

(1) As of August 17, 2021.

Community Facilities

Community facilities are available in the District and its general geographic area. Fire protection is provided by the Forney Volunteer Fire Department. Police protection is provided by the Kaufman County Sheriff's Department, and under a contract for supplemental law enforcement patrol services, by the Kaufman County Precinct No. 2 constable's office. The District is located in the Forney Independent School District. One elementary school and one middle school are located within the District, and one middle school is located within KCFWSD No. 1-D. One high school is located outside of Windmill Farms just west of KCFWSD No. 1-D.

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MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by a Board of Directors (“Board”), consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to staggered four-year terms and elections are held in May in even numbered years only. All of the Board members listed below currently are residents of the District. The current members and officers of the Board along with their titles and terms, are listed as follows:

<u>Name</u>	<u>Position</u>	<u>Term Expiration</u>
Daryl Coleman	President	May 2024
Matthew Scharmen	Vice President	May 2024
Ryan Roberts	Secretary/Treasurer	May 2022
Victor Bates	Assistant Secretary	May 2022
Heather Gould	Assistant Secretary	May 2024

District Consultants

The District does not have a general manager or other full-time employees, but contracts for certain necessary professional services as described below.

Bond Counsel: Winstead PC, San Antonio, Texas serves as Bond Counsel to the District. The fees of Bond Counsel are contingent upon the sale and delivery of the Bonds.

General Counsel: Crawford & Jordan LLP, Houston, Texas, has been engaged by the District to serve as General Counsel for the District. General Counsel will also provide legal services as requested by Bond Counsel in connection with the issuance of the Bonds. Fees for services rendered by General Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Disclosure Counsel: McCall, Parkhurst & Horton L.L.P., Dallas, Texas, serves as Disclosure Counsel to the District. The fees payable to Disclosure Counsel for services in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Financial Advisor: Hilltop Securities Inc., Dallas, Texas, serves as the District’s Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

Auditor: The District engaged McCall Gibson Swedlund Barfoot PLLC to prepare the District audit for the period ended March 31, 2021.

Tax Assessor/Collector: Land and improvements in the District are being appraised for taxation by the Kaufman Central Appraisal District. The District contracted with Brenda Samples, Kaufman County Tax Assessor-Collector, to act as Tax Assessor/Collector for the District. See “TAXING PROCEDURES.”

Engineer: The District’s consulting engineer is BGE, Inc., Frisco, Texas.

Bookkeeper: The District has contracted with Dye & Toverly, LLC, Plano, Texas, for bookkeeping services.

Utility System Operator: The District contracts with Inframark, LLC, for maintenance and operation of the District’s Utility System.

THE DEVELOPERS

Role of a Developer

In general, the activities of a landowner or developer in a special district such as the District include designing the project; defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of roads and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers, builders, or third parties. While a developer is required by the TCEQ to pave streets and in most cases to pay a portion of the underground water distribution, wastewater collection, and storm drainage facilities, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

The Developers

Land within Windmill Farms, including within the District, was initially developed by Siepiela Development Corporation, a Texas corporation, and British American Development Corporation, a Texas Corporation.

EQK Windmill Farms, Ltd., a Texas limited partnership ("EQK Windmill"), purchased all of the undeveloped property within future phases in the District from Lemman Development, Ltd. ("Lemman"), a subsequent developer, in late 2006 and has since sold such land.

EQK Bridgeview Plaza, LLC ("Bridgeview"), an affiliate of EQK Windmill, has developed Windmill Farms, Phase 5A and Phase 5B within the District.

Liberty Bankers Life Insurance Company ("LBL"), has developed Windmill Farms, Phase 3B and Phase 3E within the District.

JMJ Development ("JMJ") has developed an 18.451-acre site within the District located along U.S. Highway 80 for multi-family use, with a 272-unit apartment complex constructed on the site.

Pillar Income Asset Management, Inc. ("Pillar"), an affiliate of EQK Windmill and Bridgeview, has advanced funds for the District's share of certain improvements to and an expansion of the joint wastewater treatment plant serving the area within the Windmill Farms development. Pillar also is advancing funds for the District's share of an expansion of joint water supply facilities, which expansion currently is being constructed.

EQK Windmill, Bridgeview, LBL, Pillar and JMJ are referred to herein together as the "Developers."

See "THE DISTRICT – Status of Development."

THE ROAD IMPROVEMENTS AND THE WATER, WASTEWATER AND DRAINAGE SYSTEM

Regulation

Certain road improvements (the "Road Improvements") serving the District were designed by USA Professional Services Group, Inc. ("USASG") and others were designed by BGE, Inc. ("BGE"). In addition, the District's water, wastewater, and drainage system (collectively, the "Utility System"), was also designed by USASG and BGE and is subject to the regulatory jurisdiction of the TCEQ, the City of Forney, and other state and federal authorities. The discharge of treated wastewater into Texas waters, if any, is also a permitted activity which is regulated by the Commission and other local, state and federal authorities, such as the United States Environmental Protection Agency. The regulations and requirements of entities exercising regulatory jurisdiction over the Utility System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. The following descriptions are based upon information supplied by BGE, the current engineer for the District.

Road Improvements

The District acquired a portion of the Road Improvements located within its boundaries from Kaufman County Development District No. 1 (“KCDD No. 1”) with the proceeds of the sale of certain prior bonds. The Road Improvements are described by BGE as follows:

(i) A portion of Windmill Farms Boulevard (a four lane divided minor arterial) being two 26’ sections with median, 8” reinforced concrete pavement portions of which have a curb on a lime stabilized subgrade, in a 120 foot right-of-way; and

(ii) Residential Streets (two lane) 27’ wide, 6” reinforced concrete paving section with curb on a lime stabilized subgrade, in a 50’ right-of-way; and

(iii) A portion of Iron Gate (a two lane undivided roadway) being 41’ wide, 7” reinforced concrete pavement with curb on lime stabilized subgrade, in a 100 foot right-of-way; and

(iv) A portion of Reeder Road (a four lane divided minor arterial) being two 25’ sections with median, 8” reinforced concrete pavement with curb on a lime stabilized subgrade, in a 100 foot right-of-way.

Water, wastewater and drainage facilities along with franchise utilities (underground power, gas, telephone, and cable) are typically located within the road right-of-ways or in adjacent easements.

Road Interlocal Agreement: The FWSDs were created and organized to provide, among other improvements, roads and appurtenant facilities within Windmill Farms. Pursuant to an Amendment to Inter-Local Agreement, dated August 30, 2005, among the District, Kaufman County Development District No. 1, KCFWSD No. 1-A and KCFWSD No. 1-B, the parties agreed to an arrangement regarding the construction, financing, operation and maintenance of certain road facilities, including provisions relating to the potential acquisition, operation and maintenance of road facilities by KCFWSD No. 1-A, as well as provisions relating to collection of revenues relating to the roads. To date, KCFWSD No. 1-A has not exercised rights to acquire any road facilities within Windmill Farms, has not issued any bonds relating to such acquisition, has not assumed the operation and maintenance of any such road facilities and has not assessed any fees or charges for use of any road facilities.

Water, Wastewater, and Drainage Systems

Construction of the District’s water, wastewater and drainage systems has been financed with proceeds of prior issues of bonds and from funds advanced by the Developers. Proceeds from the sale of future bonds are expected to be used to reimburse the Developers for such prior advances that remain unreimbursed. In addition, Pillar has advanced funds for the District’s share of recent improvements to the WWTP (defined below), and certain advances made by Pillar toward expansion of the WWTP and certain joint water supply facilities are being reimbursed with proceeds from the Bonds.

Source of Water Supply: The District’s water supply is provided by the City of Forney (the “City”), as a member of the North Texas Municipal Water District (“NTMWD”). Pursuant to interlocal agreement, KCFWSD No. 1A agreed to deliver water to the District and other FWSDs that contain the Windmill Farms development. KCFWSD No. 1A has entered into an Amendment to the Amended and Restated Wholesale Water Contract, dated March 5, 2020 (the “Wholesale Water Contract”), to provide for the sale and distribution of treated water by the City to the FWSDs and to the Walden Pond Water Control and Improvement District (“Walden Pond”) for 30 years and to establish the rate, duration, metering, and related responsibilities of the parties. The delivery of treated water will be at a maximum rate of 4,500 gallons per minute. KCFWSD No. 1A has an annual minimum (inside) equivalent to the amount of potable water delivered to the FWSDs calculated annually each year, which shall not be less than the highest amount taken during any previous year or 217,027,000 gallons (whichever is greater), and an annual minimum (external) for Walden Pond equivalent to the amount of potable water delivered to Walden Pond, and such minimum shall not be less than the highest total amount taken during any previous year. KCFWSD No. 1-A obtains water from the City via a 24-inch supply main into its facilities. The rate currently charged by the City is \$3.60 per 1,000 gallons. The joint water supply facilities serving the Windmill Farms development and Walden Pond consist of three ground storage tanks, three pressure tanks and six booster pumps. KCFWSD No. 1-A is currently under construction with the installation of two 1,300 gpm leased booster pumps (with ability to add two additional 1,300 gpm leased booster pumps as needed). The District’s internal water distribution system consists of AWWA C900 and C905 polyvinyl chloride (PVC) pipe of varied sizes (6 to 16 inch diameter). Single residential service connections consist of ¾ inch copper pipe with a ¾ inch meter. Under a proposed Second Amendment (the “Second Amendment”) to the Joint Allocation Agreement (as defined below), the District is expected to be allocated additional water supply capacity which, along with currently allocated capacity, and pending completion of the upgrades described above, will be sufficient to serve the District at build-out. The District has executed the Cost Sharing Agreement (as defined below), which allocates costs related to the upgrades described above being funded with proceeds from the Bonds.

Wastewater Collection and Treatment: Pursuant to the Water and Wastewater Operating Agreement (hereinafter defined), KCFWSD No. 1A agreed to provide wastewater collection and treatment service to the District and other FWSDs that contain the Windmill Farms development. KCFWSD No. 1A has entered into a Wastewater Service Contract, dated October 3, 2019, with the City pursuant to which the City has agreed to provide wastewater transportation and treatment service to the Windmill Farms development and Walden Pond subject to the agreement of KCFWSD No. 1A to construct a wastewater conveyance system to transport the FWSDs' and Walden Pond wastewater to a point of connection at the Forney Wastewater Interceptor System. The City is a member of the NTMWD from which it receives its wastewater treatment service. The District has been advised that KCFWSD No. 1-A has initiated the construction of a conveyance line and acquisition of any necessary easements. The District is served by a wastewater collection and treatment system shared with the other FWSDs, which includes various size gravity mains (6" to 27") and appurtenances, and treatment capacity of 840,000 gallons per day in a wastewater treatment plant ("WWTP"). KCFWSD No. 1A purchased and has improved the WWTP with funds provided by the FWSDs. According to BGE, based on the reduced wastewater "flow factor" approved by TCEQ for planning use relative to the WWTP (227 gpd per connection), the District's currently allocated treatment capacity in the WWTP under the Joint Allocation Agreement (defined below) (1,665 equivalent single-family connections) combined with additional capacity expected to be allocated in the Second Amendment will be sufficient to serve 1,968 equivalent single-family wastewater connections. Upon completion of the planned regional connection to the City of Forney wastewater system, additional capacity will be available, which would allow for sufficient capacity to serve the District's wastewater treatment requirements at build-out. The District has executed the Cost Sharing Agreement (as defined below), which allocates costs related to a completed WWTP expansion, a portion of the District's share of which is being funded with proceeds from the Bonds.

District Drainage System: The main storm sewer systems within the District have been generally designed, based on a fully developed 100 year storm runoff, in determining capacity. "Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on the maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such areas will not be flooded. According to the Engineer, none of the developable acreage within the District is located within the 100-year flood plain. Additionally, the District's storm water drainage system has been designed and constructed in accordance with current applicable regulatory standards for a development of this size and location. Positive overflow generally has been maintained as a further safety factor. All lots have finished floor elevations set which generally protect them from storm runoff.

Water and Wastewater Interlocal Agreement: The FWSDs were created and organized to provide water, sanitary sewer, and drainage system to Windmill Farms. Pursuant to the Water and Wastewater Agreement, dated March 29, 2004 among the FWSDs as subsequently amended (the "Water and Wastewater Interlocal Agreement"), KCFWSD No. 1-A has assumed the responsibility of coordinating the securing and provision of such services and systems for Windmill Farms, including the area within the District. Pursuant to the agreement, the FWSDs have established a procedure for sharing the costs of securing treated water and wastewater services, as well as the costs of acquiring, constructing, operating, and maintaining certain water distribution and wastewater collection systems that will serve Windmill Farms, including the area within the District. Pursuant to the Water and Wastewater Interlocal Agreement, the District has agreed to levy and collect an ad valorem tax to pay certain maintenance and operating expenses relating to such systems. However, the District is not authorized to levy and assess such an ad valorem tax until such tax has been authorized by the duly qualified voters of the District and the TCEQ.

Joint Utility and Wholesale Allocation Agreement: The FWSDs have entered into a Joint Utility and Wholesale Allocation Agreement, dated August 1, 2008 (the "Joint Allocation Agreement"), which governs the arrangement under which the FWSDs have agreed to share the costs of (i) operating and maintaining the WWTP and certain joint water supply facilities operated by KCFWSD 1-A, and (ii) wholesale water provided under the Wholesale Water Contract. The Joint Allocation Agreement also allocates capacity in the WWTP and such water supply facilities. The Joint Allocation Agreement sets forth the terms by which the FWSDs shall share capacity in the joint water supply facilities and WWTP as well as the costs attributable to such facilities, which facilities are operated by KCFWSD No. 1-A pursuant to its various agreements with the other FWSDs.

Expansion Cost Sharing Agreement: The District, KCFWSD No. 1A and KCFWSD No. 1D executed a cost sharing agreement, effective May 1, 2021, regarding expansions of water supply and wastewater treatment facilities (the "Cost Sharing Agreement") which allocates costs related to the WWTP expansion to 0.84 mgd and the water pump station expansion adding two 30,000 gallon pressure tanks and removing the 12,000 gallon pressure tank and 6,000 gallon pressure tank together with the installation of leased booster pumps. The Cost Sharing Agreement allocates to the District the costs of 3.4 percent of the WWTP expansion and 20.7 percent of the expansion of the water supply facilities, and it also provides that the parties shall have the use of and a beneficial ownership interest in their respective shares of additional capacity.

DISTRICT GENERAL STATEMENT

The Bonds and the Outstanding Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property in the District. Although not pledged to the payment of the Bonds and the Outstanding Bonds, net revenue from operations of the District's System, if any, are available for any legal purpose, including, upon Board action, the payment of debt service on the Bonds and the Outstanding Bonds. It is anticipated that no significant system revenues will be available for debt service on the Bonds and the Outstanding Bonds in the foreseeable future.

The following statement sets forth in condensed form the historical operations of the District's water and sewer system. Such summary has been prepared upon information obtained from the District's audited financial statements. Reference is made to such statements for further and more complete information. See "APPENDIX A – Annual Financial Report of the District for the year ended March 31, 2021."

