OFFICIAL STATEMENT DATED OCTOBER 21, 2021

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

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

NEW ISSUE – Book Entry Only

RATINGS: S&P Global Ratings (AGM Insured) .... "AA"
Moody's (AGM Insured) ...."A2"
Moody's (Underlying) ...."Baa2 (stable)"
See "MUNICIPAL BOND INSURANCE" and "RATINGS."

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
(A Political Subdivision of the State of Texas, located within Kaufman County)

\$5,160,000	**\$3,210,000**
Unlimited Tax Utility Bonds	**Unlimited Tax Road Bonds**
Series 2021	**Series 2021**

Dated: November 1, 2021 **Due: September 1, as shown on inside cover**

The \$5,160,000 Unlimited Tax Utility Bonds, Series 2021 (the "Utility Bonds") and the \$3,210,000 Unlimited Tax Road Bonds, Series 2021 (the "Road Bonds," and collectively with the Utility Bonds, the "Bonds") are obligations of Kaufman County Municipal Utility District No. 7 (the "District") and are not obligations of the State of Texas; Kaufman County, Texas; the City of Dallas, Texas; the City of Heath, Texas; or any entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Kaufman County, Texas; the City of Dallas, Texas; the City of Heath, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

Interest on the Bonds accrues from November 1, 2021, and is payable on March 1, 2022, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption and will be calculated on the basis of a 360-day year composed of 12, 30-day months. The Bonds will be issued in fully registered form only, without coupons, in principal denominations of \$5,000 or any integral multiple thereof, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (herein defined) to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The District has designated Zions Bancorporation, National Association, Houston, Texas, as the initial paying agent/registrar (the "Paying Agent/Registrar") for the Bonds. See "THE BONDS – Book-Entry-Only System" and "– Paying Agent/Registrar".

The scheduled payment of principal of and interest on each of the Bonds when due will be guaranteed under separate insurance policies (each a "Bond Insurance Policy" and collectively, the "Bond Insurance Policies") to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP** (the "Insurer" or "AGM"). See "MUNICIPAL BOND INSURANCE" and APPENDIX B herein.

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

The Utility Bonds constitute the fifth series of unlimited tax bonds issued for the purpose of financing water, wastewater, and drainage improvements to serve the District (the "Utility System") and the Road Bonds constitute the fifth series of unlimited tax bonds issued by the District for the purpose of constructing or acquiring a road system to serve the District (the "Road System"). The District has also issued one series of unlimited tax bonds for refunding previously issued Utility System bonds. At an election held within the District on February 5, 2005, voters of the District authorized the District's issuance of \$52,350,000 principal amount of unlimited tax bonds for the Utility System, at an election held within the District on May 10, 2008, voters of the District authorized the issuance of \$33,900,000 principal amount of unlimited tax bonds for the Road System, and at an election held within the District on May 2, 2015, voters of the District authorized the issuance of \$78,525,000 principal amount of unlimited tax bonds for refunding Utility System bonds and \$50,850,000 principal amount of unlimited tax bonds for refunding Road System bonds. Following the issuance of the Bonds, \$36,295,000 principal amount of unlimited tax bonds for the Utility System, \$12,385,000 principal amount of unlimited tax bonds for the Road System, \$78,355,000 unlimited tax bonds for refunding Utility System bonds and \$50,850,000 unlimited tax bonds for refunding Road System bonds will remain authorized but unissued. See "THE BONDS – Authority for Issuance."

The Bonds of each series, when issued, will be payable from the proceeds of separate annual ad valorem taxes, without legal limit as to rate or amount, levied by the District against all taxable property within the District. Investment in the Bonds is subject to risk factors as described herein. See "THE BONDS – Source of Payment" and "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as, and if issued by the District and are also offered subject, among other things, to the approval of the Attorney General of Texas and of Coats Rose, P.C., Dallas, Texas, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about November 18, 2021. See "LEGAL MATTERS."

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

$5,160,000 Unlimited Tax Utility Bonds, Series 2021

$1,710,000 Serial Bonds

Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 48619R (b)	Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 48619R (b)
2022	$170,000	3.000%	0.600%	GD8	2027(c)	$170,000	2.000%	1.200%	GJ5
2023	155,000	3.000%	0.700%	GE6	2028(c)	175,000	2.000%	1.250%	GK2
2024	160,000	3.000%	0.850%	GF3	2029(c)	180,000	2.000%	1.450%	GL0
2025	160,000	3.000%	1.000%	GG1	2030(c)	185,000	2.000%	1.700%	GM8
2026	165,000	3.000%	1.100%	GH9	2031(c)	190,000	2.000%	2.000%	GN6

$3,450,000 Term Bonds

$795,000 Term Bond due September 1, 2035 (c)(d) Interest Rate 3.000% (Price: $103.613) (a) CUSIP No. 48619R GS5 (b)
$2,655,000 Term Bond due September 1, 2046 (c)(d) Interest Rate 2.875% (Price: $99.909) (a) CUSIP No. 48619R HD7 (b)

$3,210,000 Unlimited Tax Road Bonds, Series 2021

$1,185,000 Serial Bonds

Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 48619R (b)	Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 48619R (b)
2022	$110,000	4.500%	0.400%	HE5	2028(c)	110,000	2.000%	1.400%	HL9
2023	95,000	4.500%	0.550%	HF2	2029(c)	110,000	2.000%	1.600%	HM7
2024	100,000	4.500%	0.700%	HG0	2030(c)	115,000	2.000%	1.750%	HN5
2025	100,000	4.500%	0.850%	HH8	2031(c)	115,000	2.000%	2.000%	HP0
2026	105,000	4.500%	1.000%	HJ4	2032(c)	120,000	2.000%	2.250%	HQ8
2027(c)	105,000	3.500%	1.200%	HK1					

$2,025,000 Term Bonds

$250,000 Term Bond due September 1, 2034 (c)(d) Interest Rate 2.375% (Price: $98.098) (a) CUSIP No. 48619R HS4 (b)
$260,000 Term Bond due September 1, 2036 (c)(d) Interest Rate 2.500% (Price: $98.776) (a) CUSIP No. 48619R HU9 (b)
$275,000 Term Bond due September 1, 2038 (c)(d) Interest Rate 2.500% (Price: $97.976) (a) CUSIP No. 48619R HW5 (b)
$435,000 Term Bond due September 1, 2041 (c)(d) Interest Rate 2.625% (Price: $98.100) CUSIP No. 48619R HZ8 (b)
$805,000 Term Bond due September 1, 2046 (c)(d) Interest Rate 2.750% (Price: $98.500) (a) CUSIP No. 48619R JE3 (b)

(a) The initial reoffering yield has been provided by the Initial Purchaser (hereinafter defined) and represents the initial offering price to the public of a substantial amount of the Bonds for each maturity. Such initial reoffering yield may subsequently be changed. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from November 1, 2021, is to be added to the price.

(b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds. None of the District, Financial Advisor, or Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers.

(c) The Bonds maturing on September 1, 2027, and thereafter, are subject to redemption prior to maturity at the option of the District, as a whole or from time to time in part, on September 1, 2026, or any date thereafter at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds – *Optional Redemption*."

(d) Subject to certain mandatory redemption provisions as set forth herein under "THE BONDS – Redemption of the Bonds – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District, c/o Coats Rose, P.C., 14755 Preston Road, Suite 600, Dallas, Texas 75254, upon payment of the costs for duplication thereof.

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

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

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

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Utility Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by Raymond James & Associates, Inc. (the "Utility Bonds Initial Purchaser") to purchase the Utility Bonds bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS" at a price of 99.260240% of the par value thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 2.862847%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

After requesting competitive bids for the Road Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by SAMCO Capital Markets, LLC (the "Road Bonds Initial Purchaser") to purchase the Road Bonds bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS" at a price of 97.031665% of the par value thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 2.849377%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

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

Prices and Marketability

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

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

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") will issue separate Municipal Bond Insurance Policies for the Bonds (each a "Bond Insurance Policy" and collectively, the "Bond Insurance Policies"). The Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Bond Insurance Policy included as an appendix to this Official Statement.

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

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

Current Financial Strength Ratings

On October 20, 2021, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

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

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

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

Capitalization of AGM

At June 30, 2021:

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

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

Merger of Municipal Assurance Corp. ("MAC") into AGM

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

Incorporation of Certain Documents by Reference

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

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

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

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

Miscellaneous Matters

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

RATINGS

The Bonds are expected to be assigned an insured rating of "AA" (stable outlook) from S&P solely in reliance upon the issuance of the Bond Insurance Policy at the time of delivery of the Bonds by Assured Guaranty Municipal Corp. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The ratings express only the view of S&P at the time the ratings are given.

The Bonds are expected to be assigned an insured rating of "A2" (stable outlook) from Moody's solely in reliance upon the issuance of the Bond Insurance Policy at the time of delivery of the Bonds by Assured Guaranty Municipal Corp. An explanation of the ratings may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell, or hold securities. There is no assurance that such ratings will continue for any given period of time or that the ratings will not be revised downward or withdrawn entirely by Moody's, if, in its judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds. Moody's has also assigned an underlying credit rating of "Baa2" to the Bonds.

Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P or Moody's, 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.

The District is not aware of any rating assigned to the Bonds other than the ratings of S&P and Moody's.

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OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The District	Kaufman County Municipal Utility District No. 7 (the "District"), a political subdivision of the State of Texas, is located in Kaufman County, Texas. See "THE DISTRICT."
The Issue	The District's $5,160,000 Unlimited Tax Utility Bonds, Series 2021 (the "Utility Bonds") are dated November 1, 2021, and mature on September 1 in the years and in the principal amounts as shown on the inside cover page hereof. The District's $3,210,000 Unlimited Tax Road Bonds, Series 2021 (the "Road Bonds") are also dated November 1, 2021, and mature on September 1 in the years and in the principal amounts as shown on the inside cover page hereof. The Utility Bonds and the Road Bonds are collectively referred to throughout this Official Statement as the "Bonds." Interest on the Bonds accrues from November 1, 2021, and is payable on March 1, 2022, and on each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds are offered in fully registered form in integral multiples of $5,000 of principal amount for any one maturity. See "THE BONDS – General."
Redemption Provisions	*Optional Redemption:* The Bonds maturing on September 1, 2027, and thereafter, are subject to redemption prior to maturity at the option of the District, as a whole or from time to time in part, on September 1, 2026, or any date thereafter at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds – *Optional Redemption*." *Mandatory Redemption:* The Utility Bonds maturing on September 1 in the years 2035 and 2046 are term bonds (the "Utility Term Bonds") and the Road Bonds maturing on September 1 in the years 2034, 2036, 2038, 2041 and 2046 are also term bonds (the "Road Term Bonds," and together with the Utility Term Bonds, the "Term Bonds"). The Term Bonds also have certain mandatory redemption provisions as set forth herein under "THE BONDS – Redemption of the Bonds – *Mandatory Redemption*."
Source of Payment	Principal of and interest on the Bonds of each series are payable from the proceeds of separate annual ad valorem taxes, without legal limit as to rate or amount, levied against all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Kaufman County, Texas; the City of Dallas, Texas; the City of Heath, Texas; or any entity other than the District. See "THE BONDS – Source of Payment."
Authority for Issuance	The Utility Bonds are issued pursuant to an order by the Texas Commission on Environmental Quality (the "TCEQ"); Article XVI, Section 59 of the Texas Constitution; the general laws of the State of Texas, particularly including Chapters 49 and 54, Texas Water Code, as amended; an order authorizing issuance of the Utility Bonds (the "Utility Bond Order") adopted by the Board of Directors of the

	District (the "Board"); and an election held within the boundaries of the District on February 5, 2005.
	The Road Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution; the general laws of the State of Texas, including particularly Chapters 49 and 54, Texas Water Code, as amended; an order authorizing the issuance of the Road Bonds (the "Road Bond Order") adopted by the Board; and an election held within the boundaries of the District on May 10, 2008.
Not Qualified Tax-Exempt Obligations	The Bonds are not designated as "qualified tax-exempt obligations". See "TAX MATTERS – Not Qualified Tax-Exempt Obligations."
Outstanding Bonds	The District has previously issued its $2,870,000 Unlimited Tax Bonds, Series 2007; $3,280,000 Unlimited Tax Bonds, Series 2008; $4,210,000 Unlimited Tax Refunding Bonds, Series 2014; $4,775,000 Unlimited Tax Road Bonds, Series 2015; $2,640,000 Unlimited Tax Road Bonds, Series 2017; $2,640,000 Unlimited Tax Road Bonds, Series 2018; $2,400,000 Unlimited Tax Utility Bonds, Series 2018; $2,525,000 Unlimited Tax Bonds, Series 2019; and $8,250,000 Unlimited Tax Road Bonds, Series 2020. As of September 1, 2021, $25,920,000 in principal amount of such previous bond issues remained outstanding (the "Outstanding Bonds").
Use of Proceeds of Utility Bonds	Proceeds of the Utility Bonds will also be used to: reimburse the Developers, as herein defined, for the construction costs listed herein under "THE BONDS – Use and Distribution of Utility Bond Proceeds". Additionally, proceeds of the Utility Bonds will be used to pay developer interest and costs of issuance associated with the Utility Bonds. See "THE BONDS – Use and Distribution of Utility Bond Proceeds" for further information.
Use of Proceeds of Road Bonds	Proceeds of the Road Bonds will be used to reimburse the Developers for their expenditures to construct roads and road improvements serving the District. Proceeds will also be used to pay developer interest, and certain costs of issuance of the Road Bonds. See "THE BONDS – Use and Distribution of Road Bond Proceeds" for further information
Payment Record	The District has never defaulted on the timely payment of principal and interest on its bonded indebtedness. See "THE BONDS – Source of Payment."
Municipal Bond Insurance	Assured Guaranty Municipal Corp. ("AGM"). See "MUNICIPAL BOND INSURANCE."
Ratings	S&P Global Ratings (AGM Insured) – "AA". Moody's (AGM Insured) – "A2". Moody's (Underlying) – "Baa2". See "MUNICIPAL BOND INSURANCE" and "RATINGS."
Legal Opinion	Coats Rose, P.C., Dallas, Texas, Bond Counsel. See "LEGAL MATTERS."
Financial Advisor	Robert W. Baird & Co. Incorporated, Houston, Texas.
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Paying Agent/Registrar	Zions Bancorporation, National Association, Houston, Texas.

INFECTIOUS DISEASE OUTLOOK (COVID-19)

Infectious Disease Outlook (COVID-19)...... In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State 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.

THE DISTRICT

Description.. The District comprises approximately 392.30 acres. The District is located within Kaufman County, Texas, approximately 2 miles north of downtown Forney, Texas, and approximately 1 mile north of the intersection Farm-to-Market 460 ("F.M. 460") and Farm-to-Market 740 ("F.M. 740"). The District is bordered by F.M. 740 on the east, Lake Ray Hubbard on the west, and Travis Ranch Blvd. on the south. All of the land within the District is either within the extraterritorial jurisdiction ("ETJ") of the City of Dallas, Texas, or the City of Heath, Texas. See "THE DISTRICT – General" and "– Description."

The District is one of three municipal utility districts collectively comprising approximately 1,946.60 acres, herein referred to as the "Service Area." The District, Kaufman County Municipal Utility District No. 5 ("KC MUD 5"), and Kaufman County Municipal Utility District No. 6 ("KC MUD 6"), collectively referred to herein as the "Participants," make up the Service Area. KC MUD 5 acts as the "Master District" and is the provider of trunkwater and sanitary sewer lines and off-site facilities that serve the Service Area (the "Master District Facilities").

