

OFFICIAL STATEMENT DATED FEBRUARY 15, 2022

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

The District has designated the Bonds as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."

NEW ISSUE – Book Entry Only

RATINGS: Moody's Investors Service, Inc. (AGM Insured)..... "A2"
S&P Global Ratings (AGM Insured) "AA"
Moody's Investors Service, Inc. (Underlying) "Baa3"
See "MUNICIPAL BOND INSURANCE" and "MUNICIPAL BOND RATINGS" herein.

\$3,700,000

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 6

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

UNLIMITED TAX ROAD BONDS, SERIES 2022

Interest accrues from: March 1, 2022

Due: September 1, as shown below

The \$3,700,000 Kaufman County Fresh Water Supply District No. 6 Unlimited Tax Road Bonds, Series 2022 (the "Bonds") are obligations of Kaufman County Fresh Water Supply District No. 6 (the "District") and are not obligations of the State of Texas; Kaufman County, Texas; the City of Forney, Texas; or any entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Kaufman County, Texas, the City of Forney, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

The Bonds will be initially registered and delivered only to Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas, or any successor paying agent/registrant (the "Paying Agent/Registrant") directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System." Principal of the Bonds is payable to the registered owner(s) of the Bonds (the "Bondholder(s)") at the principal payment office of the Paying Agent/Registrant upon surrender of the Bonds for payment at maturity or upon prior redemption. Interest on the Bonds is payable on September 1, 2022, and each March 1 and September 1 thereafter to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each interest payment date (the "Record Date"). The Bonds are issuable in principal denominations of \$5,000 or any integral multiple thereof in fully registered form only.

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



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

\$800,000 Serial Bonds

Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 48618R (b)	Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 48618R (b)
2023	\$105,000	3.000%	1.350%	FB4	2027	115,000	3.000%	1.900%	FF5
2024	110,000	3.000%	1.500%	FC2	2028(c)	120,000	3.000%	2.000%	FG3
2025	110,000	3.000%	1.650%	FD0	2029(c)	125,000	3.000%	2.100%	FH1
2026	115,000	3.000%	1.800%	FE8					

\$2,900,000 Term Bonds

\$255,000 Term Bonds due September 1, 2031 (c)(d) Interest Rate 3.000% (Price: \$103.051) (a) CUSIP No. 48618R FK4 (b)
\$275,000 Term Bonds due September 1, 2033 (c)(d) Interest Rate 3.000% (Price: \$102.022) (a) CUSIP No. 48618R FM0 (b)
\$285,000 Term Bonds due September 1, 2035 (c)(d) Interest Rate 3.000% (Price: \$101.005) (a) CUSIP No. 48618R FP3 (b)
\$790,000 Term Bonds due September 1, 2040 (c)(d) Interest Rate 3.000% (Price: \$100.000) (a) CUSIP No. 48618R FU2 (b)
\$525,000 Term Bonds due September 1, 2043 (c)(d) Interest Rate 3.000% (Price: \$99.215) (a) CUSIP No. 48618R FX6 (b)
\$770,000 Term Bonds due September 1, 2047 (c)(d) Interest Rate 3.000% (Price: \$98.247) (a) CUSIP No. 48618R GB3 (b)

- (a) The initial reoffering yield has been provided by the Initial Purchaser 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 March 1, 2022, 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.
- (c) The Bonds maturing on or after September 1, 2028, 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, 2027, 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 mandatory redemption provisions as set forth herein under "THE BONDS – Redemption of the Bonds – *Mandatory Redemption*."

The Bonds constitute the third series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing road improvements to serve the District (the "Road System") and, when issued, will constitute valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of Payment."

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

The Bonds are offered when, as and if issued by the District and accepted by the winning bidder for the Bonds (the "Initial Purchaser"), subject among other things to the approval of the initial Bonds by the Attorney General of Texas and the approval of certain legal matters by Coats Rose, P.C., Dallas, Texas, Bond Counsel. The Bonds are expected to be available for delivery through the facilities of DTC on or about March 16, 2022. See "LEGAL MATTERS."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, resolutions, contracts, audits, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Robert W. Baird & Co. Incorporated, 1331 Lamar, Suite 1360, Houston, Texas 77010, the Financial Advisor to the District.

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

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX B - 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 that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in the Official Statement until delivery of the Bonds to the Initial Purchaser, and thereafter only as specified in "OFFICIAL STATEMENT - Updating of Official Statement."