Table 1 – General Fund Statement of Activities

	Fiscal Year Ended March 31,				
	2021	2020	2019	2018	2017
REVENUES					
Property Taxes	\$ 790,193	\$ 672,440	\$ 599,119	\$ 384,092	\$ 306,567
Base Service Charge	1,136,026	1,076,068	991,889	930,326	884,192
Water Service	515,400	434,797	446,187	419,823	360,288
Wastewater Service	295,292	240,708	222,323	221,827	233,718
Penalty and Interest	64,728	87,167	86,936	79,807	78,273
Tap Connection and Inspection Fees	109,000	655,550	18,750	480,000	476,750
Easement Revenue	98,889	92,201	83,492	75,246	72,135
Investment Revenues	20,311	59,268	43,397	15,124	10,708
Miscellaneous Revenues	45,162	44,247	50,916	40,402	47,351
TOTAL REVENUE	\$3,075,001	\$3,362,446	\$2,543,009	\$2,646,647	\$2,469,982
EXPENDITURES ⁽¹⁾					
Professional Fees	\$ 360,677	\$ 292,152	\$ 293,383	\$ 228,874	\$ 226,054
Contracted Services	757,145	743,636	546,302	376,365	355,660
Purchased Water and Wastewater Service	1,472,499	1,293,764	986,300	903,306	862,363
Repairs and Maintenance	460,877	308,565	693,657	99,865	88,521
Other	54,628	137,118	41,561	108,764	120,119
Capital outlay	250,370	-	219,286	330,297	249,310
TOTAL EXPENDITURES	\$3,356,196	\$2,775,235	\$2,780,489	\$2,047,471	\$1,902,027
EXCESS REVENUES (EXPENDITURES)	\$ (281,195)	\$ 587,211	\$ (237,480)	\$ 599,176	\$ 567,955
OTHER FINANCING SOURCES					
Transfer in	-	-	-	18,545	-
Developer advances, net	-	-	-	153,223	91,816
TOTAL OTHER FINANCING SOURCES	\$ -	\$ -	\$ -	\$ 171,768	\$ 91,816
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	\$ (281,195)	\$ 587,211	\$ (237,480)	\$ 770,944	\$ 659,771
FUND BALANCE, BEGINNING OF YEAR	3,304,233	2,717,022	2,954,502	2,183,558	1,523,787
FUND BALANCE, END OF YEAR	\$ 3,023,038	\$ 3,304,233	\$ 2,717,022	\$ 2,954,502	\$ 2,183,558
TOTAL ACTIVE RETAIL WATER AND/OR WASTEWATER CONNECTIONS	1,724	1,661	1,486	1,423	1,302

(1) Does not include depreciation.

Table 2 – Interest and Sinking Fund Statement of Activities

	Fiscal Year Ended March 31,				
	2021	2020	2019	2018	2017
REVENUES					
Property Taxes	\$ 2,116,853	\$ 1,897,280	\$ 1,879,617	\$ 1,503,121	\$ 1,174,958
Penalty and Interest	2,253	4,721	5,439	8,514	7,478
Investment Revenues	19,663	72,965	44,455	25,394	9,318
Total Revenues	<u>\$ 2,138,769</u>	<u>\$ 1,974,966</u>	<u>\$ 1,929,511</u>	<u>\$ 1,537,029</u>	<u>\$ 1,191,754</u>
EXPENDITURES					
Professional Fees	\$ 2,253	\$ 890	\$ 1,127	\$ 3,017	\$ 3,868
Contracted Services	38,893	28,269	26,406	21,717	14,177
Other	20	-	36	-	-
Debt Service					
Bond Issuance Costs	\$ -	\$ -	\$ -	\$ -	\$ 550,511
Transfer to Refunding Bond Escrow Agent	-	-	-	-	259,466
Bond Principal	1,125,000	705,000	575,000	515,000	355,000
Bond Interest	1,112,200	1,039,224	736,254	719,928	636,229
Total Expenditures	<u>\$ 2,278,366</u>	<u>\$ 1,773,383</u>	<u>\$ 1,338,823</u>	<u>\$ 1,259,662</u>	<u>\$ 1,819,251</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ (139,597)</u>	<u>\$ 201,583</u>	<u>\$ 590,688</u>	<u>\$ 277,367</u>	<u>\$ (627,497)</u>
Other Financing Sources (Uses)					
Transfers In (Out)	\$ -	\$ -	\$ -	\$ -	\$ 549,634
Net Change in Fund Balance	\$ (139,597)	\$ 201,583	\$ 590,688	\$ 277,367	\$ (77,863)
Beginning Fund Balance (Deficit)	<u>2,095,828</u>	<u>1,894,245</u>	<u>1,303,557</u>	<u>1,026,190</u>	<u>1,104,053</u>
Ending Fund Balance (Deficit)	<u>\$ 1,956,231</u>	<u>\$ 2,095,828</u>	<u>\$ 1,894,245</u>	<u>\$ 1,303,557</u>	<u>\$ 1,026,190</u>

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FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

Table 3 – Assessed Value, Debt Ratios and Fund Balances

2021 Certified Net Taxable Assessed Value	\$	415,576,121 ⁽¹⁾
Net Direct Debt Outstanding upon Issuance of the Bonds	\$	38,275,000
Ratio of Net Direct Debt to 2021 Certified Net Taxable Assessed Valuation		9.21%
General Fund Balance as of 9/22/2021	\$	2,479,601
Capital Projects Fund Balance as of 9/22/2021	\$	4,429,509
Interest and Sinking Fund Balance as of 9/22/2021	\$	2,476,026 ⁽²⁾

(1) As reported by Kaufman Central Appraisal District as the "Certified Estimate of Taxable Value." See "TAXING PROCEDURES." Includes \$24,310,827 of the \$27,863,683 in taxable value still under protest and Appraisal Review Board review at the time of certification.

(2) Any funds collected from the utility bonds debt service tax are pledged only to pay the debt service on the Bonds, the outstanding utility bonds and any additional utility bonds. Likewise, any funds collected from the road bonds debt service tax are pledged only to pay the debt service on the outstanding road bonds and any additional road bonds and are not pledged to pay debt service on the Bonds. Neither Texas law nor the orders authorizing the issuance of the outstanding bonds require the District to maintain any minimum balance in the Interest and Sinking Fund. Net of the September 1, 2021 debt service payments on the currently outstanding road bonds and utility bonds. Includes \$3,476.25 accrued interest on the Bonds from the Dated Date to the Delivery Date.

Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District are invested in short term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long term securities or derivative products in the District portfolio.

Outstanding Debt

<u>Dated Date</u>	<u>Series</u>	<u>Purpose</u>	<u>Original Principal Amount</u>	<u>Amount Outstanding as of 9/1/2021</u>
8/1/2016	2016	Roads Refunding	\$ 10,275,000	\$ 8,710,000
12/1/2016	2016	Utilities Refunding	2,335,000	1,685,000
3/15/2017	2017	Roads	1,715,000	1,480,000
4/15/2017	2017	Utilities	7,160,000	6,855,000
3/1/2019	2019	Utilities	8,310,000	7,875,000
8/1/2019	2019	Roads	5,925,000	5,540,000
3/15/2021	2021	Roads	3,580,000	3,580,000
			<u>\$ 39,300,000</u>	<u>\$ 35,725,000</u>
			Plus: The Bonds	\$ 2,550,000
		Total Outstanding Debt after issuance of the Bonds		<u>\$ 38,275,000</u>

Unlimited Tax Bonds Authorized But Unissued

Purpose	Date	Amount Authorized	Amount Heretofore Issued	Amount Being Issued or Utilized	Unissued Balance
	Originally Authorized				
Road Improvements	5/3/2003	\$ 12,000,000	\$ 11,386,527	\$ -	\$ - ⁽¹⁾
Water, Sewer, & Drainage	5/3/2003	23,435,000 ⁽²⁾	18,665,000	2,550,000	2,220,000
Refunding Road	5/3/2003	15,600,000	5,613,473	-	- ⁽³⁾
Refunding Water, Sewer, Drainage	5/3/2003	22,655,000 ⁽²⁾	310,000	-	22,345,000
Road Improvements	5/7/2016	19,250,000	11,220,000	-	8,030,000
Refunding Road	5/7/2016	30,165,000	-	-	30,165,000
Total		<u>\$ 123,105,000</u>	<u>\$ 47,195,000</u>	<u>\$ 2,550,000</u>	<u>\$ 62,760,000</u>

See “THE BONDS – Issuance of Additional Debt.”

(1) Canceled and replaced by the Road Improvement Bonds authorized at an election held on May 7, 2016.

(2) As adjusted pursuant to an election held on May 7, 2016.

(3) Canceled and replaced by the Refunding Road Bonds authorized at an election held on May 7, 2016.

Maintenance and Operations Obligations

The District currently has no debt obligations secured by its utility system revenues, maintenance and operation tax revenues or contract revenues due from other entities.

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Table 4 – Debt Service Requirements

Calendar Year	Outstanding			The Bonds ⁽¹⁾			Total
	Combined Unlimited Tax Debt Service			Total D/S			Unlimited Tax
	Principal	Interest	Total D/S	Principal	Interest	Total D/S	Debt Service
2021	\$ 1,165,000	\$ 1,097,850	\$ 2,262,850	\$ -	\$ -	\$ -	\$ 2,262,850
2022	1,255,000	1,173,253	2,428,253	255,000	42,488	297,488	2,725,740
2023	1,330,000	1,106,081	2,436,081	220,000	41,250	261,250	2,697,331
2024	1,370,000	1,068,481	2,438,481	215,000	36,850	251,850	2,690,331
2025	1,405,000	1,030,856	2,435,856	225,000	32,550	257,550	2,693,406
2026	1,450,000	992,044	2,442,044	225,000	28,050	253,050	2,695,094
2027	1,495,000	946,544	2,441,544	225,000	23,550	248,550	2,690,094
2028	1,545,000	899,000	2,444,000	230,000	19,050	249,050	2,693,050
2029	1,595,000	849,556	2,444,556	235,000	16,750	251,750	2,696,306
2030	1,650,000	797,738	2,447,738	235,000	14,400	249,400	2,697,138
2031	1,695,000	748,775	2,443,775	245,000	9,700	254,700	2,698,475
2032	1,750,000	697,525	2,447,525	240,000	4,800	244,800	2,692,325
2033	1,805,000	644,506	2,449,506	-	-	-	2,449,506
2034	1,860,000	581,519	2,441,519	-	-	-	2,441,519
2035	1,930,000	516,044	2,446,044	-	-	-	2,446,044
2036	2,000,000	447,569	2,447,569	-	-	-	2,447,569
2037	2,065,000	380,244	2,445,244	-	-	-	2,445,244
2038	2,140,000	310,463	2,450,463	-	-	-	2,450,463
2039	2,215,000	236,075	2,451,075	-	-	-	2,451,075
2040	895,000	158,556	1,053,556	-	-	-	1,053,556
2041	920,000	130,994	1,050,994	-	-	-	1,050,994
2042	955,000	102,581	1,057,581	-	-	-	1,057,581
2043	990,000	72,463	1,062,463	-	-	-	1,062,463
2044	1,025,000	41,213	1,066,213	-	-	-	1,066,213
2045	190,000	8,181	198,181	-	-	-	198,181
2046	195,000	4,144	199,144	-	-	-	199,144
	<u>\$ 36,890,000</u>	<u>\$ 15,042,253</u>	<u>\$ 51,932,253</u>	<u>\$ 2,550,000</u>	<u>\$ 269,438</u>	<u>\$ 2,819,438</u>	<u>\$ 54,751,691</u>

(1) Net Effective Interest Rate calculated at 1.71%.

Estimated Overlapping Debt and Taxes

The following table indicates the outstanding debt payable from ad valorem taxes of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District’s tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities, certain taxing jurisdictions, including the District, are also 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 an approximate calculation of overlapping debt and the tax rates imposed for the 2020 tax year by all taxing jurisdictions overlapping the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

Taxing Jurisdiction	2021 Taxable Assessed Valuation ⁽¹⁾	2020 Tax Rate ⁽²⁾	Total Debt as of 9/15/2021	Estimated Percentage Applicable	Overlapping Debt as of 9/15/2021
The District	\$ 415,576,121	\$ 0.9000	\$ 38,275,000 ⁽³⁾	100.00%	\$ 38,275,000
Kaufman County	14,635,828,855	0.5050 ⁽⁴⁾	149,957,667	2.84%	4,257,964
Kaufman County Emergency Services District No. 6	4,186,487,717	0.0300	-	9.93%	-
Forney Independent School District	6,634,316,731	1.3747	510,522,858	6.26%	31,979,346
		<u>\$ 2.8097</u>	<u>\$ 698,755,525</u>		<u>\$ 74,512,309</u>

Ratio of Direct and Overlapping Debt to 2021 Certified Net Taxable Assessed Valuation..... 17.93%

(1) As reported by the Kaufman Central Appraisal District.

(2) 2021 tax rates for overlapping jurisdictions are unavailable at this time. Tax Year 2021 tax rates will be adopted by the end of September 2021. The District adopted a total tax rate of \$0.8828 per \$100 assessed valuation on September 22, 2021.

(3) Includes the Outstanding Bonds and the Bonds.

(4) Includes the Road and Bridge tax rate of \$0.088635 per \$100.

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TAX DATA

Authorized Taxes

Debt Service Tax . . . The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. For the 2021 tax year, the District has levied a total debt service tax rate in the amount of \$0.6528 per \$100 assessed valuation. See "Tax Rate Distribution and Historical Tax Collections" and "Tax Roll Information" below, "TAXING PROCEDURES," and "INVESTMENT CONSIDERATIONS–Factors Affecting Taxable Values and Tax Payments."

Maintenance Tax . . . The Board has the authority to levy and collect an annual ad valorem tax for maintenance and operation of the District's improvements. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any additional tax bonds which may be issued in the future. For the 2021 tax year, the District has levied a maintenance tax in the amount of \$0.2300 per \$100 assessed valuation.

Contract Tax . . . The Board has the statutory authority to levy and collect an annual ad valorem tax to make payments under a contract, if such tax and the provisions of the contract have been approved by a majority of the qualified voters of the District voting in an election on such proposition, and such tax is approved by the Commission. The District does not currently levy a contract tax nor have the voters of the District or the TCEQ authorized the Board to levy such a contract tax. If such tax is ever approved, it will be in addition to taxes which the District is authorized to levy for bond debt service or for any other purposes.

Tax Exemptions

For the 2021 tax year, the District has adopted an exemption of \$20,000 on the value of residential homesteads of persons 65 years or older or under a disability for purposes of payment of disability insurance under certain federal law. See "TAXING PROCEEDURES." Certain land in the District is currently being taxed on its value as residential inventory or as qualified agricultural use. See "TAXING PROCEDURES – Agricultural, Open Space, or Timberland Deferment."

Table 5 - Tax Rate Distribution and Historical Collections

Tax Year	Net Certified	Total Tax Rate	Tax Rate Distribution		Tax Levy	% of Current	% of Total
	Taxable		Maintenance	Debt Service		Tax	Tax
	Assessed Valuation ⁽¹⁾					Collected	Collected
2016	\$189,220,280	\$ 0.9600	\$ 0.1628	\$ 0.7972	\$1,816,515	98.20%	100.15%
2017	243,725,947	0.9300	0.1572	0.7728	2,266,651	99.69%	99.77%
2018	278,215,168	0.9000	0.2170	0.6830	2,503,955	99.58%	99.61%
2019	311,263,009	0.9000	0.2174	0.6826	2,801,367	98.60%	99.50%
2020	339,856,027	0.9000	0.2345	0.6655	3,056,761	99.37% ⁽²⁾	100.00% ⁽²⁾
2021	419,128,977	0.8828	0.2300	0.6528	3,700,071	In Process	

(1) Net valuation represents final gross assessed value as certified by the Kaufman Central Appraisal District less any exemptions granted.