Authority .... The rights, powers, privileges, authority and functions of the District are established by (i) the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (ii) Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution; and (iii) elections held within the District. The District is subject to continuing supervision of the TCEQ. See "THE DISTRICT – General."

Development Status of the District............... Of the approximately 392.30 acres of land within the District, approximately 337.65 acres (1,572 lots) have been developed as the single-family residential subdivisions of Travis Ranch, Phases 3A, 3B, 3D1, 3D2, and 3E, and Lakeside at Heath, Phases 3C, 3C1, 3G, 3G1, 3G2, and 3E. As of September 1, 2021, development within the District included 1,341 completed homes, 78 homes under construction, and 153 vacant developed lots. Additionally, approximately 12.80 acres (55 lots) within the District are currently under development as Travis Ranch Marina, a single-family residential subdivision within Travis Ranch. The remaining land within the District consists of approximately 11.50 undeveloped but developable acres and approximately 30.35 undevelopable acres. See "DEVELOPMENT STATUS OF THE DISTRICT."

The Developers .... D.R. Horton-Texas, Ltd., a Texas limited partnership ("D.R. Horton") is the developing entity within Lakeside at Heath within the District. D.R. Horton is controlled by D.R. Horton, Inc., a Delaware corporation and a publicly traded corporation. D.R. Horton is the developer of the single-family subdivision of Lakeside at Heath within the District.

Travis Ranch Marina, LLC, a Texas limited liability company, and its related entities ("TR Marina"), is the developer of Travis Ranch Marina within the District. Within the District, TR Marina is currently developing approximately 12.80 acres (55 lots) as Travis Ranch Marina Lots Phase 2 within the single-family subdivision of Travis Ranch. Additionally, TR Marina owns the remaining developable land within the District (approximately 11.50 acres).

D.R. Horton and TR Marina are herein referred to as the "Developers". See "THE DEVELOPERS".

Homebuilders .... Homebuilders active within the District include DR Horton, Megatel Homes, and Castlerock Homes. The homes being marketed in the District range in price from approximately $293,000 to $374,000 and range in size from approximately 1,824 square feet to 2,714 square feet. See "DEVELOPMENT STATUS OF THE DISTRICT – Homebuilders."

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2021 Taxable Assessed Valuation See "TAX DATA" and "TAXING PROCEDURES."	$333,109,392	(a)
Estimated Valuation as of September 1, 2021 See "TAX DATA" and "TAXING PROCEDURES."	$344,734,800	(b)
Direct Debt:		
The Outstanding Bonds	$ 25,920,000	
The Utility Bonds	5,160,000	
The Road Bonds	3,210,000	
Total	$ 29,130,000	
Estimated Overlapping Debt	$ 33,305,866	(c)
Total Direct and Estimated Overlapping Debt	$ 62,435,866	
Direct Debt Ratios:		
As a percentage of 2021 Taxable Assessed Valuation	8.74	%
As a percentage of Estimated Valuation as of September 1, 2021	8.45	%
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of 2021 Taxable Assessed Valuation	18.74	%
As a percentage of Estimated Valuation as of September 1, 2021	18.11	%
Utility System Debt Service Fund Balance (as of September 16, 2021)	$ 290,400	(d)
Road System Debt Service Fund Balance (as of September 16, 2021)	$ 490,486	(e)
General Fund Balance (as of September 16, 2021)	$ 3,038,267	
2021 Tax Rate		
Utility System Debt Service	$0.2750	(f)
Road System Debt Service	$0.3700	(f)
Contract Tax	$0.0675	(g)
Maintenance & Operation	$0.1875	
Total	$0.9000	
Average Annual Debt Service Requirement (2022-2044, high years)	$ 2,055,543	(h)
Maximum Annual Debt Service Requirement (2030)	$ 2,287,861	(h)
Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Bonds and Outstanding Bonds (2022-2044, high years) at 95% Tax Collections		
Based on 2021 Taxable Assessed Valuation ($333,109,392)	$0.65	
Based on Estimated Valuation as of September 1, 2021 ($344,734,800)	$0.63	
Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Bonds and Outstanding Bonds (2030) at 95% Tax Collections		
Based on 2021 Taxable Assessed Valuation ($333,109,392)	$0.73	
Based on Estimated Valuation as of September 1, 2021 ($344,734,800)	$0.70	
Single-Family Homes (including 78 homes under construction) as of September 1, 2021	1,418	

(a) Certified taxable assessed value of all taxable property within the District as of January 1, 2021, provided by the Kaufman County Appraisal District (the "Appraisal District"). Includes 80% of uncertified value ($9,384,726), which is the estimated minimum amount of uncertified value that will ultimately become certified. See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District for information purposes only. Reflects the addition of value of new construction within the District from January 1, 2021, to September 1, 2021. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate.

(c) See "DISTRICT DEBT – Estimated Overlapping Debt Statement."

(d) Six (6) months of capitalized interest will be deposited into the Utility System Debt Service Fund upon closing of the Bonds. Neither Texas law nor the Utility Bond Order (herein defined) requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Road System, including the Road Bonds.

(e) Six (6) months of capitalized interest will be deposited into the Road System Debt Service Fund upon closing of the Bonds. Neither Texas law nor the Road Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Utility System, including the Utility Bonds.

(f) The District is authorized to levy separate taxes for payment of debt service on bonds issued by the District for the Utility System and for payment of debt service on bonds issued for the Road System; both of which are unlimited as to rate or amount. See "THE BONDS – Authority for Issuance."

(g) See "INVESTMENT CONSIDERATIONS – Contract Tax."

(h) Requirements of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT – Debt Service Requirements."

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 7

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

$5,160,000	**$3,210,000**
Unlimited Tax Utility Bonds	**Unlimited Tax Road Bonds**
Series 2021	**Series 2021**

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Kaufman County Municipal Utility District No. 7 (the "District"), of its $5,16,000 Unlimited Tax Utility Bonds, Series 2021 (the "Utility Bonds") and $3,210,000 Unlimited Tax Road Bonds, Series 2021 (the "Road Bonds"). The Utility Bonds and the Road Bonds are collectively referred to herein as the "Bonds."

The Utility Bonds are issued pursuant to an order by the Texas Commission on Environmental Quality (the "TCEQ"); Article XVI, Section 59 of the Texas Constitution; the general laws of the State of Texas, particularly including Chapters 49 and 54, Texas Water Code, as amended; an order authorizing issuance of the Utility Bonds (the "Utility Bond Order") adopted by the Board of Directors of the District (the "Board"); and an election held within the boundaries of the District on February 5, 2005.

The Road Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution; the general laws of the State of Texas, including particularly Chapters 49 and 54, Texas Water Code, as amended; an order authorizing the issuance of the Road Bonds (the "Road Bond Order") adopted by the Board; and an election held within the boundaries of the District on May 10, 2008.

The Utility Bond Order and the Road Bond Order are collectively referred to herein as the "Bond Orders."

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

This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report or instrument.

THE BONDS

General

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

The Bonds are dated November 1, 2021, and will mature on September 1 of the years and in principal amounts indicated on the inside of the cover page hereof. Interest on the Bonds accrues beginning November 1, 2021, and is payable March 1, 2022, and each September 1 and March 1 thereafter (each an "Interest Payment Date") until maturity or prior redemption.

The Bonds will be issued as fully registered bonds in principal denominations of $5,000 or any integral multiple thereof. Principal of the Bonds will be payable to a Bondholder thereof at maturity or earlier redemption upon presentation of Bonds at the principal payment office of Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to Bondholders as shown on the records of the Paying Agent/Registrar at the close of business on the 15th day of the calendar month next preceding each Interest Payment Date (the "Record Date"), or by other such customary banking arrangements as may be acceptable to the Paying Agent/Registrar and the Bondholder at the expense and risk of the Bondholder.

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 The Depository Trust Company, New York, New York ("DTC"), while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual

Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

Redemption proceeds, principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or The Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, The Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Paying Agent/Registrar

The Board has selected Zions Bancorporation, National Association, Houston, Texas, as the initial Paying Agent/Registrar for the Bonds. The initial designated payment office for the Bonds is located in Houston, Texas. Provision is made in the Bond Orders for removal of the Paying Agent/Registrar, provided that no such removal shall be effective until a successor paying agent/registrar shall have accepted the duties of the Paying Agent/Registrar under the provisions of the Bond Orders. Any successor paying agent/registrar selected by the District shall be a corporation organized and doing business under the laws of the United States of America or any state authorized under such laws to exercise trust powers, shall have a combined capital and surplus of at least $50,000,000, shall be subject to supervision or examination by federal or state authority, shall be registered as a transfer agent with the United States Securities and Exchange Commission ("SEC") and shall have a corporate trust office in the State of Texas.

Registration, Transfer and Exchange

In the event the Book-Entry-Only system is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the principal payment office of the Paying Agent/Registrar in Houston, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Bondholder. The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Bondholder or assignee of the Bondholder within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of $5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Mutilated, Lost, Stolen or Destroyed Bonds

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

Authority for Issuance

The Utility Bonds are issued pursuant to the following: (i) an order by the TCEQ; (ii) the Utility Bond Order adopted by the Board; (iii) Article XVI, Section 59 of the Texas Constitution, and the general laws of the State of Texas, particularly including Chapters 49 and 54, Texas Water Code, as amended; and (iv) an election held within the boundaries of the District on February 5, 2005.

The Road Bonds are issued pursuant to the following: (i) the Road Bond Order adopted by the Board; (ii) Article III, Section 52 of the Texas Constitution and general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended; and (iii) an election held within the boundaries of the District on May 10, 2008.

The Utility Bonds constitute the fifth series of unlimited tax bonds issued for the purpose of water, wastewater, and drainage improvements to serve the District (the "Utility System") and the Road Bonds constitute the fifth series of unlimited tax road bonds issued by the District for the purpose of constructing or acquiring a road system to serve the District (the "Road System"). The District has also previously issued one series of unlimited tax bonds for refunding previously issued Utility System bonds. At an election held within the District on February 5, 2005, voters of the District authorized the District's issuance of $52,350,000 principal amount of unlimited tax bonds for the Utility System, at an election held within the District on May 10, 2008, voters of the District authorized the issuance of $33,900,000 principal amount of unlimited tax bonds for the Road System, and at an election held within the District on May 2, 2015, voters of the District authorized the issuance of $78,525,000 principal amount of unlimited tax bonds for refunding Utility System bonds and $50,850,000 principal amount of unlimited tax bonds for refunding Road System bonds.

Following the issuance of the Bonds, $36,295,000 principal amount of unlimited tax bonds for the Utility System, $12,385,000 principal amount of unlimited tax bonds for the Road System, $78,355,000 unlimited tax bonds for refunding Utility System bonds and $50,850,000 unlimited tax bonds for refunding Road System bonds will remain authorized but unissued. See "THE BONDS – Authority for Issuance."

Election Date	Purpose	Amount Authorized	Amount Issued	Remaining Authorized But Unissued
February 5, 2005	Utility System	$52,350,000	$16,235,000(a)	$36,295,000
May 10, 2008	Road System	33,900,000	21,515,000(b)	12,385,000
May 2, 2015	Refunding (Utility System)	78,525,000	170,000	78,355,000
May 2, 2015	Refunding (Road System)	50,850,000	-0-	50,850,000

(a) Includes the Utility Bonds.
(b) Includes the Road Bonds.

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

In the Bond Orders, the District reserves the right to issue the remaining authorized but unissued bonds plus such additional bonds as may hereafter be authorized by voters in the District. The Bond Orders impose no limitation on the amount of additional parity bonds that may be issued by the District (if authorized by the District's voters and approved by the Board and, in the case of bonds for the Utility System (such as the Utility Bonds), approved by the TCEQ). The District's issuance of bonds for the Road System (such as the Road Bonds) is not subject to approval by the TCEQ.

Source of Payment

The Bonds of each series are secured from the proceeds of two separate annual ad valorem taxes, each without legal limitation as to rate or amount, levied upon all taxable property located within the District. In each Bond Order, the District covenants to levy a sufficient tax to pay principal of and interest on the related series of Bonds, with full allowance being made for delinquencies, costs of collections, and certain fees. See "TAX PROCEDURES" and "TAX DATA – Tax Rate Calculations" for tax adequacy, manner of assessing and collecting taxes, and the remedy to the District in the event of tax delinquencies; and "Bondholders' Remedies" below for the remedies available to Bondholders in the event of default in the performance of any of the covenants set forth in the Bond Orders or in the event of default in the payment of principal of or interest on the Bonds.

Redemption Provisions

Optional Redemption

The Bonds shall be subject to redemption at the option of the District on September 1, 2027, in whole or from time to time in part, on September 1, 2026, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the series and maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain series and maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by a random selection method in integral multiples of $5,000 within any one maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mandatory Redemption

The Utility Bonds maturing on September 1 in the years 2035 and 2046 are term bonds (the "Utility Term Bonds") and the Road Bonds maturing on September 1 in the years 2034, 2036, 2038, 2041 and 2046 are also term bonds (the "Road Term Bonds," and together with the Utility Term Bonds, the "Term Bonds"). The Term

Bonds shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (each a "Mandatory Redemption Date"), and in the principal amount set forth in the following schedules:

The Utility Term Bonds

$795,000 Term Bond due September 1, 2035

Mandatory Redemption Date	**Principal Amount**
September 1, 2032	$ 195,000
September 1, 2033	195,000
September 1, 2034	200,000
September 1, 2035 (maturity)	205,000
	$ 795,000

$2,655,000 Term Bond due September 1, 2046

Mandatory Redemption Date	**Principal Amount**
September 1, 2036	$ 210,000
September 1, 2037	220,000
September 1, 2038	225,000
September 1, 2039	230,000
September 1, 2040	235,000
September 1, 2041	240,000
September 1, 2042	245,000
September 1, 2043	255,000
September 1, 2044	260,000
September 1, 2045	265,000
September 1, 2046 (maturity)	270,000
	$ 2,655,000

The Road Term Bonds

$250,000 Term Bond due September 1, 2034

Mandatory Redemption Date	**Principal Amount**
September 1, 2033	$ 125,000
September 1, 2034 (maturity)	125,000
	$ 250,000

$260,000 Term Bond due September 1, 2036

Mandatory Redemption Date	**Principal Amount**
September 1, 2035	$ 130,000
September 1, 2036 (maturity)	130,000
	$ 260,000

$275,000 Term Bond due September 1, 2038

Mandatory Redemption Date	**Principal Amount**
September 1, 2037	$ 135,000
September 1, 2038 (maturity)	140,000
	$ 275,000

$435,000 Term Bond due September 1, 2041

Mandatory Redemption Date	**Principal Amount**
September 1, 2039	$ 140,000
September 1, 2040	145,000
September 1, 2041 (maturity)	150,000
	$ 435,000

$805,000 Term Bond due September 1, 2046	
Mandatory Redemption Date	**Principal Amount**
September 1, 2042	$ 155,000
September 1, 2043	155,000
September 1, 2044	160,000
September 1, 2045	165,000
September 1, 2046 (maturity)	170,000
	$ 805,000

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

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

Outstanding Bonds

The District has previously issued its $2,870,000 Unlimited Tax Bonds, Series 2007; $3,280,000 Unlimited Tax Bonds, Series 2008; $4,210,000 Unlimited Tax Refunding Bonds, Series 2014; $4,775,000 Unlimited Tax Road Bonds, Series 2015; $2,640,000 Unlimited Tax Road Bonds, Series 2017; $2,640,000 Unlimited Tax Road Bonds, Series 2018; $2,400,000 Unlimited Tax Utility Bonds, Series 2018; $2,525,000 Unlimited Tax Bonds, Series 2019; and $8,250,000 Unlimited Tax Road Bonds, Series 2020. As of September 1, 2021, $25,920,000 in principal amount of such previous bond issues remained outstanding (the "Outstanding Bonds").