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

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
USE OF INFORMATION IN OFFICIAL STATEMENT.....	1	THE BONDS	11
SALE AND DISTRIBUTION OF THE BONDS.....	3	General.....	11
Award of the Bonds.....	3	Book-Entry-Only System	12
Prices and Marketability.....	3	Paying Agent/Registrar	13
Securities Laws.....	3	Record Date	14
MUNICIPAL BOND INSURANCE	3	Registration, Transfer and Exchange	14
Bond Insurance Policy	3	Mutilated, Lost, Stolen or Destroyed Bonds	14
Assured Guaranty Municipal Corp.	3	Outstanding Bonds	14
MUNICIPAL BOND RATINGS.....	5	Authority for Issuance.....	14
OFFICIAL STATEMENT SUMMARY	6	Source of Payment.....	15
SELECTED FINANCIAL INFORMATION.....	10	Redemption of the Bonds	15
INTRODUCTION	11	Annexation	16

Consolidation	17
No Arbitrage	17
Funds	17
Defeasance	17
Issuance of Additional Debt	18
Amendments to the Bond Order	19
Registered Owners' Remedies	19
Legal Investment and Eligibility to Secure Public Funds in Texas.....	19
Use and Distribution of Bond Proceeds.....	20
THE DISTRICT	21
General	21
Description.....	21
Management of the District.....	21
Consultants	21
DEVELOPMENT WITHIN THE DISTRICT	22
Status of Development within the District	22
Homebuilders within the District.....	22
PHOTOGRAPHS TAKEN IN THE DISTRICT	23
THE DEVELOPERS	24
The Role of a Developer.....	24
The Developers.....	24
THE SYSTEM	25
General	25
Description of the System	25
Historical Operations of the System.....	26
DISTRICT DEBT	27
General	27
Direct and Estimated Overlapping Debt Statement	28
Debt Ratios.....	28
Debt Service Requirements.....	29
TAXING PROCEDURES.....	30
Authority to Levy Taxes.....	30
Property Tax Code and County-Wide Appraisal District.....	30
Property Subject to Taxation by the District.....	30
Valuation of Property for Taxation	31
Reappraisal of Property after Disaster	32
Tax Abatement	32
Agricultural, Open Space, Timberland, and Inventory Deferment.....	32
District and Taxpayer Remedies	33
Rollback of Operation and Maintenance Tax Rate	33
Levy and Collection of Taxes.....	34
District's Rights in the Event of Tax Delinquencies.....	34
TAX DATA.....	35
General	35
Tax Rate Limitation.....	35
Debt Service Taxes	35
Maintenance Taxes.....	35
Tax Exemption.....	35
Additional Penalties	35

Historical Tax Collections	36
Tax Rate Distribution	36
Analysis of Tax Base	36
Principal Taxpayers.....	36
Tax Rate Calculations	37
Estimated Overlapping Taxes	37
INVESTMENT CONSIDERATIONS.....	37
General.....	37
Economic Factors Affecting Taxable Values and Tax Payments	38
Competitive Nature of Residential Housing Market	38
Tax Collection Limitations	39
Registered Owners' Remedies	39
Bankruptcy Limitation to Registered Owners' Rights ..	39
Marketability	40
Future Debt	40
Continuing Compliance with Certain Covenants.....	41
Approval of the Bonds.....	41
Environmental Regulations.....	41
Infectious Disease Outlook – COVID-19	43
Potential Impact of Natural Disaster	44
Bond Insurance Risk Factors	44
Future and Proposed Legislation.....	45
LEGAL MATTERS	45
Legal Opinions.....	45
No-Litigation Certificate.....	45
No Material Adverse Change	45
TAX MATTERS.....	46
Tax Exemption	46
Federal Income Tax Accounting Treatment of Original Issue Discount.....	46
Collateral Federal Income Tax Consequences.....	47
Qualified Tax-Exempt Obligations	48
CONTINUING DISCLOSURE OF INFORMATION	48
Annual Reports	48
Event Notices.....	49
Availability of Information	49
Limitations and Amendments.....	49
Compliance with Prior Undertakings	50
OFFICIAL STATEMENT	50
General.....	50
Experts	50
Certification as to Official Statement	51
Updating the Official Statement	51
CONCLUDING STATEMENT.....	51
APPENDIX A - Financial Statements of the District	
APPENDIX B - Specimen Municipal Bond Insurance Policy	

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser"). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS" on the cover page of this Official Statement, at a price of 97.167726% of the principal amount thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 3.190310%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

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 reoffering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

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

affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

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

Current Financial 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 September 30, 2021:

- The policyholders' surplus of AGM was approximately \$2,910 million.
- The contingency reserve of AGM was approximately \$963 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,124 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.

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);
- 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); and
- iv. the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2021 (filed by AGL with the SEC on November 5, 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”.