(2) Collections as of July 31, 2021.

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Table 6 - Tax Roll Information

Category	Taxable Assessed Value for Tax Year ⁽¹⁾					
	2021		2020		2019	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 421,352,556	93.60%	\$ 339,405,078	92.29%	\$ 313,827,080	92.01%
Real, Vacant Lots Tracts	2,958,620	0.66%	838,620	0.23%	403,620	0.12%
Non Qualified Ag Land	-	0.00%	-	0.00%	-	0.00%
Qualified Ag Land	500	0.00%	73,930	0.02%	69,300	0.02%
Farm or Ranch Improvement	614,870	0.14%	1,129,990	0.31%	3,163,690	0.93%
Commercial Real Property	1,217,267	0.27%	754,280	0.21%	741,330	0.22%
Commercial Personal Property	426,224	0.09%	360,440	0.10%	523,110	0.15%
Residential Inventory	2,661,599	0.59%	5,105,786	1.39%	2,270,763	0.67%
Totally Exempt Property	20,921,164	4.65%	20,098,630	5.47%	20,098,630	5.89%
Total Assessed Value	\$ 450,152,800	100.00%	\$ 367,766,754	100.00%	\$ 341,097,523	100.00%
Less: Total Reductions	(31,023,823)		(27,910,727)		(29,834,514)	
Taxable Assessed Value	\$ 419,128,977		\$ 339,856,027		\$ 311,263,009	

Category	Taxable Assessed Value for Tax Year ⁽¹⁾					
	2018		2017		2016	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 281,862,703	93.02%	\$ 251,964,429	92.70%	\$ 191,399,090	88.80%
Real, Vacant Lots Tracts	1,548,000	0.51%	91,000	0.03%	13,000	0.01%
Non Qualified Ag Land	-	0.00%	-	0.00%	3,453,000	1.60%
Qualified Ag Land	230,250	0.08%	230,250	0.08%	245,600	0.11%
Farm or Ranch Improvement	2,915,680	0.96%	3,177,850	1.17%	3,287,570	1.53%
Commercial Real Property	910,474	0.30%	787,890	0.29%	820,020	0.38%
Commercial Personal Property	326,480	0.11%	179,520	0.07%	250,120	0.12%
Residential Inventory	39,000	0.01%	52,500	0.02%	752,000	0.35%
Totally Exempt Property	15,196,616	5.01%	15,319,200	5.64%	15,319,200	7.11%
Total Assessed Value	\$ 303,029,203	100.00%	\$ 271,802,639	100.00%	\$ 215,539,600	100.00%
Less: Total Reductions	(24,814,035)		(28,076,692)		(26,319,320)	
Taxable Assessed Value	\$ 278,215,168		\$ 243,725,947		\$ 189,220,280	

(1) The Taxable Assessed Values are as reported by Kaufman Central Appraisal District, subject to change during ensuing year.

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Table 7 - Principal Taxpayers ⁽¹⁾

The following table represents the principal taxpayers, the taxable assessed value of such property, and such property’s taxable appraised value as a percentage of the 2021 Certified Taxable Assessed Valuation of \$415,576,121.

Name of Taxpayer	Nature of Property	2021 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
D4FR LLC	Real Estate/Development	\$ 32,640,000	7.85%
High Opportunity Neighborhood LLC	Real Estate/Development	4,237,433	1.02%
D.R. Horton - Texas, Ltd.	Real Estate/Development	2,035,000	0.49%
AH4R Properties LLC	Real Estate/Development	1,867,000	0.45%
AMH 2014-2 Borrower LLC	Real Estate/Development	1,743,111	0.42%
Liberty Bankers	Real Estate/Development	1,669,187	0.40%
Kase Design Limited Inc.	Real Estate/Development	1,332,795	0.32%
Liu Qing	Individual	1,304,600	0.31%
Shu Philip	Individual	1,269,207	0.31%
AMH 2015-1 Borrower LLC	Real Estate/Development	1,265,000	0.30%
		\$ 49,363,333	11.88%

(1) Tax Year 2021 values are as reported by the Kaufman Central Appraisal District.

Table 8 – Projected Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 taxable assessed valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District’s tax base occurred beyond the 2021 Certified Net Taxable Assessed Valuation of \$415,576,121. The calculations contained in the following table merely represent the tax rates required to pay debt service on the Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-seven percent (97%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Table 4 – Pro-Forma Debt Service Requirements.”

Annual Combined Debt Service Requirement (2022)	\$ 2,725,740
Average Annual Combined Debt Service Requirement (2022-2046)	\$ 2,099,554
Maximum Annual Combined Debt Service Requirement (2022)	\$ 2,725,740
Based upon the 2021 Certified Net Taxable Assessed Valuation	
Tax Rate Required to Pay Annual Combined Debt Service Requirement (2022)	\$ 0.6762
Tax Rate Required to Pay Average Annual Combined Debt Service Requirement (2022-2046)	\$ 0.5208
Tax Rate Required to Pay Maximum Annual Combined Debt Service Requirement (2022)	\$ 0.6762

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TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS–Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy, assess, and collect such a tax from year-to-year as described more fully herein under "THE BONDS–Source and Security for Payment." Under Texas law, the Board will levy and collect an annual ad valorem tax for the operation and maintenance of the District and its System and contract taxes. See "TAX DATA – Authorized Taxes – "Debt Service Tax", –"Maintenance Tax", and – "Contract Tax."

Property Tax Code and County-Wide Appraisal District

The Title 1, Texas Tax Code (the "Property Tax Code") requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Kaufman Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units within Kaufman County, including the District. Such appraisal values are subject to review and change by the Kaufman Central Appraisal Review Board (the "Appraisal Review Board"). Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Absent any such appeal, the appraisal roll, as prepared by the Appraisal District and approved by the Appraisal Review Board, must be used by each taxing jurisdiction in establishing its tax roll and tax rate. The District is eligible, along with all other conservation and reclamation districts within Kaufman County, to participate in the nomination of and vote for a member of the Board of Directors of the Appraisal District.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt certain property owned by qualified organizations engaged primarily in charitable purposes, residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District has adopted for tax year 2021 an exemption of \$20,000 on the value of residential homesteads of persons 65 and older or disabled. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, to between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran. A veteran who receives a disability rating of 100% and, subject to certain conditions, the surviving spouse of such a veteran, is entitled to an exemption for the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. In addition, the surviving spouse of (i) a member of the armed forces or, (ii) a first responder as defined under Texas law, who was killed in duty 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 District's tax assessor 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.

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. Accordingly, freeport goods are exempt from District taxation. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if 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. Such Goods-in-Transit Exemption is limited to 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 personal 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 no official action to allow taxation of such goods-in-transit personal property.

General Residential Homestead Exemption

The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the market value of residential homesteads, but not less than \$5,000, if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has never granted a general residential homestead exemption.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements on the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

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 petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. 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 comply with the Property Tax Code. The District may challenge the level of appraisal of a certain category of property, the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption. The District may not, however, protest a valuation of any individual property.

The Property Tax Code establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies water districts differently based on the current operation and maintenance tax rate or on the percentage of projected build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Low Rate Tax 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 can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification

below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

Low Rate Tax Districts

Low Rate Tax 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 an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Low Rate Tax District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

Developed Districts

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

Developing Districts

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

The District

A determination as to a district's status as a Low Rate Tax District, Developed District or Developing District will be made on an annual basis. For the 2021 tax year, the District is expected to be classified as a Developing District. The District cannot give any assurances as to what its future classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

Agricultural, Open Space, or Timberland Deferment; Residential Inventory

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who could continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including such taxes for a period of three (3) years for agricultural use, timberland or open space land prior to the loss of the designation. According to the Appraisal District, as of January 1, 2021, (i) no land within the District was designated for open space or timberland, (ii) approximately 59 lots, totaling \$2,661,599 in market value, have been designated as residential inventory and (iii) land totaling \$500 in market value has been designated for qualified agricultural use. See "TAX DATA - Table 6 – Tax Roll Information."

Tax Abatement

Kaufman County may designate all or part of the District as a reinvestment zone, and the District and Kaufman County may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten 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 a comprehensive plan. To date, none of the area within the District has been designated as a reinvestment zone.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board, after the legally required notice has been given to owners of property within the District, based upon: (a) the valuation of property within the District as of the preceding January 1, and (b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. However, 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. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in equal installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt and Taxes." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, 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 except as described above under "Levy and Collection of Taxes." 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, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "INVESTMENT CONSIDERATIONS—Tax Collections Limitations and Foreclosure Remedies."

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the City of Forney, the City of Dallas, Kaufman County, the State of Texas, or any entity other than the District. Payment of the principal and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District's bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS—Source and Security for Payment." The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process.

Infectious Disease Outbreak – 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 of Texas (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. 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.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The stability and/or growth of taxable values in the District is directly related to the vitality of the housing market in the Dallas/Fort Worth Metropolitan area (the "Metroplex"). The housing market has historically been a cyclical industry, affected by both short and long-term interest rates, availability of mortgage funds, employment levels, and general economic conditions. In recent years since the national recession, the Metroplex has experienced strong economic growth positively affecting demand for housing. If the overall economy should from time to time decline, the demand for single family residential housing could also decline resulting in stagnation or even a fall in assessed valuations within the District.

Impact of Issuance of the Bonds on District Debt Service Tax Rates: The value of the land and improvements currently within the District will be the major determinant of the ability of the District to meet its debt service obligations from the proceeds of the levy of its road debt service tax. The 2021 certified taxable assessed valuation of the District is \$415,576,121. After issuance of the Bonds, the average annual combined debt service requirement will be \$2,099,554 (2022 through 2046) and the maximum annual combined debt service requirement will be \$2,725,740 (2022). Based on the 2021 certified taxable assessed valuation, a tax rate of \$0.5208 per \$100 assessed valuation at a 97% collection rate would be necessary to pay the average annual combined debt service requirement and a tax rate of \$0.6762 per \$100 assessed valuation at a 97% collection rate would be necessary to pay the maximum annual combined debt service requirement. (see "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) — Table 4 – Debt Service Requirements"). Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the bonds based upon the 2021 certified taxable assessed valuation, the District can make no representations regarding the future level of assessed valuation within the District.

Undeveloped Acreage

Approximately 14.8 acres of land within the District is planned for non-single-family development but has not yet been fully provided with water, sanitary sewer and drainage facilities to serve such land. The District can make no assurances as to when or whether such land will ever be fully developed to include taxable improvements. In addition, it is possible that development of the remaining developable land for non-single-family purposes will include church or school uses that render the land exempt from District ad valorem taxation. See “THE DISTRICT—Status of Development.”

Overlapping Debt and Taxes

The District cannot predict and has no control over future debt and tax plans of the overlapping jurisdictions – See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) – Estimated Overlapping Debt and Taxes.” There can be no assurances that the composite of the tax rates imposed by all jurisdictions on property in the District will be competitive with the composite of the tax rates imposed on competing projects in the Kaufman County area. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected.

Tax Collections Limitations and Foreclosure Remedies

The District’s ability to make debt service payments may be adversely affected by its inability to collect 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 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 procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. 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 “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) — Estimated Overlapping Debt and Taxes”), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers’ right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any 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. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor’s confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

In recent years, the District has not initiated foreclosure proceedings to collect delinquent ad valorem taxes in any material amount from property owners within the District, nor has it received written notice of the initiation of foreclosure proceedings by overlapping taxing authorities to collect delinquent ad valorem taxes in any material amount from property owners within the District.

Registered Owners’ Remedies and Bankruptcy Limitations

The Bond Order does not specify events of default with respect to the Bonds. If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due or the District defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the registered owners may seek a writ of mandamus to compel the District or District officials to carry out the legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Bond Order and the District’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so it rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bond Order does not provide for the appointment of a trustee to represent the interest of the Registered Owners upon any failure of the District to perform in accordance with the terms of the Bond Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. Based on recent Texas court decisions, it is unclear whether certain statutory language authorizing local governments such as the District to sue or be sued, effectively waives 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, default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District’s property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds.

Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy code (“Chapter 9”). Under Texas law, the District must obtain the approval of the TCEQ prior to filing bankruptcy. Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Registered Owners of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors. The District may not be forced into bankruptcy involuntarily.

Future Debt

The issuance of any future obligations, if any, may adversely affect the investment security of the Bonds. With respect to the issuance of bonds for road and utility purposes, the District currently must comply with formulas required by the Attorney General of the State of Texas and the Commission, respectively, with regard to assessed valuation and tax rates of the District that may limit the amount of bonds which may be issued for road or water, sanitary sewer and drainage purposes in the future. The total amount of bonds and other obligations of the District issued for road purposes may not exceed one-fourth of the assessed valuation of the real property in the District. All bonds issued by the District must be approved by the Attorney General. Any bonds issued to acquire or construct water, sanitary sewer, and drainage facilities must additionally be approved by the Commission. See “THE BONDS – Future Debt” in the Summary, on page 9, and “THE BONDS – Issuance of Additional Debt”.

The District expects that it may issue additional bonds to reimburse the Developers for reimbursable projects. Reimbursements to Developers with proceeds from bond sales are contingent upon approval from the Texas Commission on Environmental Quality (“TCEQ” or the “Commission”), with respect to utility bonds, and the Texas Attorney General with respect to either road or utility bonds, and the availability of ad valorem tax revenues to secure debt service. As of 3/31/2021, the District recorded a Due to the Developer in the amount of \$6,097,307 and Developer advances of \$453,718 also recorded in the Statement of Net Position. The Bonds are providing for a reimbursement to the Developer in the amount of \$1,419,112, including \$74,782 in operating advances.

Future and Proposed Tax 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.

Marketability of the Bonds

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

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 retroactive to the date of original issuance. See “LEGAL MATTERS” and “TAX MATTERS.”

Approval of the Bonds

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

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; and
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against a municipal utility 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.

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), has assigned its municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. The Bonds also have an underlying credit rating of "BBB" (stable outlook) by S&P. There is no assurance that such ratings will continue for any given period of time or that it will not be revised or withdrawn entirely by S&P, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds. See "BOND INSURANCE" and "BOND INSURANCE RISKS"

LEGAL MATTERS

Legal Opinions

The District will furnish to the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, levied within legal limitation as to amount, upon all taxable property within the District. The District will also furnish the legal opinion of Winstead PC, San Antonio, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to sovereign immunity, bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to amount, upon all taxable property within the District and to the effect that interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under existing law, subject to the matters discussed below under "TAX MATTERS,". Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, as its Disclosure Counsel.

Although Bond Counsel represents the Financial Advisor from time to time on matters not related to the Bonds, Bond Counsel has been engaged by and only represents the District in connection with issuance of the Bonds.