Annexation

The District lies partly within the extraterritorial jurisdiction (the "ETJ") of the City of Dallas, Texas, and partly within the ETJ of the City of Heath, Texas. Certain portions of the District may be annexed and dissolved by the City of Dallas or by the City of Heath only if (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the land owners, consenting to annexation. If the District is annexed, the City of Dallas or the City of Heath must assume the District's assets and obligations (including the Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City of Dallas or the City of Heath is a policy-making matter within the discretion of the Mayors and City Councils of such cities, and therefore, the District makes no representation that the City of Dallas or the City of Heath will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Dallas or the City of Heath to make debt service payments should annexation occur. The Bond Orders provide for the termination of the pledge of taxes to the Bonds upon annexation and dissolution by a city.

Pursuant to the terms of that certain Settlement Agreement by and among the City of Heath, the City of Dallas and Travis Ranch Development, L.P., entered into following the filing of a lawsuit by the City of Heath against the City of Dallas seeking a declaration of the boundaries of the ETJs of both cities, the City of Heath has agreed not to annex any of the land located within its ETJ until all of the land in the District is fully developed with water, wastewater and drainage facilities and the District has issued all of its bonds to finance such facilities.

Consolidation

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

Defeasance

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

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

Issuance of Additional Debt

At an election held within the District on February 5, 2005, voters of the District authorized the District's issuance of $52,350,000 principal amount of unlimited tax bonds for the Utility System, at an election held within the District on May 10, 2008, voters of the District authorized the issuance of $33,900,000 principal amount of unlimited tax bonds for the Road System, and at an election held within the District on May 2, 2015, voters of the District authorized the issuance of $78,525,000 principal amount of unlimited tax bonds for refunding Utility System bonds and $50,850,000 principal amount of unlimited tax bonds for refunding Road System bonds. Following the issuance of the Bonds, $36,295,000 principal amount of unlimited tax bonds for the Utility System, $3,210,000 principal amount of unlimited tax bonds for the Road System, $78,355,000 unlimited tax bonds for refunding Utility System bonds and $50,850,000 unlimited tax bonds for refunding Road System bonds will remain authorized but unissued.

The Bond Orders impose 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. The District may issue additional bonds necessary to provide improvements and facilities for the Utility System and the Road System consistent with the purposes for which the District was created. Issuance of Utility System bonds is subject to the approval of the TCEQ.

According to the District's Engineer (hereinafter defined), the remaining authorized but unissued bonds will be sufficient to reimburse the Developers (hereinafter defined) for the existing facilities and finance the development of the remaining undeveloped land within the District.

Following the issuance of the Bonds, according to the Developers, the District will have in aggregate approximately $1,750,000 outstanding reimbursements for the Utility System and the Road System owed to the Developers.

Amendments to the Bond Order

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

Registered Owners' Remedies

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

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

> (a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.
>
> (b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.

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

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

Use and Distribution of Utility Bond Proceeds

Proceeds of the Utility Bonds will also be used to: reimburse the Developers for the construction costs listed below. Additionally, proceeds of the Utility Bonds will be used to pay developer interest and costs of issuance associated with the Utility Bonds.

			District's Share
CONSTRUCTION COSTS			
	Developer Items		
A.	Travis Ranch, Phases 3G1 & 3G2 – W, WW & D (a)	$	880,556
B.	Travis Ranch, Phase 3C1 – W, WW & D (a)		621,228
C.	Travis Ranch, Phase 3C – W, WW & D (a)		925,520
D.	Travis Ranch, Phase 3F – W, WW & D (a)		846,322
E.	Engineering (items 1-3)		468,284
F.	Storm Water Pollution Prevention Planning (items 1-3)		107,004
	Total Developer Items	$	3,848,914
	District Items		
A.	Land Acquisition	$	386,119
	Total District Items	$	386,119
	TOTAL CONSTRUCTION COSTS	$	4,235,033
NONCONSTRUCTION COSTS			
A.	Legal Fees	$	118,200
B.	Fiscal Agent Fees		103,200
C.	Interest		
	1. Capitalized Interest (6 Months)		71,241
	2. Developer Interest		362,476
D.	Bond Discount		38,172
E.	Bond Issuance Expenses		40,431
F.	Bond Application Report Fee		50,400
G.	Attorney General's Fee		5,160
H.	TCEQ Bond Issuance Fee		12,900
I.	Contingency (b)		122,788
	TOTAL NONCONSTRUCTION COSTS	$	924,967
TOTAL BOND ISSUE REQUIREMENT		**$**	**5,160,000**

(a) Such phases were originally platted and developed as 'Travis Ranch' but are currently being developed and/or marketed as phases within the single-family development of 'Lakeside at Heath'.
(b) Represents the sum of the difference between the estimated and actual amounts of capitalized interest and discount on the Bonds.

In the instance that estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses in accordance with the TCEQ. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

Use and Distribution of Road Bond Proceeds

Proceeds of the Road Bonds will be used to reimburse the Developers for their expenditures to construct roads and road improvements serving the District. Proceeds will also be used to pay developer interest and certain costs of issuance of the Road Bonds.

		District's Share
CONSTRUCTION COSTS		
Developer Items		
A.	Travis Ranch Marina, Phase 2 - Excavation	$ 105,948
B.	Travis Ranch Marina, Phase 2 - Paving	517,613
C.	Travis Ranch Marina, Phase 2 – Soft Costs	141,928
	Total Developer Items	$ 765,489
District Items		
A.	Land Costs – Travis Ranch, Phases 3A, 3B, 3D-1, 3D-2, 3e & 3G, Marina Lots Phase 2 - ROW Acquisition	$ 1,325,099
B.	Land Costs – Travis Ranch, Phase 3F - ROW Acquisition	266,311
	Total District Items	$ 1,591,410
	TOTAL CONSTRUCTION COSTS	$ 2,356,899
NONCONSTRUCTION COSTS		
A.	Legal Fees	$ 79,200
B.	Fiscal Agent Fees	64,200
C.	Interest	
	1. Capitalized Interest (6 Months)	45,447
	2. Developer Interest	514,991
D.	Bond Discount	95,284
E.	Bond Issuance Expenses	50,770
F.	Attorney General's Fee	3,210
	TOTAL NONCONSTRUCTION COSTS	$ 853,101
TOTAL BOND ISSUE REQUIREMENT		$ 3,210,000

The construction costs described above were compiled by the Developers (hereinafter defined), based, in some cases, on the estimated costs of projects. Non-construction costs are based upon either contract amounts or estimates. In the instance that estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for roads or improvements in aid thereof. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

DISTRICT DEBT

General

2021 Taxable Assessed Valuation See "TAX DATA" and "TAXING PROCEDURES."	$333,109,392	(a)
Estimated Valuation as of September 1, 2021 See "TAX DATA" and "TAXING PROCEDURES."	$344,734,800	(b)
Direct Debt:		
The Outstanding Bonds	$ 25,920,000	
The Utility Bonds	5,160,000	
The Road Bonds	3,210,000	
Total	$ 29,130,000	
Estimated Overlapping Debt	$ 33,305,866	(c)
Total Direct and Estimated Overlapping Debt	$ 62,435,866	
Direct Debt Ratios:		
As a percentage of 2021 Taxable Assessed Valuation	8.74	%
As a percentage of Estimated Valuation as of September 1, 2021	8.45	%
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of 2021 Taxable Assessed Valuation	18.74	%
As a percentage of Estimated Valuation as of September 1, 2021	18.11	%
Utility System Debt Service Fund Balance (as of September 16, 2021)	$ 290,400	(d)
Road System Debt Service Fund Balance (as of September 16, 2021)	$ 490,486	(e)
General Fund Balance (as of September 16, 2021)	$ 3,038,267	
2021 Tax Rate		
Utility System Debt Service	$0.2750	(f)
Road System Debt Service	$0.3700	(f)
Contract Tax	$0.0675	(g)
Maintenance & Operation	$0.1875	
Total	$0.9000	
Average Annual Debt Service Requirement (2022-2044, high years)	$ 2,055,543	(h)
Maximum Annual Debt Service Requirement (2030)	$ 2,287,861	(h)
Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Bonds and Outstanding Bonds (2022-2044, high years) at 95% Tax Collections		
Based on 2021 Taxable Assessed Valuation ($333,109,392)	$0.65	
Based on Estimated Valuation as of September 1, 2021 ($344,734,800)	$0.63	
Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Bonds and Outstanding Bonds (2030) at 95% Tax Collections		
Based on 2021 Taxable Assessed Valuation ($333,109,392)	$0.73	
Based on Estimated Valuation as of September 1, 2021 ($344,734,800)	$0.70	
Single-Family Homes (including 78 homes under construction) as of September 1, 2021	1,418	

(a) Certified taxable assessed value of all taxable property within the District as of January 1, 2021, provided by the Kaufman County Appraisal District (the "Appraisal District"). Includes 80% of uncertified value ($9,384,726), which is the estimated minimum amount of uncertified value that will ultimately become certified. See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District for information purposes only. Reflects the addition of value of new construction within the District from January 1, 2021, to September 1, 2021. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate.

(c) See "DISTRICT DEBT – Estimated Overlapping Debt Statement."

(d) Six (6) months of capitalized interest will be deposited into the Utility System Debt Service Fund upon closing of the Bonds. Neither Texas law nor the Utility Bond Order (herein defined) requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Road System, including the Road Bonds.

(e) Six (6) months of capitalized interest will be deposited into the Road System Debt Service Fund upon closing of the Bonds. Neither Texas law nor the Road Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Utility System, including the Utility Bonds.

(f) The District is authorized to levy separate taxes for payment of debt service on bonds issued by the District for the Utility System and for payment of debt service on bonds issued for the Road System; both of which are unlimited as to rate or amount. See "THE BONDS – Authority for Issuance."

(g) See "INVESTMENT CONSIDERATIONS – Contract Tax."

(h) Requirements of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT – Debt Service Requirements."

Estimated Overlapping Debt Statement

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

		Overlapping	
Taxing Jurisdiction	Outstanding Debt September 30, 2021	Percent	Amount
Forney Independent School District	$ 510,522,858	5.00%	$ 25,520,769
Kaufman County	149,957,667	2.26%	3,385,224
Master District Contract Revenue Bonds	13,295,000	33.09%	4,399,872 (a)
Total Estimated Overlapping Debt			$ 33,305,866
The District			29,1630,000 (b)
Total Direct & Estimated Overlapping Debt			$ 62,435,866 (b)

(a) Represents the District's pro rata share of outstanding contract revenue bonds. See "THE UTILITY SYSTEM – Master District Contract" and "INVESTMENT CONSIDERATIONS – Contract Tax."
(b) Includes the Outstanding Bonds and the Bonds.

Debt Ratios

	2021 Assessed Taxable Valuation	Estimated Taxable Valuation as of September 1, 2021
Direct Debt (a)	8.74%	8.45%
Direct and Estimated Overlapping Debt (a)	18.74%	18.11%

(a) Includes the Outstanding Bonds and the Bonds.

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Debt Service Requirements

The following schedule sets forth the annual debt service requirements on the Outstanding Bonds, plus the principal and interest requirements of the Bonds.

Calendar	Outstanding	Plus: The Utility Bonds (a)		Plus: The Road Bonds (a)		Total
Year	Debt Service(a)	Principal	Interest	Principal	Interest	Debt Service (a)
2022	$1,755,333	$170,000	$118,734	$110,000	$75,745	$2,229,812
2023	1,755,473	155,000	137,381	95,000	85,944	2,228,798
2024	1,759,311	160,000	132,731	100,000	81,669	2,233,711
2025	1,756,677	160,000	127,931	100,000	77,169	2,221,777
2026	1,751,339	165,000	123,131	105,000	72,669	2,217,139
2027	1,758,055	170,000	118,181	105,000	67,944	2,219,180
2028	1,765,089	175,000	114,781	110,000	64,269	2,229,139
2029	1,781,267	180,000	111,281	110,000	62,069	2,244,617
2030	1,820,311	185,000	107,681	115,000	59,869	2,287,861
2031	1,657,485	190,000	103,981	115,000	57,569	2,124,035
2032	1,634,581	195,000	100,181	120,000	55,269	2,105,031
2033	1,635,819	195,000	94,331	125,000	52,869	2,103,019
2034	1,635,031	200,000	88,481	125,000	49,900	2,098,413
2035	1,642,394	205,000	82,481	130,000	46,931	2,106,806
2036	1,642,981	210,000	76,331	130,000	43,681	2,102,994
2037	1,644,469	220,000	70,294	135,000	40,431	2,110,194
2038	1,646,669	225,000	63,969	140,000	37,056	2,112,694
2039	1,646,788	230,000	57,500	140,000	33,556	2,107,844
2040	1,650,050	235,000	50,888	145,000	29,881	2,110,819
2041	1,146,063	240,000	44,131	150,000	26,075	1,606,269
2042	1,151,094	245,000	37,231	155,000	22,138	1,610,463
2043	974,750	255,000	30,188	155,000	17,875	1,432,813
2044	977,600	260,000	22,856	160,000	13,613	1,434,069
2045	499,550	265,000	15,381	165,000	9,213	954,144
2046	–	270,000	7,763	170,000	4,675	452,438
Total	$37,088,177	$5,160,000	$2,037,822	$ 3,210,000	$1,1898,076	$ 48,684,075

(a) Totals may not sum due to rounding.

Average Annual Debt Service Requirement (2022-2044, high years) $2,055,543
Maximum Annual Debt Service Requirement (2030) $2,287,861

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TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code"), specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized herein. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the Appraisal District. The Kaufman County Appraisal District (the "Appraisal District") has the responsibility of appraising property for all taxing units within Kaufman County, including the District. Such appraisal values will be subject to review and change by the Kaufman County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

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

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

Property Subject to Taxation by the District

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

Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent allowed by law. The disabled veteran exemption ranges between $5,000 and $12,000, depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption of the full value of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

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

Residential Homestead Exemption

The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by May 1.

Valuation of Property for Taxation

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

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

District and Taxpayer Remedies

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

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2021, no land within the District was designated for agricultural use, open space, inventory deferment, or timberland.

Tax Abatement

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes, unless it elects to transfer such functions to another governmental entity. The date of delinquency may be postponed if the tax bills are mailed after January 1. A person over sixty-five (65) years of age is entitled by law to pay current taxes on his residential homestead in installments or to defer tax without penalty during the time he owns and occupies the property as his residential homestead. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors of the District based on valuation of property within the District as of the preceding January 1.

Taxes are due September 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person at least sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas Law is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in equal installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes within the District in the preceding 24 months.

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two (2) years for residential and agricultural property and six (6) months for commercial property and all other types of property after the purchasers deed at the foreclosure sale is filed in the county records.

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Districts

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

Developed Districts

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

Developing Districts

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

The District

A determination as to a district's status as a Special Taxing District, Developed District or Developing District will be made on an annual basis, at the time a district sets its tax rate. The District was determined as a "developing district" for the 2021 tax year. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new rollback election calculation.

TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds, the Outstanding Bonds, and any future tax-supported bonds which may be issued from time to time as authorized. Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Orders to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, not to exceed $0.99 per $100 of assessed valuation, for operation and maintenance purposes. In 2021, the District levied a total tax rate of $0.9000 per $100 of assessed valuation comprised of: $0.2750 per $100 of assessed valuation for Utility System debt service purposes; $0.3700 per $100 of assessed valuation for Road System debt service purposes; $0.0675 per $100 of assessed valuation for contract tax purposes; and $0.1875 per $100 of assessed valuation for maintenance and operations. See "THE UTILITY SYSTEM – The Master District" and "INVESTMENT CONSIDERATIONS – Contract Tax."

Tax Rate Limitation

Utility System Debt Service:	Unlimited (no legal limit as to rate or amount).
Road System Debt Service:	Unlimited (no legal limit as to rate or amount).
Contract Tax:	Unlimited (no legal limit as to rate or amount).
Maintenance and Operations:	$0.99 per $100 Assessed Valuation.

Historical Tax Collections

The following table illustrates the collection history of the District for the 2016–2021 tax years:

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Percent of Collections Current Year	Current Year Ended 9/30	Percent of Collections 07/31/21
2016	$ 115,892,894	$0.900	$1,043,036	98.88%	2017	99.99%
2017	128,035,414	$0.900	1,189,486	99.89%	2018	99.83%
2018	170,380,422	$0.900	1,536,631	98.39%	2019	99.48%
2019	200,671,527	$0.900	1,883,900	97.87%	2020	99.20%
2020	251,117,170	$0.900	2,253,898	98.60%(b)	2021	98.60%
2021	333,109,392	$0.900	2,997,985	(c)	2022	(c)

(a) Total tax rate per $100 of assessed valuation for each respective tax year. See "Tax Rate Distribution" below.
(b) Percent collected as of July 31, 2021.
(c) Collections for the 2021 tax year begin October 1.

Tax Rate Distribution

The following table illustrates the components of the tax rate levied by the District for each of tax years 2017–2021:

	2021	2020	2019	2018	2017
Road System Debt Service	$0.3700	$0.4700	$0.2800	$0.4950	$0.3200
System Debt Service	0.2750	0.2500	0.2850	0.3050	0.3100
Maintenance & Operation	0.1875	0.1025	0.2400	0.0000	0.1200
Contract	0.0675	0.0775	0.0950	0.1000	0.1500
	$0.9000	$0.9000	$0.9000	$0.9000	$0.9000

Analysis of Tax Base

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

Type of Property	2021 Assessed Valuation	2020 Assessed Valuation	2019 Assessed Valuation	2018 Assessed Valuation	2017 Assessed Valuation
Land	$86,146,835	$71,278,300	$59,816,700	$28,271,860	$22,960,780
Improvements	255,775,107	184,428,279	144,629,814	146,827,300	108,812,010
Personal Property	946,961	173,420	101,360	90,630	82,580
Exemption	(9,759,510)	(4,762,879)	(3,876,347)	(4,809,368)	(3,819,956)
Total	$333,109,392	$251,117,120	$200,671,527	$170,380,422	$128,035,414

Principal Taxpayers

The following represents the principal taxpayers within the District, types of property, and assessed taxable values as of January 1, 2021:

Taxpayer	Type of Property	2021 Assessed Taxable Value	Percent of District's AV
DR Horton Texas LTD (a)	Land & Improvements	$10,303,506	3.09%
Castlerock Communities LP (b)	Land & Improvements	5,518,847	1.66%
High Opportunity Neighborhood LLC	Land & Improvements	2,074,254	0.62%
ARP 2014-1 Borrower LLC	Land & Improvements	1,157,000	0.35%
Travis Ranch Marina LLC (a)	Land & Improvements	1,001,600	0.30%
AMH 2014-2 Borrow LLC	Land & Improvements	964,000	0.29%
Homeowner	Land & Improvements	839,740	0.25%
Oncor Electric Delivery Co LLC	Land & Improvements	749,066	0.22%
Homeowner	Land & Improvements	731,350	0.22%
Homeowner	Land & Improvements	574,036	0.17%
Total		$23,913,399	7.18%

(a) See "THE DEVELOPERS."
(b) See "DEVELOPMENT STATUS WITHIN THE DISTRICT – Homebuilders within the District."
(c) See "THE DEVELOPERS."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of taxable assessed valuation that would be required to meet certain debt service requirements of the Bonds and the Outstanding Bonds if no growth in the District occurs beyond the 2021 Taxable Assessed Valuation ($333,109,392) or the Estimated Valuation as of September 1, 2021 ($344,734,800). The following further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Average Annual Debt Service Requirement (2022-204, high years)	$2,055,543
Tax Rate of $0.65 on the 2021 Taxable Assessed Valuation	$2,056,950
Tax Rate of $0.63 on the September 1, 2021 Estimated Valuation	$2,063,238
Maximum Annual Debt Service Requirement (2030)	$2,287,861
Tax Rate of $0.73 on the 2021 Taxable Assessed Valuation	$2,310,114
Tax Rate of $070 on the September 1, 2021 Estimated Valuation	$2,292,486

Estimated Overlapping Taxes

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

Set forth below is a compilation of all 2021 taxes levied by such jurisdictions per $100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

Taxing Jurisdiction	2021 Tax Rate Per $100 of Assessed Taxable Valuation
The District	$0.900000
Kaufman County	$0.379985
Forney Independent School District	$1.372000
Kaufman County Road and Bridge Fund	$0.081186
Kaufman County Emergency Services District No. 6	$0.030000
Total Tax Rate	$2.763171

THE DISTRICT

General

The District is a limited-purpose political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution. The District was created by the TCEQ, on November 10, 2004, as Lake Vista Ranch Municipal Utility District No. 3 of Kaufman County, Texas. By order of the TCEQ dated August 2, 2005, the District's name was changed to Kaufman County Municipal Utility District No. 7.

The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water, among other things. The District may also provide solid waste collection and disposal service and operate and maintain recreational facilities. Currently the District contracts for solid waste collection service. The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters and the TCEQ. The District does not operate and/or maintain a fire department. The District is subject to the continuing supervision of the TCEQ and is located in either the ETJ of the City of Dallas or the City of Heath.

Description

The District comprises of approximately 392.30 acres and is located within Kaufman County, Texas, approximately 2 miles north of downtown Forney, Texas, and approximately 1 mile north of the intersection Farm-to-Market 460 ("F.M. 460") and Farm-to-Market 740 ("F.M. 740"). The District is bordered by F.M. 740 on the east, Lake Ray Hubbard on the west, and Travis Ranch Blvd. on the south. All of the land within the District is within either the ETJ of the City of Dallas, Texas, or the City of Heath, Texas.

The District is one of three municipal utility districts collectively comprising approximately 1,946.60 acres, herein referred to as the "Service Area." The District, Kaufman County Municipal Utility District No. 5 ("KC MUD 5"), and Kaufman County Municipal Utility District No. 6 ("KC MUD 6"), collectively referred to herein as the "Participants," make up the Service Area. KC MUD 5 acts as the "Master District" and is the provider of trunkwater and sanitary sewer lines and off-site facilities that serve the Service Area (the "Master District Facilities").

Management of the District

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

Name	Position	Term Expires May
Hugh Anderson, II	President	2022
Brooke Sammons	Vice President	2024
Holly Martin	Secretary	2022
Kim Moon	Assistant Secretary	2024
Jason Ruiz	Assistant Secretary	2024

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

Tax Assessor/Collector: The District's Tax Assessor/Collector is Utility Tax Service, L.L.C.

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

Utility System Operator: The District's operator is Inframark Water and Infrastructure Services.

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which is filed with the TCEQ. A copy of the District's financial statements audited by McGrath & Co., PLLC for the fiscal year ended July 31, 2020, is included as "APPENDIX A" to this Official Statement. McGrath & Co., PLLC has been engaged to audit the District's financial statements for the fiscal year ended July 31, 2021.

Engineer: The consulting engineer retained by the District in connection with the design and construction of the District's facilities is Westwood Professional Services, Inc. (the "Engineer").

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

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

Financial Advisor: The District has engaged the firm of Robert W. Baird & Co. Incorporated as financial advisor to the District. Payment to the Financial Advisor by the District is contingent upon the issuance, sale and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

DEVELOPMENT STATUS OF THE DISTRICT

Of the approximately 392.30 acres of land within the District, approximately 337.65 acres (1,572 lots) have been developed as the single-family residential subdivisions of Travis Ranch, Phases 3A, 3B, 3D1, 3D2, and 3E, and Lakeside at Heath, Phases 3C, 3C1, 3G, 3G1, 3G2, and 3E. As of September 1, 2021, development within the District included 1,341 completed homes, 78 homes under construction, and 153 vacant developed lots. Additionally, approximately 12.80 acres (55 lots) within the District are currently under development as Travis Ranch Marina Lots Phase 2, a single-family neighborhood within the subdivision of Travis Ranch. The remaining land within the District consists of approximately 11.50 undeveloped but developable acres and approximately 30.35 undevelopable acres.

The following table sets out the status of single-family development, by section, within the District construction of single-family housing within the District as of September 1, 2021:

			Homes		
	Acres	Total Lots	Complete	Under Construction	Vacant Lots
Travis Ranch, Phase 3A	60.52	309	309	0	0
Travis Ranch, Phase 3B	62.00	316	316	0	0
Travis Ranch, Phase 3D1	14.52	77	77	0	0
Travis Ranch, Phase 3D2	25.07	139	128	9	2
Travis Ranch, Phase 3E	30.51	139	79	47	13
Lakeside at Heath, Phase 3C (a)	43.50	204	179	22	3
Lakeside at Heath, Phase 3C1 (a)	31.43	136	134	0	2
Lakeside at Heath, Phase 3G (a)	15.59	45	45	0	0
Lakeside at Heath, Phase 3G1 (a)	15.19	51	49	0	2
Lakeside at Heath, Phase 3G2 (a)	8.81	26	25	0	1
Lakeside at Heath, Phase 3F (a)	30.51	130	0	0	130
Total Residential	337.65	1,572	1,341	78	153
Currently Under Development	12.80				
Undeveloped but Developable	11.50				
Undevelopable	30.35				
District Total	392.30				

(a) Such phases were originally platted as 'Travis Ranch' but are currently being developed and/or marketed as phases within the single-family development of 'Lakeside at Heath'.

Homebuilders in the District

Homebuilders active within the District include DR Horton, Megatel Homes, and Castlerock Homes. The homes being marketed in the District range in price from approximately $293,000 to $374,000 and range in size from approximately 1,824 square feet to 2,714 square feet. See "THE DEVELOPERS – Lot-Sales Contracts."

TRAVIS RANCH

The District is part of the master-planned community of Travis Ranch, a development that, in total, comprises approximately 761 acres of land. To date, approximately 196.62 acres (980 lots) within the District have been developed with water distribution, sanitary sewer, storm drainage and road facilities to serve the single-family residential subdivision of Travis Ranch, Phases 3A, 3B, 3D1, 3D2, and 3E. As of September 1, 2021, development of single-family residential properties within the District in Travis Ranch included 909 completed homes, 56 homes under construction, and 15 vacant developed lots. Additionally, approximately 12.80 acres (55 lots) within the District are currently under development as Travis Ranch Marina Lots Phase 2 within Travis Ranch Marina, a single-family neighborhood within Travis Ranch. See "DEVELOPMENT STATUS OF THE DISTRICT" above.

The active homebuilders within the Travis Ranch phases within the District are DR Horton, Megatel Homes and Castlerock Homes.

In addition to single-family residential development, Travis Ranch currently includes an amenity center with pool, a splash park, a covered pavilion, playgrounds, an in-line skating rink, pocket parks and an elementary school, which serves the existing subdivisions.

LAKESIDE AT HEATH

The District also includes approximately 145.03 acres of land within the residential community known as Lakeside at Heath. To date, such land within the District has been developed with water distribution, sanitary sewer, storm drainage and road facilities to serve the single-family residential subdivision of Lakeside at Heath, Phases 3C, 3C1, 3G, 3G1, 3G2, and 3F (592 lots). As of September 1, 2021, development of single-family residential properties within the District in Lakeside at Heath included 432 completed homes, 22 homes under construction, and 130 vacant developed lots. See "DEVELOPMENT STATUS OF THE DISTRICT" above.

The sole homebuilder within Lakeside at Heath is D.R. Horton.

THE DEVELOPERS

The Developers

D.R. Horton-Texas, Ltd., a Texas limited partnership ("D.R. Horton") is the developing entity within Lakeside at Heath within the District. D.R. Horton is controlled by D.R. Horton, Inc., a Delaware corporation and a publicly traded corporation. D.R. Horton is the developer of the single-family subdivision of Lakeside at Heath within the District.

Travis Ranch Marina, LLC, a Texas limited liability company, and its related entities ("TR Marina"), is the developer of Travis Ranch Marina within the District. Within the District, TR Marina is currently developing approximately 12.80 acres (55 lots) as Travis Ranch Marina Lots Phase 2 within the single-family subdivision of Travis Ranch. Additionally, TR Marina owns the remaining developable land within the District (approximately 11.50 acres).

D.R. Horton and TR Marina are herein referred to as the "Developers".

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PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(September 2021)

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(September 2021)

THE UTILITY SYSTEM

Master District Contract

On October 5, 2004, the District, KC MUD 6, and KC MUD 5 (as a Participant and together with KC MUD 6 and the District, the "Participants"), each entered into a certain "Contract for Financing and Operation of Regional Collection, Treatment, and Disposal Facilities and Regional Water Supply and Delivery Facilities" (or the "Master District Contract") that provides for the financing and operation of the Master District Facilities that service the Service Area. In its capacity as the Master District, KC MUD 5 provides the trunkwater and sanitary sewer lines and off-site facilities that service the Service Area. In addition, the Master District contracts with the providers of water supply (Forney Lake Water Supply Corporation) and sanitary sewer service (City of Heath) the Service Area. See "– Description of the Utility System" below.

The Master District Contract was approved by the voters of the District at an election held on February 5, 2005. The Master District Contract provides that the Participants, including the District, pay a pro rata share, based on the proportion of the certified appraised valuation of each Participant to the combined total certified appraised valuation of the Service Area, of the debt service on contract revenue bonds issued by the Master District to finance the Master District Facilities (the "Contract Revenue Bonds"). The District is obligated to pay its pro rata share of debt service on the Contract Revenue Bonds from the proceeds of ad valorem taxes levied by the District for such purpose (the "Contract Tax"), from the proceeds of operation of the District's water distribution and wastewater collection systems, or from any other legally available funds of the District. The Master District Contract also provides for operation and maintenance expenses for facilities constructed pursuant to the Master District Contract; duties of the parties; establishment and maintenance of funds; assignment; arbitration; amendments; force majeure; insurance; and other provisions.

To date, the Master District has issued $19,740,000 in Contract Revenue Bonds, and, as of September 1, 2021, $13,295,000 of such previously issued Contract Revenue Bonds remain outstanding. The Master District is authorized to issue Contract Revenue Bonds sufficient to complete acquisition and construction of the Master District Facilities. The District's pro rata share (and that of all other Participants) of the debt service requirements on the Contract Revenue Bonds is determined by dividing the District's certified gross appraised value by the cumulative total of the certified gross appraised values of all the Participants. The Master District Contract obligates the District to pay its pro rata share of debt service requirements on the Contract Revenue Bonds from the proceeds of the Contract Tax, revenues derived from the operation of the District's water distribution and wastewater collection system or from any other legally available funds of the District. See "INVESTMENT CONSIDERATIONS – Contract Tax." Currently, the Master District does not owe any outstanding reimbursable expenditures for the construction of the existing Master District Facilities .