MUNICIPAL BOND RATINGS

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

The Bonds have received an insured rating of “A2” from Moody’s solely in reliance upon the issuance of the municipal bond insurance policy by AGM at the time of delivery of the Bonds. Moody’s has also assigned an underlying credit rating of “Baa3” to the Bonds. An explanation of the ratings may be obtained from Moody’s, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell, or hold securities. There is no assurance that such ratings will continue for any given period of time or that the ratings will not be revised downward or withdrawn entirely by Moody’s, if, in its judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned to the Bonds other than the insured rating of S&P, the insured rating of Moody’s, or the underlying rating of Moody’s.

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE BONDS

The District.....	Kaufman County Fresh Water Supply District No. 6 (the "District"), a political subdivision of the State of Texas, located within Kaufman County, Texas. See "THE DISTRICT."
The Bonds.....	The District is issuing its \$3,700,000 Unlimited Tax Road Bonds, Series 2022 (the "Bonds"). The Bonds are dated and accrue interest from March 1, 2022, at the interest rates set forth on the cover page hereof. Interest is payable September 1, 2022, and on each March 1 and September 1 thereafter until maturity or prior redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See "THE BONDS."
Redemption of the Bonds	<p><i>Optional Redemption:</i> The Bonds maturing on and after September 1, 2028, are subject to redemption, in whole or from time to time in part, at the option of the District on September 1, 2027, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Redemption of the Bonds – <i>Optional Redemption.</i>"</p> <p>The Bonds maturing on September 1 in the years 2031, 2033, 2035, 2040, 2043 and 2047 are term bonds (the "Term Bonds") and are also subject to the mandatory redemption provisions set forth herein under "THE BONDS – Redemption of the Bonds – <i>Mandatory Redemption.</i>"</p>
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, levied upon all taxable property within the District without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Kaufman County, Texas; the City of Forney, Texas; or any other political subdivision or entity other than the District. See "THE BONDS – Source of Payment."
Payment Record.....	The Bonds constitute the third series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing road improvements to serve the District (the "Road System"). The District has issued three series of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater, and drainage facilities to serve the District (the "Utility System"). The District has never defaulted on the debt service payments on its outstanding indebtedness.
Authority for Issuance.....	Voters of the District have authorized the District's issuance of \$59,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$66,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System; \$88,500,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System; and \$99,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System.

The Bonds are issued pursuant to (i) the bond order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”) on the date of the sale of the Bonds, (ii) Article III, Section 52 of the Texas Constitution, (iii) the general laws of the State of Texas, particularly Chapters 49 and 54, Texas Water Code, as amended, and (iv) an election held by the District on November 8, 2016. See “THE BONDS – Authority for Issuance.”

The Bonds represent the third series of bonds issued by the District for the purpose of acquiring or constructing the Road System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$47,950,000 for the purpose of acquiring or constructing the Road System; \$56,990,000 for the purpose of acquiring or constructing the Utility System; \$88,500,000 for the purpose of refunding bonds issued by the District for the Road System; and \$99,000,000 for the purpose of refunding bonds issued by the District for the Utility System. See “THE BONDS – Issuance of Additional Debt.”

The District anticipates submitting a bond application of approximately \$2,215,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System to the Texas Commission on Environmental Quality (the “TCEQ”) for approval in the first quarter of 2022. Such bonds are anticipated to sell in the fourth quarter of 2022.

Outstanding Bonds	The District has previously issued the following bonds: \$4,370,000 Unlimited Tax Road Bonds, Series 2018; \$3,505,000 Unlimited Tax Utility Bonds, Series 2019; \$1,750,000 Unlimited Tax Utility Bonds, Series 2020; \$2,980,000 Unlimited Tax Road Bonds, Series 2020; and \$3,755,000 Unlimited Tax Bonds, Series 2021. Of the above-referenced bonds issued by the District, \$15,920,000 of bonds will remain outstanding at the delivery of the Bonds (the “Outstanding Bonds”). See “THE BONDS – Outstanding Bonds.”
Use of Proceeds	A portion of the proceeds of the Bonds will be used to reimburse the Developers (hereinafter defined) for the road improvements and related engineering and land costs as shown herein under “THE BONDS – Use and Distribution of Bond Proceeds.” Additionally, proceeds from the Bonds will be used to pay certain costs of issuance of the Bonds and developer interest.
Qualified Tax-Exempt Obligations	The Bonds will be designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Qualified Tax-Exempt Obligations.”
Municipal Bond Insurance	Assured Guaranty Municipal Corp. (“AGM”). See “MUNICIPAL BOND INSURANCE.”
Municipal Bond Ratings.....	Moody’s Investors Service, Inc. (AGM Insured) – “A2”. S&P Global Ratings (AGM Insured) – “AA”. Moody’s Investors Service, Inc. (Underlying) – “Baa3”. See “MUNICIPAL BOND RATINGS.”
Bond Counsel	Coats Rose, P.C., Dallas, Texas, Bond Counsel. See “LEGAL MATTERS.”
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Dallas, Texas.
Financial Advisor.....	Robert W. Baird & Co. Incorporated, Dallas, Texas.
Paying Agent/Registrar.....	Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas.