The legal fees to be paid to Bond Counsel and General 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. The fees payable to Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon,

or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Legal Review

In its capacity as Bond Counsel, Winstead PC has reviewed the information appearing in this Official Statement under the captioned sections “SALE AND DISTRIBUTION OF THE BONDS – Securities Law,” “THE BONDS,” “MANAGEMENT OF THE DISTRICT—District Consultants—Bond Counsel,” “TAXING PROCEDURES,” “LEGAL MATTERS (insofar as it relates to the opinion of Bond Counsel),” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION (except for the subheading “Compliance with Prior Undertakings”)” solely to determine whether such information fairly summarizes the law and the provisions of the Bond Order referred to therein. Such firm has not independently verified factual information contained in this Official Statement except as noted in this paragraph, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm’s limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Winstead PC, San Antonio, Texas, Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the “Code”), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) is not an item of tax preference for purposes of the alternative minimum tax. A form of Bond Counsel’s opinion is reproduced as APPENDIX B. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the District and the Board made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Bond Order subsequent to the issuance of the Bonds. The Bond Order contains covenants by the District and the Board with respect to, among other matters, the use of the proceeds of the Bonds, the manner in which the proceeds of the Bonds are to be invested, the reporting of certain information to the United States Treasury, and rebating any arbitrage profits to the United States Treasury. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state, or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, owners of an interest in a financial asset securitization investment trust, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or how have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District and the Board described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the District as the “taxpayer,” and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the Bonds. 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 its ultimate outcome.

Tax Accounting Treatment of Discount Bonds . . . The initial public offering price of certain Bonds may be less than the amount payable on such Bonds at maturity (the “Discount Bonds”). An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of

such Discount Bond. A portion of such original issue discount, allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Discount Bonds described above under “Tax Exemption”. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year.

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

Tax Accounting Treatment of Premium Bonds . . . The initial public offering price of certain Bonds may be greater than the amount payable on such Bonds at maturity (the “Premium Bonds”). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity.

Owners of Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the receipt or accrual of interest on or the acquisition, ownership, or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings, and court decisions, all of which are 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 otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, certain S corporations with Subchapter C earnings and profits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred expenses allocable to, tax-exempt obligations.

INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE RECEIPT OR ACCRUAL OF INTEREST ON OR THE ACQUISITION, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds will be included in the “adjusted profits tax” imposed by section 884 of the Code on the effectively-connected earnings and profits of a foreign corporation doing business in the United States.

Under section 6012 of the Code, owners of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns with respect to federal income taxes.

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” (defined below) to the extent such gain does not exceed the accrued market discount (defined below) 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 owner at a purchase price which is less than the state 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 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.

Qualified Tax-Exempt Obligations for Financial Institutions

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

The District has designated the Bonds as “qualified tax-exempt obligations” and will certify its expectation that the above described \$10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Bonds will not be subject to the 100% disallowance of interest expense allocable to interest on the Bonds under section 265(b) of the Code.

However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Bonds will be reduced by 20% pursuant to section 291 of the Code.

Law Changes

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the United States Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent owners of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability, or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

State, Local, and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications resulting from the receipt or accrual of interest on or the acquisition, 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.

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President or Vice President and Secretary or Assistant Secretary of the Board will, on behalf of the District, execute and deliver to the Initial Purchaser a certificate dated as of the date of delivery, to the effect that no litigation of any nature of which the District has notice is pending against or, to the knowledge of the District’s certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or 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 title of the then present officers and directors of the Board.

NO MATERIAL ADVERSE CHANGE

The obligations of the Initial Purchaser to take and pay for the Bonds, and 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 have been no material adverse change in the financial condition of the District subsequent to the date of sale from that set forth or contemplated in the Official Statement, as it may have been supplemented or amended through the date of the sale.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this Official Statement has been obtained primarily from the District's records, the Bookkeeper, the Developers, the Engineer, the Appraisal District and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and its inclusion herein is not to be construed as a representation on the part of the District to such effect except as described below under "Certification of Official Statement." Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this Official Statement are included herein 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.

Financial Advisor

Hilltop Securities Inc., Dallas, Texas ("HilltopSecurities"), has been engaged as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement. In its capacity as Financial Advisor, HilltopSecurities, has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities 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.

Consultants

Appraisal District: The information contained in this Official Statement relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by the Kaufman Central Appraisal District and is included herein in reliance upon the authority of such acting as an expert in assessing property values and collecting taxes.

Engineer: The information contained in this Official Statement relating to engineering and in particular that information included in the sections entitled "THE DISTRICT," and "THE ROAD IMPROVEMENTS AND THE WATER, WASTEWATER AND DRAINAGE SYSTEM" has been provided by BGE, Inc., current engineer for the District, and has been included herein in reliance upon the authority of said firm as an expert in the field of civil engineering.

Bookkeeper: The information related to the "unaudited" summary of the District's General Fund and Interest and Sinking Fund as it appears in "DISTRICT GENERAL STATEMENT" has been provided by Dye & Toverly, LLC and is included herein in reliance upon the authority of such person as experts in the tracking and managing of the various funds of municipal utility districts.

Updating the Official Statement

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

Certification of Official Statement

The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the official executing this certificate may state that he has relied in part on his examination of the records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

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 MSRB 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 heading "SELECTED FINANCIAL INFORMATION (UNAUDITED)", and in tables 1 through 8, and Appendix A within six (6) months after the fiscal year. The District will also provide audited financial statements within six (6) months after the end of each fiscal year.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule 15c2-12"). The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements within six (6) months after the end of the fiscal year and audited financials when available. Any such financial statements will be prepared in accordance with such accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's fiscal year end is March 31. Accordingly, it must provide annual updated information, as described above, by the last calendar day of September in each year. If the District changes its fiscal year, it will notify the MSRB of the change.

Specified 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 (10) business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an 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, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar

terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, 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. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District; (ii) or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and order of a court or governmental authority; or (iii) the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

A “financial obligation” as described in (15) and (16) above means 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 as to which a final official statement has been provided to the MSRB consistent with the Rule 15c2-12.

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through an internet portal at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of specified 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 the 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, but only if the agreement, as amended, would have permitted an Initial Purchaser to purchase or sell Bonds in the offering described herein in compliance with the SEC Rule 15c2-12, taking into account any amendments and interpretations of the SEC Rule 15c2-12 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 a nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such SEC Rule 15c2-12 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 reason 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

National Public Finance Guarantee Corporation (“NPFGC”) issued a municipal bond insurance policy for the District’s Unlimited Tax Road Bonds, Series 2017. On December 1, 2017, S&P withdrew its rating for NPFGC. A notice regarding this rating withdrawal was not timely filed. In addition, the District’s annual financial information and operating data and audit for fiscal year 2020 were not timely filed. The District has since made such filings along with a notice of late filing. Other than as described, during the last five (5) years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Kaufman County Fresh Water Supply District No. 1-C, as of the date shown on the first page hereof.

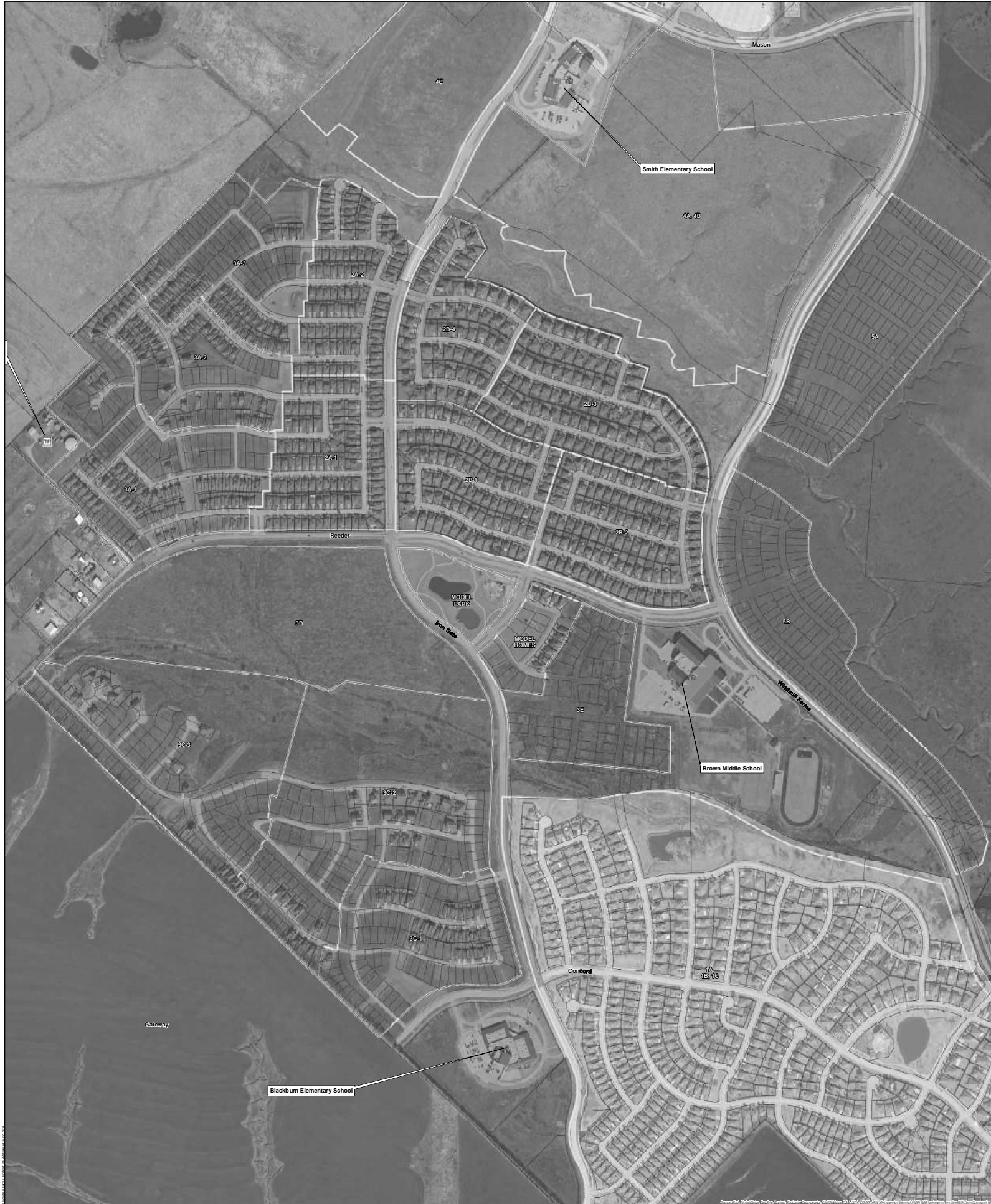
/s/ Daryl Coleman
President, Board of Directors

ATTEST:

/s/ Ryan Roberts
Secretary, Board of Directors

DISTRICT LOCATION MAP

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- | | | | | | |
|-------------------|---------------------|---------------|-----------|-----------|----------|
| ○ Occupied | 🏫 Schools | — Waterlines | ▭ Parcels | ▭ FWSD 1B | ▭ 1A CCN |
| ○ In Construction | 🏗️ Treatment Plants | — Sewerlines | ▭ Phases | ▭ FWSD 1C | |
| ● Vacant | | — Relief Line | ▭ FWSD 1A | ▭ FWSD 1D | |

DRAFT Windmill Farms - 1C

Kaufman FWSD		
<small> This plan has been made in conformity with the standards of the American Society of Civil Engineers, Inc. (ASCE) and the American Institute of Professional Surveyors, Inc. (AIPSI). Date: July 2013 Project: 2008-01 </small>		

Brown & Gay Engineers, Inc.
 2905 Dallas Parkway, Suite 204
 P.O. Box 75804
 Dallas, TX 75275
 Tel: 972-664-8400 Fax: 972-664-8899

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APPENDIX A

Annual Financial Report of the District for the year ended March 31, 2021

The information contained in this appendix includes the Annual Financial Report of Kaufman County Fresh Water Supply District No. 1-C for the fiscal year ended March 31, 2021.

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**KAUFMAN COUNTY FRESH WATER
SUPPLY DISTRICT NO. 1-C**

KAUFMAN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2021

**KAUFMAN COUNTY FRESH WATER
SUPPLY DISTRICT NO. 1-C**

KAUFMAN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2021

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McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kaufman County Fresh Water Supply District No. 1-C
Kaufman County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Kaufman County Fresh Water Supply District No. 1-C (the "District"), as of and for the year ended March 31, 2021, 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 March 31, 2021, 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 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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

July 28, 2021

**KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2021**

Management's discussion and analysis of Kaufman County Fresh Water Supply District No. 1-C's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended March 31, 2021. 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 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, 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 FRESH WATER SUPPLY DISTRICT NO. 1-C
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2021**

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 and deferred inflows of resources exceeded assets and deferred outflows of resources by \$7,698,399 as of March 31, 2021.

A portion of the District's net position reflects its net investment in capital assets (water, wastewater and drainage facilities and roads, less any debt used to acquire those assets that is still outstanding). The District uses a portion of these assets to provide water and wastewater services.

**KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following is a comparative analysis of government-wide changes in net position:

	Summary of Changes in the Statement of Net Position		
	2021	2020	Change Positive (Negative)
Current and Other Assets	\$ 12,447,893	\$ 10,979,507	\$ 1,468,386
Capital Assets (Net of Accumulated Depreciation)	<u>26,499,241</u>	<u>25,307,734</u>	<u>1,191,507</u>
Total Assets	<u>\$ 38,947,134</u>	<u>\$ 36,287,241</u>	<u>\$ 2,659,893</u>
Deferred Outflows of Resources	<u>\$ 400,350</u>	<u>\$ 416,002</u>	<u>\$ (15,652)</u>
Due to Developer	\$ 6,551,025	\$ 5,199,728	\$ (1,351,297)
Long -Term Liabilities	36,222,466	33,822,353	(2,400,113)
Other Liabilities	<u>2,012,121</u>	<u>1,782,482</u>	<u>(229,639)</u>
Total Liabilities	<u>\$ 44,785,612</u>	<u>\$ 40,804,563</u>	<u>\$ (3,981,049)</u>
Deferred Inflows of Resources	<u>\$ 2,260,271</u>	<u>\$ 2,117,318</u>	<u>\$ (142,953)</u>
Net Position:			
Net Investment in Capital Assets	\$ (12,167,603)	\$ (11,071,356)	\$ (1,096,247)
Restricted	1,883,439	2,018,047	(134,608)
Unrestricted	<u>2,585,765</u>	<u>2,834,671</u>	<u>(248,906)</u>
Total Net Position	<u>\$ (7,698,399)</u>	<u>\$ (6,218,638)</u>	<u>\$ (1,479,761)</u>

The following table provides a summary of the District's operations for the years ended March 31, 2021, and March 31, 2020. The District's net position decreased by \$1,479,761 accounting for a 23.8% decrease in net position.

	Summary of Changes in the Statement of Activities		
	2021	2020	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,914,327	\$ 2,571,708	\$ 342,619
Charges for Services	2,221,588	2,591,212	(369,624)
Other Revenues	<u>94,023</u>	<u>213,098</u>	<u>(119,075)</u>
Total Revenues	<u>\$ 5,229,938</u>	<u>\$ 5,376,018</u>	<u>\$ (146,080)</u>
Expenses for Services	<u>6,709,699</u>	<u>5,565,192</u>	<u>(1,144,507)</u>
Change in Net Position	\$ (1,479,761)	\$ (189,174)	\$ (1,290,587)
Net Position, Beginning of Year	<u>(6,218,638)</u>	<u>(6,029,464)</u>	<u>(189,174)</u>
Net Position, End of Year	<u>\$ (7,698,399)</u>	<u>\$ (6,218,638)</u>	<u>\$ (1,479,761)</u>

**KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of March 31, 2021, totaled \$9,396,848, an increase of \$1,124,091 from the prior year.