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

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

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

Regulation

According to the Engineer, the Utility System's water distribution and wastewater collection lines constructed by the District have been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the City of Dallas, the City of Heath, and Kaufman County. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies and inspected by the TCEQ.

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

Description of the Utility System

- Wastewater Treatment and Conveyance System -

Wastewater treatment for the Service Area is being provided by the City of Heath through its participation in the North Texas Municipal Water District's ("NTMWD") South Mesquite Creek Sewage Treatment Plant ("NTMWD Plant"). Pursuant to an October 7, 2004 agreement between the City of Heath and the Master District, the City of Heath has agreed to provide wholesale wastewater service for the full development of the Service Area.

The NTMWD Plant is sized sufficient to treat 33 million gallons per day ("MGD") of wastewater and the current flows at the NTMWD Plant are approximately 14 MGD. Capacity in the NTMWD is available to its participants on a first come/first serve basis and NTMWD has committed to its participants to expand the NTMWD Plant or construct other facilities to serve its customers' needs.

- Water Supply and Distribution -

Water supply for the Service Area, including the District, is provided by Forney Lake Water Supply Corporation ("FLWSC"), which holds a Certificate of Convenience and Necessity over a certain area, including all of the Service Area. FLWSC purchases wholesale water from NTMWD. Pursuant to an August 11, 2003 agreement between FLWSC and the Participants, as amended, FLWSC has committed 3,332 ESFCs of its existing capacity to the Service Area. FLWSC has contracted with NTMWD to purchase 1,500 gallons per minute ("gpm") of water supply. FLWSC owns and operates five ground storage tanks with a total capacity of 1,425,000 gallons, two elevated storage tanks with a total capacity of 1,000,000 gallons, and 1,500 gpm supply line. The District's water supply is capable of serving 7,083 ESFCs, which is sufficient to serve the 4,457 ESFCs existing in the Service Area, including the 1,341 ESFCs in the District.

FLWSC operates and maintains the water lines serving the District and receives all of the revenue from the providing of retail water service. The FLWSC is currently serving approximately 7,083 ESFCs, which is sufficient to serve the 4,457 ESFCs existing in the Service Area, including the 1,341 ESFCs in the District. As development proceeds within the Service Area, FLWSC will need to purchase additional water supply from NTMWD and the Master District has agreed to construct the water infrastructure necessary to serve the Service Area.

- Drainage -

Stormwater from within the District currently drains through underground lines leading to drainage channels, or through underground lines directly to natural tributaries, and then to Lake Ray Hubbard. One drainage ditch has been constructed jointly within the District and KC MUD 6.

Description of the Road System

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

Historical Operations of the Utility System

The following is a summary of the District's Operating Fund for the last five years. Such summary has been prepared by the Financial Advisor for inclusion herein, based upon information obtained from the District's audited financial statements for the fiscal years ended July 31, 2016, through July 31, 2020, reference to which is hereby made. Information for the fiscal year ending July 31, 2021 is unaudited and has been obtained from the District's bookkeeper. The District is required by statute to have a certified public accountant prepare and file an annual audit of its financial records with the TCEQ.

		For Fiscal Year Ended July 31,				
	2021 (a)	2020	2019	2018	2017	2016
Revenues						
Sewer service	$552,425	$433,110	$356,546	$319,782	$248,787	$254,971
Property taxes	261,488	489,984	309	163,069	273,509	112,833
Penalties and interest	29,999	23,896	25,664	18,100	13,230	14,165
Garbage service	354,860	278,129	229,288	193,640	168,165	148,900
Connection and inspection	446,550	403,650	339,300	21,450	324,450	44,450
Storm water fees	57,002	44,677	36,831	31,105	27,229	26,430
Investment earnings	5,038	16,011	21,307	9,716	1,424	997
Miscellaneous	34,176	-	-	-	-	-
Total Revenues	$1,741,538	$1,689,457	$1,009,245	$756,862	$1,056,794	$602,746
Expenditures						
Purchased services	$247,583	$329,940	$291,111	$257,446	$256,315	$177,058
Professional fees	69,324	72,214	55,079	85,443	39,586	30,325
Contracted services	455,266	325,847	234,509	198,529	176,381	166,824
Repairs and maintenance	106,078	30,023	126,543	100,546	65,460	19,693
Utilities	21,637	20,252	18,172	16,199	14,473	11,480
Administrative	9,611	10,772	9,777	9,777	8,784	6,894
Other	125	1,944	1,750	1,846	1,466	1,488
Total Expenditures	$909,624	$790,992	$736,941	$669,786	$562,465	$413,762
Revenues over expenditures	$831,915	$898,465	$272,304	$87,076	$494,329	$188,984

(a) Unaudited as of July 31, 2021. Figures obtained from the District's bookkeeper.

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations of the District and are not obligations of the State of Texas, Kaufman County, Texas, the City of Dallas, Texas, the City of Heath, Texas, or any political subdivision other than the District. The Bonds are secured by a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District. See "THE BONDS – Source of Payment." The ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below.

Infectious Disease Outlook

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 because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State of Texas 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 of Texas. 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.

Economic Factors Affecting Taxable Values and Tax Payments

The rate of development within the District is directly related to the vitality of the single-family housing in the Dallas metropolitan area. New single-family residential construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of single-family residential construction would restrict the growth of property values in the District. Although 1,418 single-family homes are either completed or under construction within the District as of September 1, 2021, the District cannot predict the pace or magnitude of any future development in the District. See "DEVELOPMENT STATUS OF THE DISTRICT."

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

Maximum Impact on District Tax Rate: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2021 Taxable Assessed Valuation of property within the District is $333,109,392 and the Estimate of Valuation as of September 1, 2021 is $344,734,800. After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds and the Bonds will be $2,287,861 (2030) and the average annual debt service requirement on the Outstanding Bonds and the Bonds will be $2,055,543 (2022 through 2044 (high years), inclusive). Assuming no increase or decrease from the 2021 Taxable Assessed Valuation, a tax rate of $0.73 per $100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement and a tax rate of $0.65 per $100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement (see "DISTRICT DEBT – Pro-Forma Debt Service Requirements"). Assuming no increase to nor decrease from the Estimate of Valuation as of September 1, 2021, tax rates of $0.70 and $0.63 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively.

The District levied a total 2021 tax rate of $0.9000 comprised of: $0.2750 per $100 of assessed valuation for Utility System debt service purposes; $0.3700 per $100 of assessed valuation for Road System debt service purposes; $0.0675 per $100 of assessed valuation for contract tax purposes; and $0.1875 per $100 of assessed valuation for maintenance and operation tax purposes.

Contract Tax

The Master District is responsible for obtaining the water supply and wastewater treatment, as well as the regional water distribution and wastewater collection trunklines, necessary to serve the Service Area, which includes the District. By execution of the Master District Contract, the Master District, the District, and KC MUD 6 are obligated to pay a pro rata share, based on the certified assessed valuation of each district, of debt service on Contract Revenue Bonds issued by the Master District to finance the Master District Facilities. The District is obligated to pay its pro rata share of debt service on the Contract Revenue Bonds from the proceeds of the Contract Tax or from any other lawful source of District income. As of September 1, 2021, $13,295,000 principal amount of Contract Revenue Bonds are outstanding. The District levied a Contract Tax of $0.0675 per $100 of assessed valuation for the 2021 tax year. The Master District is authorized, without additional voter approval, to issue Contract Revenue Bonds in an amount necessary to finance the Master District Facilities to serve the Service Area.

As of September 1, 2021, the Master District does not owe any outstanding reimbursable expenditures for the construction of the existing Master District Facilities. The District cannot represent whether any of the development planned or occurring in the area within the Service Area served by the Master District Facilities will be successful. A levy of a Contract Tax to substantially high levels could have an adverse impact upon future development and upon development and home sales within the Service Area, including the District, and the ability of the District to collect, and the willingness of owners of property located within the Service Area to pay, the ad valorem taxes levied by the District (including the Contract Tax). See "THE UTILITY SYSTEM - Master District Contract."

Tax Collections and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by difficulties in collecting ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure.

The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures; (b) a bankruptcy court's stay of tax collection proceedings against a taxpayer; or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property.

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

Registered Owners' Remedies

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

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

Bankruptcy Limitation to Registered Owners' Rights

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

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

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

The District may not be placed into bankruptcy involuntarily.

Bond Insurance Risk Factors

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

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

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

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

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

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

Future Debt

After the issuance of the Bonds, the following amounts will remain authorized but unissued: $36,295,000 principal amount of unlimited tax bonds for the Utility System; $12,385,000 principal amount of unlimited tax bonds for the Road System; $78,355,000 principal amount of unlimited tax bonds for refunding Utility System Bonds; and $50,850,000 principal amount of unlimited tax bonds for refunding Road System bonds. The

District reserves in the Bond Orders the right to issue the remaining authorized but unissued bonds plus such additional bonds as may hereafter be authorized by voters in the District. The Bond Orders impose no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the Board and, in the case of bonds for the Utility System (such as the Utility Bonds) and recreational facilities, approved by the TCEQ). The District's issuance of bonds for the Road System, such as the Road Bonds, is not subject to approval by the TCEQ. In addition, the District has the right to issue obligations, other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow money for any valid public purpose. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for and the investment quality and value of the Bonds. See "DEVELOPMENT STATUS OF THE DISTRICT."

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the Engineer, following the issuance of the Bonds, the remaining $36,295,000 principal amount of authorized but unissued water, sewer, and drainage bonds will be sufficient to fully reimburse the Developers for the construction of the Utility System to serve the remaining undeveloped but developable land within the District.

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the Engineer, the remaining $12,385,000 principal amount of authorized but unissued road bonds will be sufficient to fully reimburse the Developers for the construction of the Road System to serve the remaining undeveloped but developable land within the District.

Following the issuance of the Bonds, according to the Developers, the District will have in aggregate approximately $1,750,000 outstanding reimbursements for the Utility System and the Road System owed to the Developers.

Additionally, the Master District is authorized to issue additional bonds to acquire or construct Master District Facilities necessary to serve the Participants and development in the Service Area. At an election held within the District on February 5, 2005, the voters of the District authorized the District to levy an ad valorem tax, without legal limit as to rate or amount, on all taxable property within the District in an amount sufficient to pay the amounts due and owing pursuant to the Master District Contract. See "– Contract Tax" above and "THE UTILITY SYSTEM – The Master District."

Competitive Nature of Dallas Residential Market

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

Collection of Taxes

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

Marketability of the Bonds

The District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers, since such bonds are more generally bought, sold and traded in the secondary market.

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 Regulations

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

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

Potential Impact of Natural Disaster

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

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

Continuing Compliance with Certain Covenants

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

Future and Proposed Legislation

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

LEGAL MATTERS

Legal Opinions

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

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

Legal Review

In its capacity as Bond Counsel, Coats Rose, P.C., has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS" (except for information under the subsections "Book-Entry-Only System" and "Use and Distribution of Bond Proceeds"), "THE DISTRICT – General" and – "Management of the District – Bond Counsel and General Counsel," "TAXING PROCEDURES," "THE UTILITY SYSTEM – Master District Contract," and "LEGAL MATTERS" solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, 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.

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature is then pending against or, to the best knowledge and belief of the certifying officers, threatened against the District contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority of proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the titles of the then present officers of the Board.

No Material Adverse Change

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

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, Coats Rose, P.C., Dallas, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

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

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation. Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds;

although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

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

Not Qualified Tax-Exempt Obligations

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

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

The information to be updated with respect to the District includes all quantitative financial information and operating data relative to the District of the general type included in this Official Statement under the headings "DISTRICT DEBT – General" (except under the subheading "Direct and Estimated Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A." The District will update and provide this information within six months after the end of each of fiscal year ending in or after 2021.

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

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Orders make any provision for debt service reserves or liquidity enhancement. The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from MSRB

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

Limitations and Amendments

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

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

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with its previous continuing disclosure agreements made in accordance with SEC Rule 15c2-12.

OFFICIAL STATEMENT

General

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

The District's audited financial statements for the year ended July 31, 2020, were audited by McGrath & Co. PLLC, and have been included herein as "APPENDIX A." McGrath & Co. PLLC, Certified Public Accountant, has consented to the publication of such financial statements in this Official Statement.

Experts

The information contained in this Official Statement relating to development and the status of development within the District generally and, in particular, the information in the section captioned "DEVELOPER" has been provided by the Developers and has been included herein in reliance upon the authority and knowledge of each such party concerning the matters described therein.

The information contained in this Official Statement relating to engineering and to the description of the Utility System generally and, in particular, the engineering information included in the sections captioned "THE DISTRICT" and "THE UTILITY SYSTEM" has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

Certification as to Official Statement

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

Updating the Official Statement

If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide and Official Statement to potential customers who request the same pursuant to SEC Rule 15c2-12 (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the SEC Rule 15c2-12) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official

Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser. The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the "end of the underwriting period" within the meaning of SEC Rule 15c2-12), unless the Initial Purchaser provides written notice the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the agrees to notify the District in writing following the occurrence of the "end of the underwriting period" as defined in SEC Rule 15c2-12.

CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of Kaufman County Municipal Utility District No. 7 as of the date specified on the first page hereof.

/s/ Hugh Anderson, II
President, Board of Directors
Kaufman County Municipal Utility District No. 7

ATTEST:

/s/ Holly Martin
Secretary, Board of Directors
Kaufman County Municipal Utility District No. 7

APPENDIX A

FINANCIAL STATEMENTS OF THE DISTRICT

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 7

KAUFMAN COUNTY, TEXAS

FINANCIAL REPORT

July 31, 2020

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McGRATH & CO., PLLC
Certified Public Accountants
2500 Tanglewilde, Suite 340
Houston, Texas 77063

Independent Auditors' Report

Board of Directors
Kaufman County Municipal Utility District No. 7
Kaufman County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Kaufman County Municipal Utility District No. 7, as of and for the year ended July 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these basic 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 basic financial statements are free of 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 to provide a basis for our audit opinions.

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Crystal V. Horn, CPA
crystal@mcgrath-co.com

Board of Directors
Kaufman County Municipal Utility District No. 7
Kaufman County, Texas

Opinion

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 Kaufman County Municipal Utility District No. 7, as of July 31, 2020, and the respective changes in financial position thereof for the year then ended in conformity 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 budgetary comparison information 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 Texas Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary 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 information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements taken as a whole.

McGrath & Co, PLLC

Houston, Texas
November 19, 2020

Management's Discussion and Analysis

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Using this Annual Report

Within this section of the financial report of Kaufman County Municipal Utility District No. 7 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended July 31, 2020. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at July 31, 2020, was negative $4,516,258. A comparative summary of the District's overall financial position, as of July 31, 2020 and 2019, is as follows:

	2020	2019
Current and other assets	$ 4,431,638	$ 3,467,678
Capital assets	21,399,219	16,357,834
Total assets	25,830,857	19,825,512
Total deferred outflows of resources	94,908	105,453
Current liabilities	954,966	858,342
Long-term liabilities	29,487,057	22,440,507
Total liabilities	30,442,023	23,298,849
Net position		
Net investment in capital assets	(8,458,548)	(6,434,256)
Restricted	1,194,904	1,230,054
Unrestricted	2,747,386	1,836,318
Total net position	$ (4,516,258)	$ (3,367,884)

The total net position of the District decreased during the current fiscal year by $1,148,374. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2020	2019
Revenues		
Property taxes, penalties and interest	$ 1,930,334	$ 1,576,732
Sewer and garbage services	711,239	585,834
Other	484,969	419,199
Total revenues	3,126,542	2,581,765
Expenses		
Current service operations	892,309	815,461
Debt interest and fees	732,038	579,767
Developer interest	587,134	169,591
Debt issuance costs	856,989	436,012
Contractual obligations	192,856	172,184
Depreciation	1,013,590	859,996
Total expenses	4,274,916	3,033,011
Change in net position	(1,148,374)	(451,246)
Net position, beginning of year	(3,367,884)	(2,916,638)
Net position, end of year	$ (4,516,258)	$ (3,367,884)

Financial Analysis of the District's Funds

The District's combined fund balances, as of July 31, 2020, were $4,146,406, which consists of $2,631,272 in the General Fund, $1,445,752 in the Debt Service Fund, and $69,382 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of July 31, 2020 and 2019 is as follows:

	2020	2019
Total assets	$ 2,719,120	$ 1,810,926
Total liabilities	$ 74,158	$ 77,032
Total deferred inflows	13,690	1,087
Total fund balance	2,631,272	1,732,807
Total liabilities, deferred inflows and fund balance	$ 2,719,120	$ 1,810,926

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

		2020		2019
Total revenues	$	1,689,457	$	1,009,245
Total expenditures		(790,992)		(736,941)
Revenues over expenditures		898,465		272,304
Other changes in fund balance				(62,064)
Net change in fund balance	$	898,465	$	210,240

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because the District increased the maintenance and operations component of the levy and because assessed values increased from prior year.
- Sewer service revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Revenues from providing garbage collection services are based on the number of connections in the District and increases as the number of connections increases.
- Sewer connection and inspection fees fluctuate with homebuilding activity within the District.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of July 31, 2020 and 2019 is as follows:

		2020		2019
Total assets	$	1,535,712	$	1,484,964
Total liabilities	$	19,380	$	959
Total deferred inflows		70,580		38,725
Total fund balance		1,445,752		1,445,280
Total liabilities, deferred inflows and fund balance	$	1,535,712	$	1,484,964

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

	2020	2019
Total revenues	$ 1,392,566	$ 1,545,753
Total expenditures	(1,392,094)	(1,099,917)
Revenues over expenditures	$ 472	$ 445,836

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of July 31, 2020 and 2019 is as follows:

	2020	2019
Total assets	$ 69,382	$ 64,364
Total liabilities	$ -	$ 11,400
Total fund balance	69,382	52,964
Total liabilities and fund balance	$ 69,382	$ 64,364

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

	2020	2019
Total revenues	$ 62	$ 1,152
Total expenditures	(10,758,644)	(3,747,492)
Revenues under expenditures	(10,758,582)	(3,746,340)
Other changes in fund balance	10,775,000	3,769,064
Net change in fund balance	$ 16,418	$ 22,724

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2019 Unlimited Tax Bonds and Series 2020 Unlimited Tax Road Bonds in the current year and issuance of its Series 2018 Unlimited Tax Bonds and Series 2018 Unlimited Tax Road Bonds in the prior year.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $450,988 greater than budgeted. The *Budgetary Comparison Schedule* on page 32 of this report provides variance information per financial statement line item.

Capital Assets

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

Capital assets held by the District at July 31, 2020 and 2019 are summarized as follows:

	2020	2019
Capital assets not being depreciated		
Land and improvements	$ 2,093,270	$ 366,150
Capital assets being depreciated		
Water, wastewater and drainage facilities	12,620,563	10,359,845
Roads	11,995,713	9,928,576
	24,616,276	20,288,421
Less accumulated depreciation		
Water, wastewater and drainage facilities	(1,939,317)	(1,658,861)
Roads	(3,371,010)	(2,637,876)
	(5,310,327)	(4,296,737)
Depreciable capital assets, net	19,305,949	15,991,684
Capital assets, net	$ 21,399,219	$ 16,357,834

Capital asset additions during the current year include utilities and road improvements to serve Travis Ranch, Phase 3C.

Long-Term Debt and Related Liabilities

As of July 31, 2020, the District owes $3,504,066 to the developer for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At July 31, 2020 and 2019, the District had total bonded debt outstanding as shown below:

Series	2020	2019
2007	$ 220,000	$ 220,000
2008	480,000	480,000
2014 Refunding	3,145,000	3,435,000
2015 Road	4,775,000	4,775,000
2017 Road	2,335,000	2,490,000
2018 Road	2,570,000	2,640,000
2018	2,400,000	2,400,000
2019	2,525,000	
2020 Road	8,250,000	
	$ 26,700,000	$ 16,440,000

During the current year, the District issued $2,525,000 in unlimited tax bonds and $8,250,000 in unlimited tax road bonds. At July 31, 2020, the District had $41,275,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and $78,355,000 for the refunding of such bonds; $15,595,000 for road improvements and $50,850,000 for the refunding of such bonds.

Next Year's Budget

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

	2020 Actual	2021 Budget
Total revenues	$ 1,689,457	$ 1,373,436
Total expenditures	(790,992)	(863,966)
Revenues over expenditures	898,465	509,470
Beginning fund balance	1,732,807	2,631,272
Ending fund balance	$ 2,631,272	$ 3,140,742

Property Taxes

The District's property tax base increased approximately $41,651,000 for the 2020 tax year from $209,322,230 to $250,973,539. This increase was primarily due to new construction in the District and increased property values. For the 2020 tax year, the District has levied a maintenance tax rate of $0.1025 per $100 of assessed value, a contract tax rate of $0.0775 per $100 of assessed value, a water, sewer, and drainage debt service tax rate of $0.25 per $100 of assessed value, and a road debt service tax rate of $0.47 per $100 of assessed value, for a total combined tax rate of $0.90 per $100. Tax rates for the 2019 tax year were $0.24 per $100 for maintenance and operations, $0.095 per $100 for contract tax, $0.285 per $100 for water, sewer, drainage debt service, and $0.28 per $100 for road debt service, for a combined total of $0.90 per $100 of assessed value.

Infectious Disease Outlook (COVID-19)

As further discussed in Note 12, the World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory virus currently affecting many parts of the world, including the United States and Texas. The pandemic has negatively affected the economic growth and financial markets worldwide and within Texas. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak could have an adverse effect on the District's operations and financial condition by negatively affecting property taxes and ad valorem tax revenues within the District.

Basic Financial Statements

Kaufman County Municipal Utility District No. 7
Statement of Net Position and Governmental Funds Balance Sheet
July 31, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 1,131,917	$ 133,365	$ 69,382	$ 1,334,664	$ -	$ 1,334,664
Investments	1,295,000	1,325,000		2,620,000		2,620,000
Taxes receivable	13,690	70,580		84,270		84,270
Customer service receivables, net	89,769			89,769		89,769
Internal balances	2,513	(2,513)				
Other receivables	3,733	9,280		13,013		13,013
Due from other governments	117,376			117,376		117,376
Operating reserve	65,122			65,122		65,122
Due from developer					107,424	107,424
Capital assets not being depreciated					2,093,270	2,093,270
Capital assets, net					19,305,949	19,305,949
Total Assets	$ 2,719,120	$ 1,535,712	$ 69,382	$ 4,324,214	21,506,643	25,830,857
Deferred Outflows of Resources						
Deferred difference on refunding					94,908	94,908
Liabilities						
Accounts payable	$ 18,867	$ -	$ -	$ 18,867		18,867
Other payables	1,496	1,370		2,866		2,866
Due to other governments	53,795			53,795		53,795
Accrued interest payable		18,010		18,010	321,428	339,438
Due to developer					3,504,066	3,504,066
Long-term debt						
Due within one year					540,000	540,000
Due after one year					25,982,991	25,982,991
Total Liabilities	74,158	19,380		93,538	30,348,485	30,442,023
Deferred Inflows of Resources						
Deferred property taxes	13,690	70,580		84,270	(84,270)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	65,122			65,122	(65,122)	
Restricted		1,445,752	69,382	1,515,134	(1,515,134)	
Unassigned	2,566,150			2,566,150	(2,566,150)	
Total Fund Balances	2,631,272	1,445,752	69,382	4,146,406	(4,146,406)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 2,719,120	$ 1,535,712	$ 69,382	$ 4,324,214		
Net Position						
Net investment in capital assets					(8,458,548)	(8,458,548)
Restricted for debt service					1,194,904	1,194,904
Unrestricted					2,747,386	2,747,386
Total Net Position					$ (4,516,258)	$ (4,516,258)

See notes to basic financial statements.

Kaufman County Municipal Utility District No. 7
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended July 31, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Sewer service	$ 433,110	$ -	$ -	$ 433,110	$ -	$ 433,110
Property taxes	489,984	1,357,402		1,847,386	36,697	1,884,083
Penalties and interest	23,896	14,595		38,491	7,760	46,251
Garbage service	278,129			278,129		278,129
Sewer connection and inspection	403,650			403,650		403,650
Storm water service	44,677			44,677		44,677
Investment earnings	16,011	20,569	62	36,642		36,642
Total Revenues	1,689,457	1,392,566	62	3,082,085	44,457	3,126,542
Expenditures/Expenses						
Current service operations						
Purchased services	329,940			329,940		329,940
Professional fees	72,214		60,010	132,224		132,224
Contracted services	325,847	36,628		362,475		362,475
Repairs and maintenance	30,023			30,023		30,023
Utilities	20,252			20,252		20,252
Administrative	10,772	4,451		15,223		15,223
Other	1,944	192	36	2,172		2,172
Capital outlay			9,254,475	9,254,475	(9,254,475)	
Debt service						
Principal		515,000		515,000	(515,000)	
Interest and fees		642,967		642,967	89,071	732,038
Developer interest			587,134	587,134		587,134
Debt issuance costs			856,989	856,989		856,989
Contractual obligations		192,856		192,856		192,856
Depreciation					1,013,590	1,013,590
Total Expenditures/Expenses	790,992	1,392,094	10,758,644	12,941,730	(8,666,814)	4,274,916
Revenues Over (Under) Expenditures	898,465	472	(10,758,582)	(9,859,645)	9,859,645	
Other Financing Sources						
Proceeds from sale of bonds			10,775,000	10,775,000	(10,775,000)	
Net Change in Fund Balances	898,465	472	16,418	915,355	(915,355)	
Change in Net Position					(1,148,374)	(1,148,374)
Fund Balance/Net Position						
Beginning of the year	1,732,807	1,445,280	52,964	3,231,051	(6,598,935)	(3,367,884)
End of the year	$ 2,631,272	$ 1,445,752	$ 69,382	$ 4,146,406	$ (8,662,664)	$ (4,516,258)

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Kaufman County Municipal Utility District No. 7 (the "District") conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the most significant policies:

Creation

The District was organized, created and established as Lake Vista Ranch Municipal Utility District No. 3 pursuant to an order of the Texas Commission on Environmental Quality dated November 10, 2004, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on November 16, 2004 and the first bonds were issued on March 15, 2007. The District changed its name to Kaufman County Municipal Utility District No. 7 on August 2, 2005.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

- The General Fund is used to account for the operations of the District's sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt and payment of contract taxes to the Master District (See Note 9). The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer, drainage and road facilities.

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

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

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

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

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

Use of Restricted Resources

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At July 31, 2020, allowances of $4,500 were provided for possible uncollectible sewer accounts.

Interfund Activity

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

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of $5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of water, wastewater, drainage and road facilities, are depreciated using the straight-line method as follows:

Assets	Useful Life
Water, wastewater and drainage facilities	45 years
Roads	20 years

The District's detention facilities and drainage channels are considered improvements to land and are non-depreciable.

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources

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

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

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of operating reserves paid to Kaufman County Municipal Utility District No. 5 for the joint facilities.

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

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

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

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds		$ 4,146,406
Amounts due from the District's developer are not available to pay current period expenditures, and, therefore, are reported as assets in the *Statement of Net Position.*		107,424
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 26,709,546	
Less accumulated depreciation	(5,310,327)	
Change due to capital assets		21,399,219
The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the *Statement of Net Position* and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.		94,908
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Bonds payable, net	(26,522,991)	
Interest payable on bonds	(321,428)	
Change due to long-term debt		(26,844,419)
Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the *Statement of Net Position.*		(3,504,066)
Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		
Property taxes receivable	68,792	
Penalty and interest receivable	15,478	
Change due to property taxes		84,270
Total net position - governmental activities		$ (4,516,258)

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

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

Net change in fund balances - total governmental funds		$ 915,355
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest.		44,457
Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the *Statement of Activities,* the cost of capital assets is charged to expense over the estimated useful life of the asset. Amounts reimbursed to the developer reduce the liability for due to developer in the *Statement of Net Position.*		
Capital outlays	$ 9,254,475	
Depreciation expense	(1,013,590)	
		8,240,885
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.		
Principal payments	515,000	
Interest expense accrual	(89,071)	
Issuance of long term debt	(10,775,000)	
		(10,349,071)
Change in net position of governmental activities		$ (1,148,374)

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Note 3 – Deposits and Investments (continued)

Investments

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

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

As of July 31, 2020, the District's investments consist of the following:

Type	Fund	Carrying Value
Certificates of deposit	General	$ 1,295,000
	Debt Service	1,325,000
		$ 2,620,000

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

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at July 31, 2020, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General	Debt Service	$ 2,513	Maintenance tax collections not remitted as of year end

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

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended July 31, 2020, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	$ 366,150	$ 1,727,120	$ 2,093,270
Capital assets being depreciated			
Water, wastewater and drainage facilities	10,359,845	2,260,718	12,620,563
Roads	9,928,576	2,067,137	11,995,713
	20,288,421	4,327,855	24,616,276
Less accumulated depreciation			
Water, wastewater and drainage facilities	(1,658,861)	(280,456)	(1,939,317)
Roads	(2,637,876)	(733,134)	(3,371,010)
	(4,296,737)	(1,013,590)	(5,310,327)
Subtotal depreciable capital assets, net	15,991,684	3,314,265	19,305,949
Capital assets, net	$ 16,357,834	$ 5,041,385	$ 21,399,219

Depreciation expense for the current year was $1,013,590.

Note 6 – Due to Developer

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

The District's developer has also advanced funds to the District for operating expenses.

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

Due to developer, beginning of year	$ 6,703,566
Developer reimbursements	(9,254,475)
Developer funded construction and adjustments	6,054,975
Due to developer, end of year	$ 3,504,066

Note 6 – Due to Developer (continued)

During the previous fiscal year, the District reimbursed its developer $107,424 in excess of amounts approved for reimbursement from its Series 2018 Unlimited Tax Bonds. As a result, this amount is recognized as "Due from developer" in the *Statement of Net Position.*

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 26,700,000
Unamortized discounts	(177,009)
	$ 26,522,991
Due within one year	$ 540,000

The District's bonds payable at July 31, 2020, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2007	$ 220,000	$ 2,870,000	4.0% - 6.5%	March 1, 2009/2030	September 1, March 1	March 1, 2014
2008	480,000	3,280,000	5.0% - 6.0%	March 1, 2011/2031	September 1, March 1	March 1, 2015
2014 Refunding	3,145,000	4,210,000	2.83%	March 1, 2015/2029	September 1, March 1	March 1, 2022
2015 Road	4,775,000	4,775,000	3.625% - 4.0%	September 1, 2031/2040	September 1, March 1	March 1, 2023
2017 Road	2,335,000	2,640,000	1.40% - 3.375%	September 1, 2018/2031	September 1, March 1	September 1, 2024
2018 Road	2,570,000	2,640,000	3.625% - 5.75%	September 1, 2019/2042	September 1, March 1	September 1, 2023
2018	2,400,000	2,400,000	4.0% - 5.0%	September 1, 2031/2042	September 1, March 1	September 1, 2023
2019	2,525,000	2,525,000	2.75% - 3.00%	September 1, 2032/2044	September 1, March 1	September 1, 2024
2020 Road	8,250,000	8,250,000	2.0% - 4.5%	September 1, 2022/2045	September 1, March 1	September 1, 2025
	$ 26,700,000					

Note 7 – Long-Term Debt (continued)

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

At July 31, 2020, the District had authorized but unissued bonds in the amount of $41,275,000 for water, sewer and drainage facilities and $78,355,000 for the refunding of such bonds; $15,595,000 for road improvements and $50,850,000 for the refunding of such bonds.