The General Fund fund balance decreased by \$281,195, primarily due to service revenues and property tax revenues being less than operating and capital expenditures.

The Debt Service Fund fund balance decreased by \$139,597, primarily due to the structure of the District's outstanding bonds.

The Capital Projects Fund fund balance increased by \$1,544,883, primarily due to the unused proceeds from the Series 2021 Road bond sale.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$62,443 less than budgeted revenues. Actual expenditures were \$699,777 more than budgeted expenditures.

CAPITAL ASSETS

The District's capital assets as of March 31, 2021, total \$26,499,241 (net of accumulated depreciation) and include the water, wastewater and drainage systems and roads.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2021	2020	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 549,168	\$	\$ 549,168
Construction in Progress	556,922	306,552	250,370
Capital Assets, Net of Accumulated Depreciation:			
Water System	5,614,852	5,545,058	69,794
Wastewater System	5,797,045	5,683,470	113,575
Drainage System	5,050,064	4,344,675	705,389
Roads	8,931,190	9,427,979	(496,789)
Total Net Capital Assets	\$ 26,499,241	\$ 25,307,734	\$ 1,191,507

Additional information on the District's capital assets can be found in Note 6 of this report.

**KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2021**

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total bond debt payable of \$36,890,000. The changes in the debt position of the District during the fiscal year ended March 31, 2021, are summarized as follows:

Bond Debt Payable, April 1, 2020	\$ 34,435,000
Add: Bond Sale	3,580,000
Less: Bond Principal Paid	<u>1,125,000</u>
Bond Debt Payable, March 31, 2021	<u>\$ 36,890,000</u>

At fiscal year end, the District's outstanding bonds carried an underlying rating of "BBB" from Standard & Poor's. The District's Series 2016 Road Refunding, Series 2016 Refunding, Series 2019 Utility and Series 2021 Road bonds carry an insured rating by Standard & Poor's of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal. The District's Series 2017 Utility and Series 2019 Road bonds carry an insured rating by Standard & Poor's of "AA" by virtue of bond insurance issued by Build America Mutual. The District's Series 2017 Road bonds do not carry an insured rating. Credit enhanced ratings provided through bond insurance policies are subject to change based on the rating of the bond insurance company. The above ratings are as of March 31, 2021 and reflect all rating changes of the bond insurers 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 Fresh Water Supply District No. 1-C, c/o Crawford & Jordan LLP, 3100 McKinnon Street, Suite 1100, Dallas, Texas 75201.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2021

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 155,647	\$ 116,956
Investments	3,156,264	4,067,730
Receivables:		
Property Taxes	16,445	54,732
Service Accounts	166,374	
Accrued Interest	96	1,160
Other	25,963	
Due from Other Funds	29,290	
Prepaid Costs		23,910
Due from Other Governmental Units	215,898	
Advance for District No. 1-A Operations	20,000	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 3,785,977	\$ 4,264,488
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ - 0 -	\$ - 0 -
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,785,977	\$ 4,264,488

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>
\$ 1,605,885	\$ 1,878,488	\$	\$ 1,878,488
2,820,833	10,044,827		10,044,827
	71,177		71,177
	166,374		166,374
	1,256		1,256
	25,963		25,963
	29,290	(29,290)	
	23,910		23,910
	215,898		215,898
	20,000		20,000
		549,168	549,168
		556,922	556,922
		<u>25,393,151</u>	<u>25,393,151</u>
<u>\$ 4,426,718</u>	<u>\$ 12,477,183</u>	<u>\$ 26,469,951</u>	<u>\$ 38,947,134</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 400,350</u>	<u>\$ 400,350</u>
<u><u>\$ 4,426,718</u></u>	<u><u>\$ 12,477,183</u></u>	<u><u>\$ 26,870,301</u></u>	<u><u>\$ 39,347,484</u></u>

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

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2021

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 284,986	\$
Accrued Interest Payable		
Due to Other Governmental Units	242,773	
Due to Developers		
Due to Other Funds		29,290
Security Deposits	218,735	
Accrued Interest at Time of Sale		2,031
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	\$ 746,494	\$ 31,321
 DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 16,445	\$ 2,276,936
 FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 20,000	\$ 23,910
For District No. 1-A Operations		
Restricted for Authorized Construction		
Restricted for Debt Service		1,932,321
Unassigned	3,003,038	
TOTAL FUND BALANCES	\$ 3,023,038	\$ 1,956,231
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,785,977	\$ 4,264,488
 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>
\$ 9,139	\$ 294,125	\$	\$ 294,125
		91,488	91,488
	242,773		242,773
		6,551,025	6,551,025
	29,290	(29,290)	
	218,735		218,735
	2,031	(2,031)	
		1,165,000	1,165,000
		<u>36,222,466</u>	<u>36,222,466</u>
<u>\$ 9,139</u>	<u>\$ 786,954</u>	<u>\$ 43,998,658</u>	<u>\$ 44,785,612</u>
<u>\$ - 0 -</u>	<u>\$ 2,293,381</u>	<u>\$ (33,110)</u>	<u>\$ 2,260,271</u>
\$	\$ 23,910	\$ (23,910)	\$
	20,000	(20,000)	
4,417,579	4,417,579	(4,417,579)	
	1,932,321	(1,932,321)	
	<u>3,003,038</u>	<u>(3,003,038)</u>	
<u>\$ 4,417,579</u>	<u>\$ 9,396,848</u>	<u>\$ (9,396,848)</u>	<u>\$ - 0 -</u>
<u>\$ 4,426,718</u>	<u>\$ 12,477,183</u>		
		\$ (12,167,603)	\$ (12,167,603)
		1,883,439	1,883,439
		<u>2,585,765</u>	<u>2,585,765</u>
		<u>\$ (7,698,399)</u>	<u>\$ (7,698,399)</u>

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

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MARCH 31, 2021

Total Fund Balances - Governmental Funds		\$ 9,396,848
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.</p>		26,499,241
<p>The difference between the net carrying amount of the refunded bonds and the reacquisition price is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.</p>		400,350
<p>Governmental funds do not record a long-term liability to the Developer for completed projects and operating advances. However, in the Statement of Net Position, the liability for completed projects and operating advances are recorded.</p>		(6,551,025)
<p>Deferred inflows of resources related to property tax revenues for the 2020 and prior maintenance tax levies and 2019 and prior debt service tax levies became part of recognized revenue in the governmental activities of the District.</p>		33,110
<p>Accrued interest on long-term liabilities is not payable with current financial resources and, therefore, is not reported in the governmental funds.</p>		(89,457)
<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>		
Bonds Payable within one year	\$ (1,165,000)	
Bonds Payable after one year	<u>(36,222,466)</u>	<u>(37,387,466)</u>
Total Net Position - Governmental Activities		<u>\$ (7,698,399)</u>

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

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KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2021

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 790,193	\$ 2,116,853
Basic Service Charge	1,136,026	
Water Service	515,400	
Wastewater Service	295,292	
Penalty and Interest	64,728	2,253
Tap Connection and Inspection Fees	109,000	
Easement Revenue	98,889	
Investment Revenues	20,311	19,663
Miscellaneous Revenues	45,162	
TOTAL REVENUES	\$ 3,075,001	\$ 2,138,769
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 360,677	\$ 2,253
Contracted Services	757,145	38,893
Purchased Water and Wastewater Service	1,472,499	
Repairs and Maintenance	460,877	
Depreciation		
Other	54,628	20
Developer Interest		
Capital Outlay	250,370	
Debt Service:		
Bond Issuance Costs		
Bond Principal		1,125,000
Bond Interest		1,112,200
TOTAL EXPENDITURES/EXPENSES	\$ 3,356,196	\$ 2,278,366
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ (281,195)	\$ (139,597)
OTHER FINANCING SOURCES (USES)		
Long-Term Debt Issued	\$	\$
Bond Discount		
Bond Premium		
TOTAL OTHER FINANCING SOURCES (USES)	\$ -0-	\$ - 0 -
NET CHANGE IN FUND BALANCES	\$ (281,195)	\$ (139,597)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - APRIL 1, 2020	3,304,233	2,095,828
FUND BALANCES/NET POSITION - MARCH 31, 2021	\$ 3,023,038	\$ 1,956,231

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 2,907,046	\$ 7,281	\$ 2,914,327
	1,136,026		1,136,026
	515,400		515,400
	295,292		295,292
	66,981		66,981
	109,000		109,000
	98,889		98,889
8,887	48,861		48,861
	45,162		45,162
<u>\$ 8,887</u>	<u>\$ 5,222,657</u>	<u>\$ 7,281</u>	<u>\$ 5,229,938</u>
\$	\$ 362,930	\$	\$ 362,930
	796,038		796,038
	1,472,499		1,472,499
	460,877		460,877
		1,949,925	1,949,925
	54,648		54,648
196,441	196,441		196,441
1,539,765	1,790,135	(1,790,135)	
326,907	326,907		326,907
	1,125,000	(1,125,000)	
	1,112,200	(22,766)	1,089,434
<u>\$ 2,063,113</u>	<u>\$ 7,697,675</u>	<u>\$ (987,976)</u>	<u>\$ 6,709,699</u>
<u>\$ (2,054,226)</u>	<u>\$ (2,475,018)</u>	<u>\$ 995,257</u>	<u>\$ (1,479,761)</u>
\$ 3,580,000	\$ 3,580,000	\$ (3,580,000)	\$
(42,089)	(42,089)	42,089	
<u>61,198</u>	<u>61,198</u>	<u>(61,198)</u>	
<u>\$ 3,599,109</u>	<u>\$ 3,599,109</u>	<u>\$ (3,599,109)</u>	<u>\$ - 0 -</u>
\$ 1,544,883	\$ 1,124,091	\$ (1,124,091)	\$
		(1,479,761)	(1,479,761)
<u>2,872,696</u>	<u>8,272,757</u>	<u>(14,491,395)</u>	<u>(6,218,638)</u>
<u>\$ 4,417,579</u>	<u>\$ 9,396,848</u>	<u>\$ (17,095,247)</u>	<u>\$ (7,698,399)</u>

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

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2021

Net Change in Fund Balances - Governmental Funds	\$	1,124,091
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.		7,281
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.		(1,949,925)
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.		1,790,135
Governmental funds report bond premiums and bond discounts as other financing sources and uses in the period received or paid. However, in the Statement of Net Position, bond premiums and bond discounts are amortized over the life of the bonds and the current period amortized portion is recorded in the Statement of Activities		(19,109)
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.		1,125,000
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.		22,766
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.		<u>(3,580,000)</u>
Change in Net Position - Governmental Activities	\$	<u><u>(1,479,761)</u></u>

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

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

NOTE 1. CREATION OF DISTRICT

On January 8, 2001, the Kaufman County Commissioners Court approved the order creating Kaufman County Fresh Water Supply District No. 1 (District No. 1), and voters of District No. 1 confirmed the creation at an election held on January 20, 2001. In another election held on May 5, 2001, the voters approved District No. 1's assumption of the rights, authority, privileges and functions of a road district and authorized District No. 1 to purchase, construct, acquire, own, operate, repair, improve and extend a sanitary sewer system. On May 10, 2001, following a hearing, the governing board of District No. 1 approved the conversion of the District to a water control and improvement district operating under Chapter 51 of the Texas Water Code and specifically reserved certain rights under Sections 53.029, 53.030 through 53.034, 53.040 through 53.041, 53.112, 53.121, and 53.125 of the Texas Water Code.

At an election held within the boundaries of District No. 1 on August 11, 2001, voters approved the division of District No. 1 into two new districts: Kaufman County Fresh Water Supply District No. 1-A (Original District No. 1-A) and Kaufman County Fresh Water Supply District No. 1-B (District No. 1-B). At an election held within the boundaries of Original District No. 1-A on September 14, 2002, voters approved the division of Original District No. 1-A into two new districts: resulting Kaufman County Fresh Water Supply District No. 1-A (Second District No. 1-A) and Kaufman County Fresh Water Supply District No. 1-C (the "District"). At an election held within the boundaries of Second District No. 1-A on May 12, 2007, voters approved the division of Second District No. 1-A into a third resulting Kaufman County Fresh Water Supply District No. 1-A (District No. 1-A) and Kaufman County Fresh Water Supply District No. 1-D (District No. 1-D). Pursuant to the provisions of Chapters 49, 51 and, for limited purposes, 53 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, and construction of parks and recreational facilities for the residents of the District. The District also has the power to acquire, construct, operate and maintain road facilities and is empowered to contract for or employ its own peace officers with powers to make arrests and, subject to certain regulatory and voter approvals, to contract for fire protection services or establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The District held its first meeting on September 23, 2002, and sold its first series of bonds on December 19, 2003.

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.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not 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 is a participant in the joint facilities under the oversight of Kaufman County Fresh Water Supply District No. 1-A. See Note 8.

Financial Statement Presentation

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

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

- * Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- * 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.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund financial 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, 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.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 revenues reported in the 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 period 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. Recognition of tax revenues for the 2020 debt service tax levy levied in the current fiscal year have been deferred to meet the debt service payments due in the next fiscal year.

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.

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:

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
Road System	10-50
All Other Equipment	3-20

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 not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll 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:

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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 and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

NOTE 3. LONG-TERM DEBT

	Refunding Series 2016 Road	Refunding Series 2016
Amounts Outstanding – March 31, 2021	\$9,120,000	\$1,850,000
Interest Rates	3.00%-4.00%	3.00%-3.875%
Maturity Dates – Serially Beginning/Ending	September 1, 2021/2035	September 1, 2021/2034
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2026*	September 1, 2026*

	Series 2017 Road	Series 2017
Amounts Outstanding – March 31, 2021	\$1,550,000	\$6,955,000
Interest Rates	2.50%-4.00%	3.00%-3.75%
Maturity Dates – Serially Beginning/Ending	September 1, 2021/2037	September 1, 2021/2039
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2026*	September 1, 2026*

* The bonds are subject to redemption at the option of the District prior to their maturity in whole or from time to time in part, on the call date or any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2016 Road Refunding term bonds maturing on September 1, 2032, and September 1, 2035, are subject to mandatory sinking fund redemption by lot or other customary method at a price equal to par plus accrued interest thereon to the redemption date. Series 2016 Refunding term bonds maturing on September 1, 2034, are subject to mandatory sinking fund redemption by lot or other customary method at a price equal to par plus accrued interest thereon to the redemption date. Series 2017 Road term bonds maturing on September 1, 2029, September 1, 2032, September 1, 2034, and September 1, 2037, are subject to mandatory sinking fund redemption by lot or other customary method at a price equal to par plus accrued interest thereon to the redemption date. Series 2017 term bonds maturing on September 1, 2036, and September 1, 2039, are subject to mandatory sinking fund redemption by lot or other customary method at a price equal to par plus accrued interest thereon to the redemption date.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2019	Series 2019 Road	Series 2021 Road
Amounts Outstanding – March 31, 2021	\$8,095,000	\$5,740,000	\$3,580,000
Interest Rates	2.00%-3.75%	2.00%-3.00%	1.50%-2.125%
Maturity Dates – Serially Beginning/Ending	September 1, 2021/2044	September 1, 2021/2044	September 1, 2022/2046
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2026*	September 1, 2029*	September 1, 2029*

* The bonds are subject to redemption at the option of the District prior to their maturity in whole or from time to time in part, on the call date or any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2019 Road term bonds maturing on September 1, 2039, September 1, 2041, and September 1, 2044, are subject to mandatory sinking fund redemption by lot or other customary method at a price equal to par plus accrued interest thereon to the redemption date. Series 2021 Road term bonds maturing on September 1, 2032, September 1, 2034, September 1, 2036, and September 1, 2046, are subject to mandatory sinking fund redemption by lot or other customary method at a price equal to par plus accrued interest thereon to the redemption date.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding long-term liabilities payable for the year ended March 31, 2021:

	April 1, 2020	Additions	Retirements	March 31, 2021
Bonds Payable	\$ 34,435,000	\$ 3,580,000	\$ 1,125,000	\$ 36,890,000
Unamortized Discounts	(71,047)	(42,089)	(3,121)	(110,015)
Unamortized Premiums	583,400	61,198	37,117	607,481
Bonds Payable, Net	<u>\$ 34,947,353</u>	<u>\$ 3,599,109</u>	<u>\$ 1,158,996</u>	<u>\$ 37,387,466</u>
			Amount Due Within One Year	\$ 1,165,000
			Amount Due After One Year	<u>36,222,466</u>
			Bonds Payable, Net	<u>\$ 37,387,466</u>

As of March 31, 2021, the District had authorized but unissued bonds in the amount of \$4,770,000 for utility facilities, \$22,345,000 for refunding bonds, \$8,030,000 for road facilities and \$30,165,000 for refunding road bonds.