On August 15, 2019, the District issued its $2,525,000 Series 2019 Unlimited Tax Bonds at a net effective interest rate of 3.129516%. Proceeds of the bonds were used to reimburse the developer for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds.

On May 28, 2020, the District issued its $8,250,000 Series 2020 Unlimited Tax Road Bonds at a net effective interest rate of 3.049911%. Proceeds of the bonds were used to reimburse the developer for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds and the acquisition of land for certain District facilities.

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

Bonds payable, beginning of year	$ 16,440,000
Bonds issued	10,775,000
Bonds retired	(515,000)
Bonds payable, end of year	$ 26,700,000

Note 7 – Long-Term Debt (continued)

As of July 31, 2020, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2021	$ 540,000	$ 859,245	$ 1,399,245
2022	550,000	883,432	1,433,432
2023	895,000	860,509	1,755,509
2024	925,000	829,996	1,754,996
2025	955,000	798,065	1,753,065
2026	980,000	764,043	1,744,043
2027	1,020,000	732,304	1,752,304
2028	1,055,000	704,179	1,759,179
2029	1,095,000	675,820	1,770,820
2030	1,170,000	645,786	1,815,786
2031	985,000	604,162	1,589,162
2032	825,000	567,910	1,392,910
2033	1,080,000	535,200	1,615,200
2034	1,120,000	495,425	1,615,425
2035	1,160,000	453,713	1,613,713
2036	1,210,000	410,188	1,620,188
2037	1,255,000	366,226	1,621,226
2038	1,300,000	320,569	1,620,569
2039	1,350,000	271,728	1,621,728
2040	1,400,000	220,919	1,620,919
2041	1,455,000	168,056	1,623,056
2042	1,005,000	123,578	1,128,578
2043	1,045,000	87,922	1,132,922
2044	905,000	56,175	961,175
2045	935,000	28,575	963,575
2046	485,000	7,275	492,275
	$ 26,700,000	$ 12,471,000	$ 39,171,000

Note 8 – Property Taxes

On February 15, 2005, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $0.99 per $100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Note 8 – Property Taxes (continued)

Property taxes are collected based on rates adopted in the year of the levy. The District's 2020 fiscal year was financed through the 2019 tax levy, pursuant to which the District levied property taxes of $0.90 per $100 of assessed value, of which $0.24 was allocated to maintenance and operations, $0.285 was allocated to water, sewer and drainage debt service, $0.095 was allocated to contract tax, and $0.28 was allocated to road debt service. The resulting tax levy was $1,883,900 on the adjusted taxable value of $209,322,230.

Property taxes receivable, at July 31, 2020, consisted of the following:

Current year taxes receivable	$	47,262
Prior years taxes receivable		21,530
		68,792
Penalty and interest receivable		15,478
Property taxes receivable	$	84,270

Note 9 – Master District

On November 16, 2004, the District entered into a contract (the "Contract") with Kaufman County Municipal Utility District No. 5 (the "Master District") whereby the Master District agrees to provide or cause to be provided the regional water supply and distribution facilities and the wastewater collection, treatment and disposal facilities necessary to serve all districts located within the Master District's service area.

The Master District is authorized to issue bonds for the purpose of acquiring and constructing facilities needed to provide services to all participating districts. The District shall contribute to the payment of debt service requirements based on its pro rata share of the total certified assessed valuation of all participating districts. As of July 31, 2020, the Master District has $5,395,000 in contract revenue bonds outstanding. The District contributed $192,856 to this debt service requirement during the fiscal year ended July 31, 2020.

The Contract authorizes the establishment of an initial operating and maintenance reserve by the Master District equivalent to three months' operating and maintenance expenditures, as set forth in the Master District's annual budget. As of July 31, 2020, the district has a reserve of $65,122. The Master District shall adjust the reserve as needed, not less than annually.

Monthly operating and maintenance expenditures of the Master District are charged on a pro rata basis to each participating district, based on the number of equivalent single family connections in the District. As of July 31, 2020, the District has incurred $329,940 for its share of the Master District operating and maintenance expenditures.

Note 10 – Water Service Contract

On August 11, 2003, the District entered into an agreement, as subsequently amended, with Forney Lake Water Supply Corporation ("Forney Lake"). Pursuant to the terms of this Contract, the District is required to construct water facilities to serve customers within the service area. Forney Lake is responsible for the operation and maintenance of the water system and is entitled to all revenues derived from the operation of the water system. After the District's bonded debt and developer are paid in full for the water system, the District shall convey the water system to Forney Lake at Forney Lake's option.

Note 11 – Risk Management

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

Note 12 – Infectious Disease Outlook (COVID-19)

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and Texas. Federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. On March 31, 2020, the Governor issued an executive order closing all non-essential businesses in the State. This order expired on April 30, 2020. Additionally, all the counties in the greater Houston area adopted various "Work Safe – Stay Home" orders. Such actions are focused on limiting instances where the public can congregate or interact with each other. These precautions resulted in the temporary closure of all non-essential businesses in the State.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting the economic growth and financial markets worldwide and within Texas. These negative impacts may reduce or negatively affect property taxes and ad valorem tax revenues within the District.

While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of the Pandemic could have an adverse effect on the District's operations and financial condition.

Note 13 – Subsequent Event

On December 17, 2020, Kaufman County Municipal Utility District No. 5 (the "Master District") issued its $8,200,000 Series 2020 Unlimited Tax Contract Revenue Bonds at a net effective rate of 2.328068%. Proceeds from the bonds will be used to reimburse the District's developer for infrastructure improvements in the Master District service area and fund the construction of regional facilities.

Required Supplementary Information

Kaufman County Municipal Utility District No. 7
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended July 31, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Sewer service	$ 375,000	$ 433,110	$ 58,110
Property taxes	311,655	489,984	178,329
Penalties and interest	28,500	23,896	(4,604)
Garbage service	240,000	278,129	38,129
Sewer connection and inspection	224,250	403,650	179,400
Storm water service	39,000	44,677	5,677
Investment earnings	18,000	16,011	(1,989)
Total Revenues	1,236,405	1,689,457	453,052
Expenditures			
Current service operations			
Purchased services	390,728	329,940	60,788
Professional fees	54,500	72,214	(17,714)
Contracted services	238,795	325,847	(87,052)
Repairs and maintenance	68,000	30,023	37,977
Utilities	19,500	20,252	(752)
Administrative	10,110	10,772	(662)
Other	7,295	1,944	5,351
Total Expenditures	788,928	790,992	(2,064)
Revenues Over Expenditures	447,477	898,465	450,988
Fund Balance			
Beginning of the year	1,732,807	1,732,807	
End of the year	$ 2,180,284	$ 2,631,272	$ 450,988

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

Kaufman County Municipal Utility District No. 7
TSI-1. Services and Rates
July 31, 2020

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

[ ] Retail Water	[ ] Wholesale Water	[X] Solid Waste/Garbage	[X] Drainage
[X] Retail Wastewater	[ ] Wholesale Wastewater	[ ] Flood Control	[ ] Irrigation
[ ] Parks/Recreation	[ ] Fire Protection	[X] Roads	[X] Security

[X] Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

[X] Other (Specify): Water services are provided by Forney Lake Water Supply Corporation

2. Retail Service Providers
(You may omit this information if your district does not provide retail services)

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

	Minimum Charge	Minimum Usage	Flat Rate (Y/N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels		
Wastewater:	$ 21.50	2,000	N	$ 2.05	2,001	to	10,000
				$ 2.45	10,001	to	no limit
Storm water fee:	$ 3.55	-0-	Y	N/A	N/A	to	N/A

District employs winter averaging for wastewater usage? [ ] Yes [X] No

Total charges per 10,000 gallons usage: Water N/A Wastewater $ 41.45

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"			x 1.0	
1"			x 2.5	
1.5"			x 5.0	
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water				
Total Wastewater	1,161	1,161	x 1.0	1,161

See accompanying auditor's report.

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):
   (You may omit this information if your district does not provide water)

Gallons pumped into system:	N/A	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons billed to customers:	N/A	N/A

4. Standby Fees (authorized only under TWC Section 49.231):
   (You may omit this information if your district does not levy standby fees)

   Does the District have Debt Service standby fees? Yes [ ] No [X]

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

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

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

5. Location of District (required for first audit year or when information changes, otherwise this information may be omitted):

   Is the District located entirely within one county? Yes [X] No [ ]

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

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

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

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

   Entirely [X] Partly [ ] Not at all [ ]

   ETJs in which the District is located: Cities of Heath and Dallas

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

   If Yes, by whom? ______

See accompanying auditors' report.

Kaufman County Municipal Utility District No. 7
TSI-2 General Fund Expenditures
For the Year Ended July 31, 2020

Purchased services	$	329,940
Professional fees		
Legal		32,653
Audit		12,500
Engineering		27,061
		72,214
Contracted services		
Bookkeeping		10,072
Billing services		35,658
Operator		28,146
Garbage collection		209,930
Connection and inspection		3,665
Security services		38,376
		325,847
Repairs and maintenance		30,023
Utilities		20,252
Administrative		
Directors fees		6,600
Insurance		2,992
Other		1,180
		10,772
Other		1,944
Total expenditures	$	790,992

See accompanying auditors' report.

Kaufman County Municipal Utility District No. 7
TSI-3. Investments
July 31, 2020

Fund	Interest Rate	Maturity Date	Balance at End of Year	Interest Receivable
General				
Certificates of deposit	1.46%	08/21/20	$ 300,000	$ 1,932
Certificates of deposit	1.60%	02/21/21	245,000	1,729
Certificates of deposit	0.25%	11/20/20	750,000	72.00
			1,295,000	3,733
Debt Service				
Certificate of deposit	1.50%	08/24/20	245,000	1,591
Certificate of deposit	1.85%	08/24/20	155,000	1,241
Certificate of deposit	1.47%	08/24/20	190,000	1,209
Certificate of deposit	1.65%	08/24/20	245,000	1,750
Certificate of deposit	1.65%	08/24/20	245,000	1,750
Certificate of deposit	1.64%	08/21/20	245,000	1,739
			1,325,000	9,280
Total - All Funds			$ 2,620,000	$ 13,013

See accompanying auditors' report.

Kaufman County Municipal Utility District No. 7
TSI-4. Taxes Levied and Receivable
July 31, 2020

	Maintenance Taxes	Contract Taxes	W-S-D Debt Service Taxes	Road Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	$ 1,087	$ 4,003	$ 11,315	$ 15,689	$ 32,094
Adjustments		(20)	(61)	(99)	(180)
Adjusted Receivable	1,087	3,983	11,254	15,590	31,914
2019 Original Tax Levy	481,612	190,638	571,914	561,880	1,806,044
Adjustments	20,761	8,218	24,655	24,222	77,856
Adjusted Tax Levy	502,373	198,856	596,569	586,102	1,883,900
Total to be accounted for	503,460	202,839	607,823	601,692	1,915,814
Tax collections:					
Current year	489,770	193,867	581,602	571,399	1,836,638
Prior years		1,154	3,519	5,711	10,384
Total Collections	489,770	195,021	585,121	577,110	1,847,022
Taxes Receivable, End of Year	$ 13,690	$ 7,818	$ 22,702	$ 24,582	$ 68,792
Taxes Receivable, By Years					
2019	$ 12,603	$ 4,989	$ 14,967	$ 14,703	$ 47,262
2018		1,651	5,034	8,171	14,856
2017	530	662	1,368	1,412	3,972
2016 and prior	557	516	1,333	296	2,702
Taxes Receivable, End of Year	$ 13,690	$ 7,818	$ 22,702	$ 24,582	$ 68,792

	2019	2018	2017	2016
Property Valuations:				
Land	$ 61,879,700	$ 28,396,860	$ 23,562,780	$ 22,085,390
Improvements	151,557,773	147,609,779	112,672,130	98,963,355
Personal Property	133,860	90,630	82,580	175,350
Exemptions	(4,249,103)	(5,360,470)	(4,152,416)	(5,331,201)
Total Property Valuations	$ 209,322,230	$ 170,736,799	$ 132,165,074	$ 115,892,894
Tax Rates per $100 Valuation:				
Maintenance tax rates	$ 0.240	$ -	$ 0.12	$ 0.24
Contract tax rates	0.095	0.100	0.15	0.13
W-S-D debt service tax rates	0.285	0.305	0.31	0.36
Road debt service tax rates	0.280	0.495	0.32	0.17
Total Tax Rates per $100 Valuation	$ 0.900	$ 0.900	$ 0.90	$ 0.90
Adjusted Tax Levy:	$ 1,883,900	$ 1,536,631	$ 1,189,486	$ 1,043,036
Percentage of Taxes Collected to Taxes Levied **	97.49%	99.03%	99.67%	99.85%

* Maximum Maintenance Tax Rate Approved by Voters: $0.99 on February 15, 2005

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

See accompanying auditors' report.

Kaufman County Municipal Utility District No. 7
TSI-5. Long-Term Debt Service Requirements
Series 2007--by Years
July 31, 2020

Due During Fiscal Years Ending	Principal Due March 1	Interest Due September 1, March 1	Total
2021	$ -	$ 9,460	$ 9,460
2022		9,460	9,460
2023		9,460	9,460
2024		9,460	9,460
2025		9,460	9,460
2026		9,460	9,460
2027		9,460	9,460
2028		9,460	9,460
2029		9,460	9,460
2030	220,000	9,460	229,460
	$ 220,000	$ 94,600	$ 314,600

See accompanying auditors' report.

Kaufman County Municipal Utility District No. 7
TSI-5. Long-Term Debt Service Requirements
Series 2008--by Years
July 31, 2020

Due During Fiscal Years Ending	Principal Due March 1	Interest Due September 1, March 1	Total
2021	$ -	$ 24,480	$ 24,480
2022		24,480	24,480
2023		24,480	24,480
2024		24,480	24,480
2025		24,480	24,480
2026		24,480	24,480
2027		24,480	24,480
2028		24,480	24,480
2029		24,480	24,480
2030	235,000	24,480	259,480
2031	245,000	12,495	257,495
	$ 480,000	$ 257,295	$ 737,295

See accompanying auditors' report.