As of March 31, 2021, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2022	\$ 1,165,000	\$ 1,152,412	\$ 2,317,412
2023	1,255,000	1,122,807	2,377,807
2024	1,330,000	1,087,281	2,417,281
2025	1,370,000	1,049,668	2,419,668
2026	1,405,000	1,011,448	2,416,448
2027-2031	7,735,000	4,363,245	12,098,245
2032-2036	9,040,000	3,037,761	12,077,761
2037-2041	9,315,000	1,374,623	10,689,623
2042-2046	4,080,000	292,009	4,372,009
2047	195,000	2,072	197,072
	<u>\$ 36,890,000</u>	<u>\$ 14,493,326</u>	<u>\$ 51,383,326</u>

The bonds of the District 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.

During the year ended March 31, 2021, the District levied a combined ad valorem utility system debt service and road debt service tax rate of \$0.6655 per \$100 of assessed valuation, which resulted in a tax levy of \$2,260,271 on the adjusted taxable valuation of \$339,856,027 for the 2020 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.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

NOTE 3. LONG-TERM DEBT (Continued)

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

- A. For the bond issues, 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.
- B. The Bond Orders states that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to the state information depository. 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.

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 \$2,988,220 and the bank balance was \$3,262,427. At fiscal year end, the District was not exposed to custodial credit risk.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at March 31, 2021 as listed below:

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 155,647	\$ 250,000	\$ 405,647
DEBT SERVICE FUND	116,956	859,732	976,688
CAPITAL PROJECTS FUND	1,605,885		1,605,885
TOTAL DEPOSITS	\$ 1,878,488	\$ 1,109,732	\$ 2,988,220

Investments

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

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

The District invests in LOGIC (Local Government Investment Cooperative), an external public fund investment pool that is not SEC-registered. LOGIC is organized and existing as a business trust under the laws of the State of Texas with all participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the participants. Hilltop Securities, Inc. and J.P. Morgan Investment Management, Inc. serve as co-administrators of the pool. LOGIC measures all of its portfolio assets at amortized cost for financial reporting purposes. The District measures its investments in LOGIC at amortized cost. There are no limitations or restrictions on withdrawals from LOGIC.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District invests in the Texas Short Term Asset Reserve Program (“TexSTAR”), an external public funds investment pool that is not SEC-registered. J. P. Morgan Investment Management Inc. provides investment management and Hilltop Securities Inc., provides participant services and marketing under an agreement with the TexSTAR Board of Directors. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investors Services Co. Investments held by TexSTAR are marked to market daily. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District’s position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from TexSTAR.

The District measures its investments in certificates of deposits at acquisition cost.

As of March 31, 2021, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND</u>					
LOGIC	\$ 1,045,677	\$ 1,045,677	\$	\$	\$
TexSTAR	1,860,587	1,860,587			
Certificates of Deposit	250,000	250,000			
<u>DEBT SERVICE FUND</u>					
LOGIC	1,609,950	1,609,950			
TexSTAR	1,598,048	1,598,048			
Certificates of Deposit	859,732	859,732			
<u>CAPITAL PROJECTS FUND</u>					
LOGIC	1,151,547	1,151,547			
TexSTAR	1,669,286	1,669,286			
TOTAL INVESTMENTS	\$ 10,044,827	\$ 10,044,827	\$ - 0 -	\$ - 0 -	\$ - 0 -

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. As of March 31, 2021, the District’s investments in LOGIC and TexSTAR were rated AAA by Standard and Poor’s. The District also manages credit risk by typically investing in certificates of deposit with balances below FDIC coverage or covered by pledged collateral or letters of credit.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in LOGIC and TexSTAR to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District also manages interest rate risk by typically investing in certificates of deposit with maturities of less than one year.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

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.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2021:

	April 1, 2020	Increases	Decreases	March 31, 2021
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$	\$ 549,168	\$	\$ 549,168
Construction in Progress	306,552	3,141,431	2,891,061	556,922
Total Capital Assets Not Being Depreciated	\$ 306,552	\$ 3,690,599	\$ 2,891,061	\$ 1,106,090
Capital Assets Subject to Depreciation				
Water System	\$ 8,192,071	\$ 293,859	\$	\$ 8,485,930
Wastewater System	7,252,470	287,642		7,540,112
Drainage System	5,588,299	848,190		6,436,489
Roads	14,902,026	912,203		15,814,229
Total Capital Assets Subject to Depreciation	\$ 35,934,866	\$ 2,341,894	\$ - 0 -	\$ 38,276,760
Less Accumulated Depreciation				
Water System	\$ 2,647,013	\$ 224,065	\$	\$ 2,871,078
Wastewater System	1,569,000	174,067		1,743,067
Drainage System	1,243,624	142,801		1,386,425
Roads	5,474,047	1,408,992		6,883,039
Total Accumulated Depreciation	\$ 10,933,684	\$ 1,949,925	\$ - 0 -	\$ 12,883,609
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 25,001,182	\$ 391,969	\$ - 0 -	\$ 25,393,151
Total Capital Assets, Net of Accumulated Depreciation	\$ 25,307,734	\$ 4,082,568	\$ 2,891,061	\$ 26,499,241

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

NOTE 7. MAINTENANCE TAX

On May 3, 2003, voters of the District approved the levy and collection of a maintenance tax in an unlimited amount per \$100 of assessed valuation of taxable property within the District. The maintenance tax will be used for maintenance purposes to include funds for planning, maintaining, repairing and operating all necessary plants, properties, owned or contracted facilities and improvements of the District and for proper services, engineering and legal fees, and operational and administrative costs in accordance with Section 49.107 of the Texas Water Code. During the year ended March 31, 2021, the District levied an ad valorem maintenance tax rate of \$0.2345 per \$100 of assessed valuation, which resulted in a tax levy of \$796,580 on the adjusted taxable valuation of \$339,856,027 for the 2020 tax year.

NOTE 8. WATER AND WASTEWATER OPERATING AGREEMENT AND JOINT UTILITY AND WHOLESALE ALLOCATION AGREEMENT

On March 29, 2004, and as amended on July 7, 2004, and August 30, 2004, the District entered into a Water and Wastewater Agreement with District No. 1-A, District No. 1-B and Kaufman County Development District No. 1 (KCDD). Such agreement was by its terms effective June 1, 2004. KCDD had been operating a water treatment, production and distribution system and wastewater collection and treatment facility providing services to the area within the District, District No. 1-A and District No. 1-B. KCDD also had been collecting fees and charges for such services and paying the costs of operating the system. Under the terms of the Water and Wastewater Agreement, the operations of the system were transferred to District No. 1-A

As of August 1, 2008, and amended on October 28, 2010, the District entered into the Joint Utility and Wholesale Allocation Agreement (Joint Agreement) with District No. 1-A, District No. 1-B and District No. 1-D. This Joint Agreement sets forth the procedures under which District No. 1-A will bill the other districts for their respective shares of administration, maintenance, and operations costs relating to the water supply facilities and wastewater treatment plant operated by District No. 1-A. Each district will pay its share of fixed costs and variable costs based upon the procedures and allocation shares outlined in the agreement. The Joint Agreement also allocates among the districts the cost of wholesale water purchased by District No. 1-A from the City of Forney for distribution to District No. 1-B, the District, and District No. 1-D. The Joint Agreement provides that in the event of conflicting provisions relating to cost-sharing, the provisions contained in the Joint Agreement will prevail over those of any prior cost-sharing arrangement, agreement or understanding among these districts

During the current fiscal year, the District recorded \$1,472,499 for purchased water and wastewater service. The District has also recorded an advance to District No. 1-A for operations in the amount of \$20,000. The following summary audited financial data on the joint water and wastewater treatment facilities is presented for the year ended March 31, 2021.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

NOTE 8. WATER AND WASTEWATER OPERATING AGREEMENT AND JOINT UTILITY AND WHOLESALE ALLOCATION AGREEMENT (Continued)

	Joint Utility Fund
Total Assets	\$ 889,326
Total Liabilities	889,326
Total Fund Balance	\$ -0-
Total Revenues	\$ 2,666,605
Total Expenditures	2,666,605
Net Change in Fund Balance	\$ -0-
Fund Balance – April 1, 2020	-0-
Fund Balance – March 31, 2021	\$ -0-

NOTE 9. UNREIMBURSED DEVELOPER COST

On September 23, 2002, the District entered into the Agreement for the Construction and Purchase of Facilities and Advances. On February 6, 2003, the First Amendment to Agreement for Construction and Purchase of Facilities and Advances was approved. On May 24, 2006, effective September 14, 2005, the Second Amended and Restated Agreement for the Construction and Purchase of Facilities and Advances was approved. On June 6, 2007, the Supplemental Agreement “C” to the Second Amended and Restated Agreement was approved. These agreements call for the Developer to fund costs associated with water, sanitary sewer, drainage and road facilities, as well as, operating advances and litigation expenses until such time as the District can sell bonds. The agreements note that the original Developer has sold the project to a new Developer and has assigned its reimbursables to another entity. The agreements also outline the order of payment to be made to the various assignees and the new Developer. Effective February 26, 2009, a subsequent developer entered into an Operating Costs and Facilities Reimbursement Agreement with the District relating to development of all undeveloped land within the District and reimbursement of operating advances and the costs of water, wastewater, drainage and road facilities. Effective February 26, 2015, an affiliate of this subsequent developer entered into a Facilities Reimbursement Agreement with the District relating to development of an approximately 65-acre annexation tract and reimbursement of the costs of water, wastewater, drainage and road facilities to serve this tract. As of March 31, 2021, the District has recorded a Due to Developer in the amount of \$6,097,307 in the Statement of Net Position. This amount has been recorded to reflect amounts determined to be reimbursable for projects which sufficient documentation has been provided to justify costs. Any reimbursement (as may be applicable) is contingent upon a future bond sale, including receiving approval from the Commission and Texas State Attorney General, or the availability of future revenues from other sources.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

NOTE 9. UNREIMBURSED DEVELOPER COST (Continued)

In addition, the Developer has advanced funds to the District to cover operating costs of the District. To date, the Developer has advanced \$479,293. During the current year, the District reimbursed \$25,575 of the amounts advanced leaving a balance due of \$453,718. This liability has been recorded in the Statement of Net Position.

NOTE 10. RISK MANAGEMENT

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

NOTE 11. INTERFUND PAYABLES AND RECEIVABLES

As of March 31, 2021, the Debt Service Fund recorded a payable to the General Fund in the amount of \$29,290 for the over-transfer of maintenance tax collections.

NOTE 12. AGREEMENTS FOR PATROL SERVICES AND TRAFFIC ENFORCEMENT

On September 26, 2018, the District entered into an interlocal Agreement for Law Enforcement Patrol Services (the "Patrol Agreement") with Kaufman County (the "County"). Effective October 1, 2020, the Patrol Agreement was renewed by addendum. Under the Patrol Agreement, the County agrees that the Kaufman County Precinct No. 2 Constable's Office will provide law-enforcement patrol coverage for 168 hours per week (24 hours per day, seven days a week) within a designated are of the Windmill Farms development, which area includes the District. This agreement, as addended, terminates September 30, 2021, with provision for automatic annual renewals.

On November 27, 2018, the District entered in a letter agreement with Kaufman County Fresh Water Supply District No. 1-B ("District No. 1-B") under which District No. 1-B agrees to pay a portion of the costs under the Patrol Agreement in order to have District No. 1-B included in the service area under the Patrol Agreement.

On September 29, 2020, the District entered in a letter agreement with Kaufman County Fresh Water Supply District No. 1-D ("District No. 1-D") under which District No. 1-D agrees to pay a portion of the costs under the Patrol Agreement in order to have District No. 1-D included in the service area under the Patrol Agreement.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

NOTE 12. AGREEMENTS FOR PATROL SERVICES AND TRAFFIC ENFORCEMENT (Continued)

During the prior fiscal year, on November 28, 2018, the Windmill Farms Homeowners Association, Inc. (the “HOA”), entered into an amended letter agreement with the District under which the HOA agreed to pay \$10,000 per calendar quarter towards costs of patrol under the patrol arrangement with the County.

NOTE 13. BOND SALE

On March 25, 2021, the District closed on the sale of its \$3,580,000 Series 2021 Unlimited Tax Road Bonds. The proceeds of the bonds were used to reimburse the Developer for the construction of certain road facilities and related improvements, including engineering costs related to all such facilities, to serve Windmill Farms, Phase 3E, as well as to finance the Reeder Road Extension project, land acquisition for road right-of-way, and district road rehabilitation of Mill Creek Way and Sweetwater Trail. The District also used the proceeds of the bonds to pay for developer interest, road-related developer advances, and costs related to the issuance of the bonds.

NOTE 14 ECONOMIC UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. Since that time, the District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19. The District will continue to carefully monitor the situation and evaluate the financial statement impact, if any, that results from the pandemic.

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KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C

REQUIRED SUPPLEMENTARY INFORMATION

MARCH 31, 2021

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 660,861	\$ 790,193	\$ 129,332
Basic Service Charge	1,149,268	1,136,026	(13,242)
Water Service	490,062	515,400	25,338
Wastewater Service	240,262	295,292	55,030
Penalty and Interest	86,700	64,728	(21,972)
Tap Connection and Inspection Fees	322,500	109,000	(213,500)
Easement Revenue	88,094	98,889	10,795
Investment Revenues	60,000	20,311	(39,689)
Miscellaneous Revenues	39,697	45,162	5,465
TOTAL REVENUES	<u>\$ 3,137,444</u>	<u>\$ 3,075,001</u>	<u>\$ (62,443)</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 280,750	\$ 360,677	\$ (79,927)
Contracted Services	735,164	757,145	(21,981)
Purchased Water and Wastewater Service	1,128,857	1,472,499	(343,642)
Repairs and Maintenance	216,000	460,877	(244,877)
Other	89,648	54,628	35,020
Capital Outlay	206,000	250,370	(44,370)
TOTAL EXPENDITURES	<u>\$ 2,656,419</u>	<u>\$ 3,356,196</u>	<u>\$ (699,777)</u>
NET CHANGE IN FUND BALANCE	\$ 481,025	\$ (281,195)	\$ (762,220)
FUND BALANCE - APRIL 1, 2020	<u>3,304,233</u>	<u>3,304,233</u>	<u> </u>
FUND BALANCE - MARCH 31, 2021	<u>\$ 3,785,258</u>	<u>\$ 3,023,038</u>	<u>\$ (762,220)</u>

See accompanying independent auditor's report.

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KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
MARCH 31, 2021

**KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2021**

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective December 16, 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:			N	\$ 2.50 \$ 3.50 \$ 4.50	0001 to 5,000 5,001 to 10,000 10,001 and up
WASTEWATER:			N	\$ 2.50 \$ 3.50 \$ 4.50	0001 to 5,000 5,001 to 10,000 10,001 and up
SERVICE CHARGE:	\$ 56.94		Y		
SURCHARGE:					
Commission	0.5% of actual water and				
Regulatory Assessments	sewer bill				

District employs winter averaging for wastewater usage? X
Yes
No

Total monthly charges per 10,000 gallons usage: Water: \$30.00 Wastewater: \$30.00 Service Charge \$56.94
Surcharge: \$0.58 Total: \$117.52

See accompanying independent auditor's report.

**KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2021**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤ ³ / ₄ "	1,697	1,689	x 1.0	1,689
1"	5	5	x 2.5	13
1½"			x 5.0	
2"	29	29	x 8.0	232
3"			x 15.0	
4"	1	1	x 25.0	25
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	1,732	1,724		1,959
Total Wastewater Connections	1,676	1,668	x 1.0	1,668

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

		Water Accountability Ratio: (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	160,533,000	*
Gallons purchased:	*	From: Kaufman County Fresh Water Supply District No. 1-A

* Kaufman County Fresh Water Supply District No. 1-A supplies wholesale water to the District, Kaufman County Fresh Water Supply District No. 1-B and Kaufman County Fresh Water Supply District No. 1-D.

See accompanying independent auditor’s report.

**KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2021**

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 extra territorial jurisdiction (ETJ)?

Entirely Partly Not at all

ETJ's in which District is located:

City of Dallas, Texas and City of Forney, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2021

PROFESSIONAL FEES:	
Auditing	\$ 17,550
Engineering	231,088
Legal	<u>112,039</u>
TOTAL PROFESSIONAL FEES	<u>\$ 360,677</u>
PURCHASED SERVICES FOR RESALE:	
Water and Wastewater Service	<u>\$ 1,472,499</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 41,871
Operations and Billing	130,015
Solid Waste Disposal	278,813
Security	<u>306,446</u>
TOTAL CONTRACTED SERVICES	<u>\$ 757,145</u>
REPAIRS AND MAINTENANCE	<u>\$ 460,877</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 10,500
Insurance	4,645
Legal Notices	217
Office Supplies and Postage	130
Payroll Taxes	803
Travel and Meetings	47
Other	<u>14,400</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 30,742</u>
CAPITAL OUTLAY	<u>\$ 250,370</u>
TAP CONNECTIONS	<u>\$ 13,924</u>
OTHER EXPENDITURES:	
Regulatory Assessment	<u>\$ 9,962</u>
TOTAL EXPENDITURES	<u>\$ 3,356,196</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
INVESTMENTS
MARCH 31, 2021

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
LOGIC	XXXX8001	Varies	Daily	\$ 1,045,677	\$
TexSTAR	XXXX1110	Varies	Daily	1,860,587	
Certificate of Deposit	XXXX6982	0.50%	04/03/21	<u>250,000</u>	<u>96</u>
TOTAL GENERAL FUND				<u>\$ 3,156,264</u>	<u>\$ 96</u>
<u>DEBT SERVICE FUND</u>					
LOGIC	XXXX8002	Varies	Daily	\$ 1,609,950	\$
TexSTAR	XXXX0230	Varies	Daily	1,598,048	
Certificate of Deposit	XXXX0326	0.40%	04/04/21	240,000	226
Certificate of Deposit	XXXX8333	1.00%	04/04/21	<u>619,732</u>	<u>934</u>
TOTAL DEBT SERVICE FUND				<u>\$ 4,067,730</u>	<u>\$ 1,160</u>
<u>CAPITAL PROJECTS FUND</u>					
LOGIC	XXXX8003	Varies	Daily	\$ 1,151,547	\$
TexSTAR	XXXX0300	Varies	Daily	<u>1,669,286</u>	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 2,820,833</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 10,044,827</u>	<u>\$ 1,256</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2021

	Maintenance Taxes		Debt Service Taxes		Road Taxes	
TAXES RECEIVABLE -						
APRIL 1, 2020	\$ 9,731		\$ 24,572		\$ 15,010	
Adjustments to Beginning						
Balance	<u>33</u>	\$ 9,764	<u>54</u>	\$ 24,626	<u>49</u>	\$ 15,059
Original 2020 Tax Levy	\$ 785,687		\$ 995,928		\$ 1,233,436	
Adjustment to 2020 Tax Levy	<u>10,893</u>	<u>796,580</u>	<u>13,807</u>	<u>1,009,735</u>	<u>17,100</u>	<u>1,250,536</u>
TOTAL TO BE						
ACCOUNTED FOR		\$ 806,344		\$ 1,034,361		\$ 1,265,595
TAX COLLECTIONS:						
Prior Years	\$ 6,735		\$ 13,022		\$ 9,998	
Current Year	<u>783,164</u>	<u>789,899</u>	<u>992,729</u>	<u>1,005,751</u>	<u>1,229,475</u>	<u>1,239,473</u>
TAXES RECEIVABLE -						
MARCH 31, 2021		<u>\$ 16,445</u>		<u>\$ 28,610</u>		<u>\$ 26,122</u>
TAXES RECEIVABLE BY						
YEAR:						
2020		\$ 13,416		\$ 17,006		\$ 21,061
2019		1,524		2,527		2,257
2018		393		585		651
2017		451		1,045		1,175
2016		250		248		978
2015		178		872		
2014		84		1,266		
2013 and Prior		<u>149</u>		<u>5,061</u>		
TOTAL		<u>\$ 16,445</u>		<u>\$ 28,610</u>		<u>\$ 26,122</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2021

	2020	2019	2018	2017
PROPERTY VALUATIONS:				
Land	\$ 88,919,950	\$ 80,461,384	\$ 42,992,420	\$ 38,111,590
Improvements	278,595,334	259,786,289	259,565,957	233,446,248
Personal Property	372,460	476,030	326,480	162,700
Exemptions	<u>(28,031,717)</u>	<u>(30,683,977)</u>	<u>(24,859,035)</u>	<u>(28,257,619)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 339,856,027</u>	<u>\$ 310,039,726</u>	<u>\$ 278,025,822</u>	<u>\$ 243,462,919</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.2973	\$ 0.3606	\$ 0.3233	\$ 0.3637
Road	0.3682	0.3220	0.3597	0.4091
Maintenance	<u>0.2345</u>	<u>0.2174</u>	<u>0.2170</u>	<u>0.1572</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.9000</u>	<u>\$ 0.9000</u>	<u>\$ 0.9000</u>	<u>\$ 0.9300</u>
ADJUSTED TAX LEVY*	<u>\$ 3,056,851</u>	<u>\$ 2,791,657</u>	<u>\$ 2,502,251</u>	<u>\$ 2,264,371</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.32 %</u>	<u>99.77 %</u>	<u>99.93 %</u>	<u>99.88 %</u>

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

Maintenance Tax – Maximum tax rate at an unlimited rate per \$100 of assessed valuation approved by voters on May 3, 2003.

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2021

SERIES - 2016 ROAD REFUNDING

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2022	\$ 410,000	\$ 315,300	\$ 725,300
2023	430,000	302,700	732,700
2024	455,000	289,425	744,425
2025	480,000	275,400	755,400
2026	505,000	260,625	765,625
2027	530,000	242,450	772,450
2028	560,000	220,650	780,650
2029	590,000	197,650	787,650
2030	625,000	173,350	798,350
2031	655,000	151,025	806,025
2032	685,000	130,925	815,925
2033	715,000	109,925	824,925
2034	745,000	84,300	829,300
2035	785,000	53,700	838,700
2036	950,000	19,000	969,000
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
	<u>\$ 9,120,000</u>	<u>\$ 2,826,425</u>	<u>\$ 11,946,425</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2021

S E R I E S - 2 0 1 6 R E F U N D I N G

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2022	\$ 165,000	\$ 58,513	\$ 223,513
2023	160,000	53,637	213,637
2024	155,000	48,913	203,913
2025	150,000	44,337	194,337
2026	145,000	39,912	184,912
2027	140,000	35,638	175,638
2028	135,000	31,344	166,344
2029	130,000	26,956	156,956
2030	125,000	22,575	147,575
2031	120,000	18,287	138,287
2032	115,000	14,027	129,027
2033	110,000	9,813	119,813
2034	105,000	5,716	110,716
2035	95,000	1,842	96,842
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
	<u>\$ 1,850,000</u>	<u>\$ 411,510</u>	<u>\$ 2,261,510</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2021

S E R I E S - 2 0 1 7 R O A D

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2022	\$ 70,000	\$ 52,062	\$ 122,062
2023	70,000	49,263	119,263
2024	75,000	46,362	121,362
2025	75,000	43,925	118,925
2026	75,000	41,956	116,956
2027	80,000	39,725	119,725
2028	85,000	37,196	122,196
2029	85,000	34,541	119,541
2030	90,000	31,806	121,806
2031	95,000	28,738	123,738
2032	100,000	25,325	125,325
2033	100,000	21,825	121,825
2034	105,000	18,237	123,237
2035	115,000	14,388	129,388
2036	85,000	10,781	95,781
2037	120,000	6,938	126,938
2038	125,000	2,344	127,344
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
	<u>\$ 1,550,000</u>	<u>\$ 505,412</u>	<u>\$ 2,055,412</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2021

S E R I E S - 2 0 1 7			
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2022	\$ 100,000	\$ 246,519	\$ 346,519
2023	105,000	243,445	348,445
2024	105,000	240,294	345,294
2025	110,000	237,069	347,069
2026	115,000	233,693	348,693
2027	115,000	230,243	345,243
2028	115,000	226,795	341,795
2029	125,000	223,194	348,194
2030	125,000	219,365	344,365
2031	135,000	215,219	350,219
2032	135,000	210,831	345,831
2033	145,000	206,190	351,190
2034	150,000	201,025	351,025
2035	155,000	195,497	350,497
2036	160,000	189,787	349,787
2037	1,120,000	166,588	1,286,588
2038	1,170,000	125,081	1,295,081
2039	1,355,000	78,468	1,433,468
2040	1,415,000	26,531	1,441,531
2041			
2042			
2043			
2044			
2045			
2046			
2047			
	\$ 6,955,000	\$ 3,715,834	\$ 10,670,834

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2021

S E R I E S - 2 0 1 9

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2022	\$ 220,000	\$ 258,006	\$ 478,006
2023	230,000	253,506	483,506
2024	235,000	247,681	482,681
2025	245,000	240,481	485,481
2026	250,000	233,056	483,056
2027	255,000	225,481	480,481
2028	265,000	217,681	482,681
2029	275,000	209,581	484,581
2030	285,000	201,181	486,181
2031	290,000	192,556	482,556
2032	305,000	183,631	488,631
2033	315,000	174,331	489,331
2034	325,000	164,528	489,528
2035	340,000	153,925	493,925
2036	355,000	142,631	497,631
2037	370,000	130,850	500,850
2038	375,000	118,744	493,744
2039	380,000	106,238	486,238
2040	380,000	93,175	473,175
2041	440,000	78,826	518,826
2042	460,000	63,077	523,077
2043	480,000	46,326	526,326
2044	500,000	28,562	528,562
2045	520,000	9,750	529,750
2046			
2047			
	<u>\$ 8,095,000</u>	<u>\$ 3,773,804</u>	<u>\$ 11,868,804</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2021

S E R I E S - 2 0 1 9 R O A D

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2022	\$ 200,000	\$ 151,725	\$ 351,725
2023	200,000	147,725	347,725
2024	200,000	143,725	343,725
2025	200,000	139,725	339,725
2026	205,000	135,675	340,675
2027	215,000	131,475	346,475
2028	215,000	127,175	342,175
2029	220,000	122,825	342,825
2030	220,000	118,288	338,288
2031	225,000	112,575	337,575
2032	225,000	105,825	330,825
2033	230,000	99,000	329,000
2034	235,000	92,025	327,025
2035	230,000	85,050	315,050
2036	235,000	78,075	313,075
2037	240,000	70,950	310,950
2038	240,000	63,750	303,750
2039	245,000	56,475	301,475
2040	255,000	48,975	303,975
2041	285,000	40,875	325,875
2042	290,000	32,250	322,250
2043	300,000	23,400	323,400
2044	310,000	14,250	324,250
2045	320,000	4,800	324,800
2046			
2047			
	<u>\$ 5,740,000</u>	<u>\$ 2,146,613</u>	<u>\$ 7,886,613</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2021

S E R I E S - 2 0 2 1 R O A D

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2022	\$	\$ 70,287	\$ 70,287
2023	60,000	72,531	132,531
2024	105,000	70,881	175,881
2025	110,000	68,731	178,731
2026	110,000	66,531	176,531
2027	115,000	64,281	179,281
2028	120,000	61,931	181,931
2029	120,000	59,531	179,531
2030	125,000	57,081	182,081
2031	130,000	54,856	184,856
2032	130,000	52,581	182,581
2033	135,000	49,931	184,931
2034	140,000	47,181	187,181
2035	140,000	44,381	184,381
2036	145,000	41,532	186,532
2037	150,000	38,582	188,582
2038	155,000	35,435	190,435
2039	160,000	32,088	192,088
2040	165,000	28,635	193,635
2041	170,000	25,075	195,075
2042	170,000	21,462	191,462
2043	175,000	17,797	192,797
2044	180,000	14,025	194,025
2045	185,000	10,147	195,147
2046	190,000	6,163	196,163
2047	195,000	2,072	197,072
	<u>\$ 3,580,000</u>	<u>\$ 1,113,728</u>	<u>\$ 4,693,728</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2021

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending March 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2022	\$ 1,165,000	\$ 1,152,412	\$ 2,317,412
2023	1,255,000	1,122,807	2,377,807
2024	1,330,000	1,087,281	2,417,281
2025	1,370,000	1,049,668	2,419,668
2026	1,405,000	1,011,448	2,416,448
2027	1,450,000	969,293	2,419,293
2028	1,495,000	922,772	2,417,772
2029	1,545,000	874,278	2,419,278
2030	1,595,000	823,646	2,418,646
2031	1,650,000	773,256	2,423,256
2032	1,695,000	723,145	2,418,145
2033	1,750,000	671,015	2,421,015
2034	1,805,000	613,012	2,418,012
2035	1,860,000	548,783	2,408,783
2036	1,930,000	481,806	2,411,806
2037	2,000,000	413,908	2,413,908
2038	2,065,000	345,354	2,410,354
2039	2,140,000	273,269	2,413,269
2040	2,215,000	197,316	2,412,316
2041	895,000	144,776	1,039,776
2042	920,000	116,789	1,036,789
2043	955,000	87,523	1,042,523
2044	990,000	56,837	1,046,837
2045	1,025,000	24,697	1,049,697
2046	190,000	6,163	196,163
2047	195,000	2,072	197,072
	<u>\$ 36,890,000</u>	<u>\$ 14,493,326</u>	<u>\$ 51,383,326</u>

See accompanying independent auditor's report.

**KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MARCH 31, 2021**

Description	Original Bonds Issued	Bonds Outstanding April 1, 2020
Kaufman County Fresh Water Supply District No. 1-C Unlimited Tax Road Refunding Bonds - Series 2016	\$ 10,275,000	\$ 9,510,000
Kaufman County Fresh Water Supply District No. 1-C Unlimited Tax Utility System Refunding Bonds - Series 2016	2,335,000	2,020,000
Kaufman County Fresh Water Supply District No. 1-C Unlimited Tax Road Bonds - Series 2017	1,715,000	1,615,000
Kaufman County Fresh Water Supply District No. 1-C Unlimited Tax Bonds - Series 2017	7,160,000	7,055,000
Kaufman County Fresh Water Supply District No. 1-C Unlimited Tax Bonds - Series 2019	8,310,000	8,310,000
Kaufman County Fresh Water Supply District No. 1-C Unlimited Tax Road Bonds - Series 2019	5,925,000	5,925,000
Kaufman County Fresh Water Supply District No. 1-C Unlimited Tax Road Bonds - Series 2021	<u>3,580,000</u>	
TOTAL	<u>\$ 39,300,000</u>	<u>\$ 34,435,000</u>

Bond Authority:	Utility Tax Bonds*	Utility Refunding Bonds	Road Bonds*
Amount Authorized by Voters	\$ 23,435,000	\$ 22,655,000	\$ 19,250,000
Amount Issued	<u>18,665,000</u>	<u>310,000</u>	<u>11,220,000</u>
Remaining to be Issued	<u>\$ 4,770,000</u>	<u>\$ 22,345,000</u>	<u>\$ 8,030,000</u>

Debt Service Fund cash, investments and cash with paying agent balances as of
March 31, 2021: \$ 4,184,686

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 1,976,282

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

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding March 31, 2021</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 390,000	\$ 327,300	\$ 9,120,000	BOKF, NA Dallas, TX
	170,000	62,688	1,850,000	BOKF, NA Dallas, TX
	65,000	54,763	1,550,000	BOKF, NA Dallas, TX
	100,000	249,518	6,955,000	BOKF, NA Dallas, TX
	215,000	262,356	8,095,000	BOKF, NA Dallas, TX
	185,000	155,575	5,740,000	BOKF, NA Dallas, TX
<u>3,580,000</u>			<u>3,580,000</u>	BOKF, NA Dallas, TX
<u>\$ 3,580,000</u>	<u>\$ 1,125,000</u>	<u>\$ 1,112,200</u>	<u>\$ 36,890,000</u>	
 <u>Road Refunding Bonds</u>				
\$ 30,165,000				
<u>\$ 30,165,000</u>				

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2021	2020	2019
REVENUES			
Property Taxes	\$ 790,193	\$ 672,440	\$ 599,119
Basic Service Charges	1,136,026	1,076,068	991,889
Water Service	515,400	434,797	446,187
Wastewater Service	295,292	240,708	222,323
Penalty and Interest	64,728	87,167	86,936
Tap Connection and Inspection Fees	109,000	655,550	18,750
Easement Revenues	98,889	92,201	83,492
Investment Revenues	20,311	59,268	43,397
Miscellaneous Revenues	45,162	44,247	50,916
TOTAL REVENUES	\$ 3,075,001	\$ 3,362,446	\$ 2,543,009
EXPENDITURES			
Professional Fees	\$ 360,677	\$ 292,152	\$ 293,383
Contracted Services	757,145	743,636	546,302
Purchased Water and Wastewater Service	1,472,499	1,293,764	986,300
Repairs and Maintenance	460,877	308,565	693,657
Other	54,628	137,118	41,561
Capital Outlay	250,370		219,286
TOTAL EXPENDITURES	\$ 3,356,196	\$ 2,775,235	\$ 2,780,489
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (281,195)	\$ 587,211	\$ (237,480)
OTHER FINANCING SOURCES (USES)			
Developer Advances	\$	\$	\$
Transfer In			
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ (281,195)	\$ 587,211	\$ (237,480)
BEGINNING FUND BALANCE	3,304,233	2,717,022	2,954,502
ENDING FUND BALANCE	\$ 3,023,038	\$ 3,304,233	\$ 2,717,022

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2018	2017	2021	2020	2019	2018	2017
\$ 384,092	\$ 306,567	25.6 %	19.9 %	23.6 %	14.5 %	12.4 %
930,326	884,192	37.0	32.1	39.1	35.2	35.8
419,823	360,288	16.8	12.9	17.5	15.9	14.6
221,827	233,718	9.6	7.2	8.7	8.4	9.5
79,807	78,273	2.1	2.6	3.4	3.0	3.2
480,000	476,750	3.5	19.5	0.7	18.1	19.3
75,246	72,135	3.2	2.7	3.3	2.8	2.9
15,124	10,708	0.7	1.8	1.7	0.6	0.4
40,402	47,351	1.5	1.3	2.0	1.5	1.9
<u>\$ 2,646,647</u>	<u>\$ 2,469,982</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 228,874	\$ 226,054	11.7 %	8.7 %	11.5 %	8.6 %	9.2 %
376,365	355,660	24.6	22.1	21.5	14.2	14.4
903,306	862,363	47.9	38.5	38.8	34.1	34.9
99,865	88,521	15.0	9.2	27.3	3.8	3.6
108,764	120,119	1.8	4.1	1.6	4.1	4.9
330,297	249,310	8.1		8.6	12.5	10.1
<u>\$ 2,047,471</u>	<u>\$ 1,902,027</u>	<u>109.1 %</u>	<u>82.6 %</u>	<u>109.3 %</u>	<u>77.3 %</u>	<u>77.1 %</u>
<u>\$ 599,176</u>	<u>\$ 567,955</u>	<u>(9.1) %</u>	<u>17.4 %</u>	<u>(9.3) %</u>	<u>22.7 %</u>	<u>22.9 %</u>
\$ 153,223	\$ 91,816					
18,545						
<u>\$ 171,768</u>	<u>\$ 91,816</u>					
\$ 770,944	\$ 659,771					
2,183,558	1,523,787					
<u>\$ 2,954,502</u>	<u>\$ 2,183,558</u>					

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2021	2020	2019
REVENUES			
Property Taxes	\$ 2,116,853	\$ 1,897,280	\$ 1,879,617
Penalty and Interest	2,253	4,721	5,439
Investment Revenues	19,663	72,965	44,455
TOTAL REVENUES	\$ 2,138,769	\$ 1,974,966	\$ 1,929,511
EXPENDITURES			
Tax Collection Expenditures	\$ 39,080	\$ 28,459	\$ 26,344
Debt Service Principal	1,125,000	705,000	575,000
Debt Service Interest and Fees	1,114,286	1,039,924	737,479
Bond Issuance Costs			
Transfer to Refunding Bond Escrow Agent			
TOTAL EXPENDITURES	\$ 2,278,366	\$ 1,773,383	\$ 1,338,823
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (139,597)	\$ 201,583	\$ 590,688
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	\$	\$	\$
Transfer to Refunding Bond Escrow Agent			
Bond Discount			
Bond Premium			
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ (139,597)	\$ 201,583	\$ 590,688
BEGINNING FUND BALANCE	2,095,828	1,894,245	1,303,557
ENDING FUND BALANCE	\$ 1,956,231	\$ 2,095,828	\$ 1,894,245
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,724	1,661	1,486
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,668	1,638	1,463

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2018	2017	2021	2020	2019	2018	2017
\$ 1,503,121	\$ 1,174,958	99.0 %	96.1 %	97.4 %	97.7 %	98.6 %
8,514	7,478	0.1	0.2	0.3	0.6	0.6
25,394	9,318	0.9	3.7	2.3	1.7	0.8
<u>\$ 1,537,029</u>	<u>\$ 1,191,754</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 21,443	\$ 18,045	1.8 %	1.4 %	1.4 %	1.4 %	1.5 %
515,000	355,000	52.6	35.7	29.8	33.5	29.8
723,219	636,229	52.1	52.7	38.2	47.1	53.4
	550,511					46.2
	259,466					21.8
<u>\$ 1,259,662</u>	<u>\$ 1,819,251</u>	<u>106.5 %</u>	<u>89.8 %</u>	<u>69.4 %</u>	<u>82.0 %</u>	<u>152.7 %</u>
\$ 277,367	\$ (627,497)	(6.5) %	10.2 %	30.6 %	18.0 %	(52.7) %
\$	\$ 12,610,000					
	(12,735,766)					
	(10,606)					
	686,006					
<u>\$ - 0 -</u>	<u>\$ 549,634</u>					
\$ 277,367	\$ (77,863)					
1,026,190	1,104,053					
<u>\$ 1,303,557</u>	<u>\$ 1,026,190</u>					
<u>1,423</u>	<u>1,325</u>					
<u>1,401</u>	<u>1,307</u>					

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2021

District Mailing Address - Kaufman County Fresh Water Supply District No. 1-C
3100 McKinnon Street, Suite 1100
Dallas, TX 75201

District Telephone Number - (214) 981-9090

Board Members	Term of Office (Elected or <u>Appointed</u>)	Fees of office for the year ended <u>March 31, 2021</u>	Expense reimbursements for the year ended <u>March 31, 2021</u>	<u>Title</u>
Daryl Coleman	05/20 05/24 (Elected)	\$ 2,100	\$ 18	President
Matthew Scharmen	05/20 05/24 (Elected)	\$ 2,400	\$ 6	Vice President
Ryan Roberts	09/19 05/22 (Appointed)	\$ 2,100	\$ 6	Secretary/ Treasurer
Victor Bates	10/20 05/22 (Appointed)	\$ 1,050	\$ 6	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: May 30, 2019

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on July 26, 2012. 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 FRESH WATER SUPPLY DISTRICT NO. 1-C
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2021

Consultants:	<u>Date Hired</u>	<u>Fees for the fiscal year ended March 31, 2021</u>	<u>Title</u>
Crawford & Jordan LLP	01/24/08	\$ 112,789	General Counsel
Winstead PC		\$ 98,080	Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	03/29/04	\$ 17,550 \$ 11,750	Auditor Bond Related
Dye & Toverly, LLC	06/28/07	\$ 42,515	Bookkeeper
Linebarger Goggan Blair & Sampson, LLP		\$ 2,253	Delinquent Tax Attorney
BGE, Inc.	08/23/14	\$ 258,013	Engineer
Hilltop Securities, Inc.	08/23/07	\$ 93,338	Financial Advisor
Inframark Water & Infrastructure Services	05/27/04	\$ 435,590	Operator
Kaufman County Tax Office	09/30/03	\$ 2,624	Tax Assessor/ Collector
Kathi Dye	01/01/13	\$ -0-	Investment Officer

See accompanying independent auditor's report.

APPENDIX B

Form of Bond Counsel's Opinion

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310 S. Saint Mary's Street 210.277.6800 OFFICE
Suite 920 210.277.6810 FAX
San Antonio, Texas 78205 winstead.com

October 28, 2021

**KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-C
UNLIMITED TAX UTILITY SYSTEM BONDS, SERIES 2021
IN THE ORIGINAL PRINCIPAL AMOUNT OF \$2,550,000**

We have acted as Bond Counsel to the Kaufman County Fresh Water Supply District No. 1-C (the "District") in connection with the issuance of the bonds described above (the "Bonds") for the sole purpose of providing legal advice and traditional legal services to the District including rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data, or other material, but we have relied solely upon the transcript of certified proceedings, certifications, and other documents described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Bonds. We have relied solely on information and certifications furnished to us by the District with respect to the current outstanding indebtedness of, and assessed valuation of taxable property within, the District.

In our capacity as Bond Counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds that contains certified copies of certain proceedings of the Board of Directors of the District (the "Board"); an order of the Board authorizing the Bonds adopted on September 22, 2021 (the "Order"); the approving opinion of the Attorney General of the State of Texas; the Official Notice of Sale; the awarded bid; customary certificates of officers, agents, and representatives of the District, (including a "Federal Tax Certificate") and other public officials; and other documents relating to the issuance of the Bonds. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the truth and accuracy of the statements contained in such certificates. We have also examined applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations, and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have examined executed Bond No. I-1.

Based on said examination and in accordance with customary legal opinion practice, it is our opinion that:

1. The District is a validly existing political subdivision of the State of Texas with power to adopt the Order, perform its agreements therein, and issue the Bonds.
2. The Bonds have been authorized, sold, and delivered in accordance with law.
3. The Bonds constitute valid and legally binding obligations of the District enforceable in accordance with their terms except as the enforceability thereof may be limited by principles of sovereign

immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation, and other similar laws now or hereafter enacted relating to creditors' rights generally.

4. Ad valorem taxes, without legal limitations, upon all taxable property within the District, necessary to pay the interest on and principal of the Bonds, have been pledged irrevocably for such purpose.

5. Interest on the Bonds will be excludable from gross income for federal income tax purposes under section 103 of the Code, and the Bonds will not be treated as "private activity bonds" within the meaning of section 141 of the Code. Interest on the Bonds will not be included as an alternative minimum tax preference item.

In rendering these opinions, we have relied upon representations and certifications of the District, the District's financial advisor, and the initial purchaser of the Bonds with respect to matters solely within the knowledge of such parties, respectively, which we have not independently verified, and we assume continuing compliance by the District with covenants pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. If such representations and certifications are determined to be inaccurate or incomplete, or the District fails to comply with the foregoing covenants, interest on the Bonds could become includable in gross income retroactively to the date of issuance of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any other federal, state, or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on or the acquisition, ownership, or disposition of the Bonds.

We call your attention to the fact that the ownership of obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, certain S corporations with Subchapter C earnings and profits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred expenses allocable to, tax-exempt obligations.

The Service has an ongoing audit program to determine compliance with rules relating to whether interest on state or local obligations is excludable from gross income for federal income tax purposes. No assurance can be given regarding whether or not the Service will commence an audit of the Bonds. If such an audit is commenced, under current procedures, the Service would treat the District as the taxpayer, and owners of the Bonds would have no right to participate in the audit process. We observe that the District has covenanted not to take any action, or omit to take any action within its control, that, if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

The opinions set forth above are based on existing laws of the United States and the State of Texas. Such opinions are further based on our knowledge of facts as of the date hereof. The statutes, regulations, published rulings, and court decisions on which such opinions are based are subject to change. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the

Service; rather such opinions represent our legal judgment based on our review of existing law and are made in reliance on the representations and covenants referenced above that we deem relevant to such opinions.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement relating to the Bonds, the sufficiency of the security for the Bonds, or the marketability of the Bonds.

This legal opinion expresses the professional judgment of this firm as to the legal issues explicitly addressed therein and is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. In rendering a legal opinion, we do not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of our opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Respectfully submitted,

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APPENDIX C

Specimen Municipal Bond Insurance Policy

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BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

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Financial Advisory Services
Provided By