Kaufman County Municipal Utility District No. 7
TSI-5. Long-Term Debt Service Requirements
Series 2014 Refunding--by Years
July 31, 2020

Due During Fiscal Years Ending	Principal Due March 1	Interest Due September 1, March 1	Total
2021	$ 305,000	$ 89,003	$ 394,003
2022	310,000	80,372	390,372
2023	325,000	71,599	396,599
2024	340,000	62,401	402,401
2025	350,000	52,780	402,780
2026	355,000	42,874	397,874
2027	370,000	32,828	402,828
2028	385,000	22,357	407,357
2029	405,000	11,461	416,461
	$ 3,145,000	$ 465,675	$ 3,610,675

See accompanying auditors' report.

Kaufman County Municipal Utility District No. 7
TSI-5. Long-Term Debt Service Requirements
Series 2015 Road--by Years
July 31, 2020

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2021	$ -	$ 184,100	$ 184,100
2022		184,100	184,100
2023		184,100	184,100
2024		184,100	184,100
2025		184,100	184,100
2026		184,100	184,100
2027		184,100	184,100
2028		184,100	184,100
2029		184,100	184,100
2030		184,100	184,100
2031		184,100	184,100
2032	165,000	181,006	346,006
2033	430,000	169,850	599,850
2034	450,000	153,350	603,350
2035	465,000	136,194	601,194
2036	485,000	118,381	603,381
2037	510,000	100,044	610,044
2038	530,000	80,200	610,200
2039	555,000	58,500	613,500
2040	580,000	35,800	615,800
2041	605,000	12,100	617,100
	$ 4,775,000	$ 3,070,525	$ 7,845,525

See accompanying auditors' report.

Kaufman County Municipal Utility District No. 7
TSI-5. Long-Term Debt Service Requirements
Series 2017 Road--by Years
July 31, 2020

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2021	$ 165,000	$ 62,636	$ 227,636
2022	170,000	59,451	229,451
2023	175,000	55,826	230,826
2024	185,000	51,681	236,681
2025	195,000	46,926	241,926
2026	200,000	41,591	241,591
2027	210,000	35,641	245,641
2028	220,000	29,081	249,081
2029	230,000	22,221	252,221
2030	240,000	15,051	255,051
2031	250,000	7,269	257,269
2032	95,000	1,603	96,603
	$ 2,335,000	$ 428,977	$ 2,763,977

See accompanying auditors' report.

Kaufman County Municipal Utility District No. 7
TSI-5. Long-Term Debt Service Requirements
Series 2018 Road--by Years
July 31, 2020

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2021	$ 70,000	$ 109,619	$ 179,619
2022	70,000	105,594	175,594
2023	70,000	101,569	171,569
2024	75,000	97,400	172,400
2025	80,000	92,944	172,944
2026	85,000	88,413	173,413
2027	90,000	83,819	173,819
2028	90,000	79,825	169,825
2029	95,000	76,472	171,472
2030	100,000	72,938	172,938
2031	105,000	69,091	174,091
2032	110,000	64,925	174,925
2033	115,000	60,494	175,494
2034	115,000	55,894	170,894
2035	120,000	51,194	171,194
2036	125,000	46,294	171,294
2037	130,000	41,194	171,194
2038	140,000	35,794	175,794
2039	145,000	30,003	175,003
2040	150,000	23,919	173,919
2041	155,000	17,531	172,531
2042	165,000	10,731	175,731
2043	170,000	3,613	173,613
	$ 2,570,000	$ 1,419,270	$ 3,989,270

See accompanying auditors' report.

Kaufman County Municipal Utility District No. 7
TSI-5. Long-Term Debt Service Requirements
Series 2018--by Years
July 31, 2020

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2021	$ -	$ 104,675	$ 104,675
2022		104,675	104,675
2023		104,675	104,675
2024		104,675	104,675
2025		104,675	104,675
2026		104,675	104,675
2027		104,675	104,675
2028		104,675	104,675
2029		104,675	104,675
2030		104,675	104,675
2031		104,675	104,675
2032	65,000	103,050	168,050
2033	175,000	97,050	272,050
2034	180,000	88,175	268,175
2035	190,000	78,925	268,925
2036	195,000	69,300	264,300
2037	205,000	60,325	265,325
2038	210,000	52,025	262,025
2039	220,000	43,425	263,425
2040	225,000	34,525	259,525
2041	235,000	25,325	260,325
2042	245,000	15,572	260,572
2043	255,000	5,259	260,259
	$ 2,400,000	$ 1,824,381	$ 4,224,381

See accompanying auditors' report.

Kaufman County Municipal Utility District No. 7
TSI-5. Long-Term Debt Service Requirements
Series 2019--by Years
July 31, 2020

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2021	$ -	$ 75,162	$ 75,162
2022		75,162	75,162
2023		75,162	75,162
2024		75,162	75,162
2025		75,162	75,162
2026		75,162	75,162
2027		75,163	75,163
2028		75,163	75,163
2029		75,163	75,163
2030		75,163	75,163
2031		75,163	75,163
2032		75,163	75,163
2033	115,000	73,581	188,581
2034	120,000	70,350	190,350
2035	125,000	66,825	191,825
2036	135,000	62,925	197,925
2037	140,000	58,800	198,800
2038	150,000	54,450	204,450
2039	150,000	49,950	199,950
2040	160,000	45,300	205,300
2041	165,000	40,425	205,425
2042	170,000	35,400	205,400
2043	180,000	30,150	210,150
2044	450,000	20,700	470,700
2045	465,000	6,975	471,975
	$ 2,525,000	$ 1,517,781	$ 4,042,781

See accompanying auditors' report.

Kaufman County Municipal Utility District No. 7
TSI-5. Long-Term Debt Service Requirements
Series 2020 Road--by Years
July 31, 2020

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2021	$ -	$ 200,110	$ 200,110
2022		240,138	240,138
2023	325,000	233,638	558,638
2024	325,000	220,637	545,637
2025	330,000	207,538	537,538
2026	340,000	193,288	533,288
2027	350,000	182,138	532,138
2028	360,000	175,038	535,038
2029	365,000	167,788	532,788
2030	375,000	159,919	534,919
2031	385,000	151,369	536,369
2032	390,000	142,163	532,163
2033	245,000	134,225	379,225
2034	255,000	127,656	382,656
2035	260,000	120,575	380,575
2036	270,000	113,288	383,288
2037	270,000	105,863	375,863
2038	270,000	98,100	368,100
2039	280,000	89,850	369,850
2040	285,000	81,375	366,375
2041	295,000	72,675	367,675
2042	425,000	61,875	486,875
2043	440,000	48,900	488,900
2044	455,000	35,475	490,475
2045	470,000	21,600	491,600
2046	485,000	7,275	492,275
	$ 8,250,000	$ 3,392,496	$ 11,642,496

See accompanying auditors' report.

Kaufman County Municipal Utility District No. 7
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
July 31, 2020

Due During Fiscal Years Ending	Principal Due September1, March 1	Interest Due September 1, March 1	Total
2021	$ 540,000	$ 859,245	$ 1,399,245
2022	550,000	883,432	1,433,432
2023	895,000	860,509	1,755,509
2024	925,000	829,996	1,754,996
2025	955,000	798,065	1,753,065
2026	980,000	764,043	1,744,043
2027	1,020,000	732,304	1,752,304
2028	1,055,000	704,179	1,759,179
2029	1,095,000	675,820	1,770,820
2030	1,170,000	645,786	1,815,786
2031	985,000	604,162	1,589,162
2032	825,000	567,910	1,392,910
2033	1,080,000	535,200	1,615,200
2034	1,120,000	495,425	1,615,425
2035	1,160,000	453,713	1,613,713
2036	1,210,000	410,188	1,620,188
2037	1,255,000	366,226	1,621,226
2038	1,300,000	320,569	1,620,569
2039	1,350,000	271,728	1,621,728
2040	1,400,000	220,919	1,620,919
2041	1,455,000	168,056	1,623,056
2042	1,005,000	123,578	1,128,578
2043	1,045,000	87,922	1,132,922
2044	905,000	56,175	961,175
2045	935,000	28,575	963,575
2046	485,000	7,275	492,275
	$ 26,700,000	$ 12,471,000	$ 39,171,000

See accompanying auditors' report.

TSI-6. Change in Long-Term Bonded Debt

July 31, 2020

	Bond Issue			
	Series 2007	Series 2008	Series 2014 Refunding	Series 2015 Road
Interest rate	4.0% - 6.5%	5.0% - 6.0%	2.83%	3.625% - 4.0%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	3/1/09 - 3/1/30	3/1/11 - 3/1/31	3/1/15 - 3/1/29	9/1/31 - 9/1/40
Beginning bonds outstanding	$ 220,000	$ 480,000	$ 3,435,000	$ 4,775,000
Bonds issued				
Bonds retired			(290,000)	
Ending bonds outstanding	$ 220,000	$ 480,000	$ 3,145,000	$ 4,775,000
Interest paid during fiscal year	$ 9,460	$ 24,480	$ 97,211	$ 184,100

Paying agent's name and city

Series 2007 and 2008	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
All other Series	Amegy Bank, N.A., Houston, Texas

Bond Authority:	Water, Sewer and Drainage Bonds	Road Bonds	Water, Sewer and Drainage Refunding Bonds	Road Refunding Bonds
Amount Authorized by Voters	$ 52,350,000	$ 33,900,000	$ 78,525,000	$ 50,850,000
Amount Issued	(11,075,000)	(18,305,000)	(170,000)	
Remaining To Be Issued	$ 41,275,000	$ 15,595,000	$ 78,355,000	$ 50,850,000

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

Debt Service Fund cash and investment balances as of July 31, 2020:	$ 1,458,365
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 1,506,577

See accompanying auditors' report.

	Bond Issue			
	Series 2017 Road	Series 2018 Road	Series 2018	Series 2019
Interest rate	1.40% - 3.375%	3.625% - 5.75%	4.0% - 5.0%	2.75% - 3.00%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/18 - 9/1/31	9/1/19 - 9/1/42	9/1/31 - 9/1/42	9/1/32 - 9/1/44
Beginning bonds outstanding	$ 2,490,000	$ 2,640,000	$ 2,400,000	$ -
Bonds issued				2,525,000
Bonds retired	(155,000)	(70,000)		
Ending bonds outstanding	$ 2,335,000	$ 2,570,000	$ 2,400,000	$ 2,525,000
Interest paid during fiscal year	$ 65,362	$ 113,644	$ 104,675	$ 43,845

See accompanying auditors' report.

Bond Issue Series 2020 Road	Totals
2.0% - 4.5% 9/1; 3/1 9/1/22 - 9/1/45	
$ -	$ 16,440,000
8,250,000	10,775,000
	(515,000)
$ 8,250,000	$ 26,700,000
$ -	$ 642,777

Kaufman County Municipal Utility District No. 7
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2020	2019	2018	2017	2016
Revenues					
Sewer service	$ 433,110	$ 356,546	$ 319,782	$ 248,787	$ 254,971
Property taxes	489,984	309	163,069	273,509	112,833
Penalties and interest	23,896	25,664	18,100	13,230	14,165
Garbage service	278,129	229,288	193,640	168,165	148,900
Sewer connection and inspection	403,650	339,300	21,450	324,450	44,450
Storm water service	44,677	36,831	31,105	27,229	26,430
Investment earnings	16,011	21,307	9,716	1,424	997
Total Revenues	1,689,457	1,009,245	756,862	1,056,794	602,746
Expenditures					
Current service operations					
Purchased services	329,940	291,111	257,446	256,315	177,058
Professional fees	72,214	55,079	85,443	39,586	30,325
Contracted services	325,847	234,509	198,529	176,381	166,824
Repairs and maintenance	30,023	126,543	100,546	65,460	19,693
Utilities	20,252	18,172	16,199	14,473	11,480
Administrative	10,772	9,777	9,777	8,784	6,894
Other	1,944	1,750	1,846	1,466	1,488
Total Expenditures	790,992	736,941	669,786	562,465	413,762
Revenues Over Expenditures	$ 898,465	$ 272,304	$ 87,076	$ 494,329	$ 188,984

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2020	2019	2018	2017	2016
25%	34%	42%	23%	43%
29%	*	22%	26%	19%
1%	3%	2%	1%	2%
16%	23%	26%	16%	25%
24%	34%	3%	31%	7%
3%	4%	4%	3%	4%
2%	2%	1%	*	*
100%	100%	100%	100%	100%
20%	29%	34%	24%	29%
4%	5%	11%	4%	5%
19%	23%	26%	17%	28%
2%	13%	13%	6%	3%
1%	2%	2%	1%	2%
1%	1%	1%	1%	1%
*	*	*	*	*
47%	73%	87%	53%	68%
53%	27%	13%	47%	32%

Kaufman County Municipal Utility District No. 7
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2020	2019	2018	2017	2016
Revenues					
Property taxes	$ 1,357,402	$ 1,514,677	$ 1,042,668	$ 758,531	$ 806,311
Penalties and interest	14,595	10,467	14,027	9,184	14,900
Investment earnings	20,569	20,609	8,426	3,285	2,324
Total Revenues	1,392,566	1,545,753	1,065,121	771,000	823,535
Expenditures					
Tax collection services	41,271	29,082	30,285	27,660	23,441
Debt service					
Principal	515,000	435,000	275,000	265,000	250,000
Interest and fees	642,967	463,651	399,237	343,679	262,490
Contractual obligation	192,856	172,184	229,025	196,457	204,031
Total Expenditures	1,392,094	1,099,917	933,547	832,796	739,962
Revenues Over (Under) Expenditures	$ 472	$ 445,836	$ 131,574	$ (61,796)	$ 83,573
Total Active Retail Water Connections	N/A	N/A	N/A	N/A	N/A
Total Active Retail Wastewater Connections	1161	959	813	678	637

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2020	2019	2018	2017	2016
98%	98%	98%	99%	98%
1%	1%	1%	1%	2%
1%	1%	1%	*	*
100%	100%	100%	100%	100%
3%	2%	3%	4%	3%
37%	28%	26%	34%	30%
46%	30%	37%	45%	32%
14%	11%	22%	25%	25%
100%	71%	88%	108%	90%
0%	29%	12%	(8%)	10%

Kaufman County Municipal Utility District No. 7
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended July 31, 2020

Complete District Mailing Address:	14755 Preston Road, Suite 600, Dallas, Texas 75254
District Business Telephone Number:	(972) 788-1600
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	April 12, 2018
Limit on Fees of Office that a Director may receive during a fiscal year:	$ 7,200
(Set by Board Resolution -- TWC Section 49.0600)	

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse-ments	Title at Year End
Board Members				
Hugh F. Anderson, II	5/18 - 5/22	$ 900	$ -	President
Brooke Sammons	5/20 - 5/24	1,650		Vice President
Holly Martin	5/18 - 5/22	900		Secretary
Kim Moon	5/20 - 5/24	1,916		Assistant Secretary
Jason Ruiz	5/20 - 5/24	1,650		Assistant Secretary
		Amounts Paid		
Consultants				
Coats Rose, P.C.	2004	$ 287,210		Attorney / Delinquent Tax Attorney
Inframark, LLC	2004	47,774		Operator
L & S District Services, LLC	2015	11,823		Bookkeeper
Utility Tax Service	2005	14,564		Tax Collector
Kaufman County Appraisal District	Legislation	19,298		Property Valuation
Westwood Professional Services	2015	32,495		Engineer
McGrath & Co., PLLC	2016	20,000		Auditor
H2O Services	2006	35,201		Billing Service
Robert W. Baird & Co. Inc.	2015	222,367		Financial Advisor

* *Fees of Office* are the amounts actually paid to a director during the District's fiscal year.
See accompanying auditors’ report.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By ________________________________
Authorized Officer

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

Form 500NY (5/90)