THE DISTRICT

Description.....	The District is a political subdivision of the State of Texas, located in Kaufman County, approximately 20 miles east of the City of Dallas. It is bordered on the south by Interstate 20 and on the north by High Country Lane. The District is located in the Forney Independent School District. All of the land within the District is within the extraterritorial jurisdiction of the City of Forney. The District contains approximately 330 acres. See “THE DISTRICT – General” and “– Description.”
Authority	The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT – General.”
Development within the District.....	Approximately 244 acres within the District have been developed with water distribution, sanitary sewer and storm drainage and road facilities to serve the single-family residential subdivisions of Vintage Meadows, Phases 1, 2 and 3 (374 lots) and Lakewood Trails Phase 1 and 2 (365 lots). As of January 7, 2022, the District was comprised of approximately 551 completed homes (537 occupied, 12 unoccupied, and 2 model homes); 174 homes under construction; 14 vacant, developed lots, and two amenity centers (one in Vintage Meadows and one in Lakewood Trails). The remaining acreage within the District is comprised of approximately 86 undeveloped but developable acres and no undevelopable acres. See “DEVELOPMENT WITHIN THE DISTRICT.”
The Developers	<p>The 330 acres of land within the District was originally purchased by a predecessor to Dassons Commercial Ltd. (“Dassons”), a Texas limited partnership whose general partner is Schlachter Management Services, LLC, a Texas limited liability company. Such Dassons predecessor sold approximately 88 acres of land to DR Texas (defined below), and a separate entity related to Dassons sold approximately 208 acres to Forestar (defined below). Dassons currently owns approximately 34 acres of undeveloped land within the District.</p> <p>As a condition to the sale of the land mentioned above, Dassons retained the rights to receive a portion of the reimbursements to be paid by the District to both DR Texas and Forestar.</p> <p>Forestar Real Estate Group, Inc., (“Forestar”), a subsidiary of Forestar Group Inc. which is a majority owned subsidiary of D.R. Horton Inc., has developed approximately 156 acres as 365 single family lots as Phases 1 and 2 of the residential subdivision known as Lakewood Trails. Forestar owns approximately 52 acres of undeveloped land within the District. The development of Lakewood Trails is being managed for Forestar by DR Texas (defined below).</p> <p>D.R. Horton-Texas, Ltd., a Texas limited partnership (“DR Texas”), which is wholly owned and controlled by D.R. Horton, Inc., has developed approximately 88 acres as 374 single family lots within the District as the residential subdivision known as “Vintage Meadows” and is managing the development of the land owned by Forestar as described above.</p>

Dassons, Forestar and DR Texas are collectively referred to herein as the "Developers". See "THE DEVELOPERS" herein.

Homebuilder Within the District..... The only homebuilder active within the District is DR Texas. Home prices range in price from approximately \$341,000 to \$391,000 and range in size from approximately 1,500 to 2,600 in square footage. See "THE DEVELOPERS" and "DEVELOPMENT WITHIN THE DISTRICT."

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.

Since such time, 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 COVID-19 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.

INVESTMENT CONSIDERATIONS

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

**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2021 Assessed Valuation	\$ 123,806,441	(a)
Estimated Valuation as of December 15, 2021	\$ 163,512,630	(b)
Direct Debt		
The Outstanding Bonds	\$ 15,920,000	
The Bonds	\$ 3,700,000	
Total	\$ 19,620,000	
Estimated Overlapping Debt	\$ 11,749,886	(c)
Total Direct and Estimated Overlapping Debt	\$ 31,369,886	(c)
Direct Debt Ratios:		
As a Percentage of 2021 Assessed Valuation	15.85	%
As a Percentage of Estimated Valuation as of December 15, 2021	12.00	%
Direct and Estimated Overlapping Debt Ratios:		
As a Percentage of 2021 Assessed Valuation	25.34	%
As a Percentage of Estimated Valuation as of December 15, 2021	19.18	%
Utility System Debt Service Fund Balance (as of December 21, 2021)	\$ 190,029	(d)
Road System Debt Service Fund Balance (as of December 21, 2021)	\$ 167,682	(e)
Utility System Capital Projects Fund (as of December 21, 2021)	\$ 258,204	
Road System Capital Projects Fund (as of December 21, 2021)	\$ 27,635	
General Operating Fund Balance (as of December 21, 2021)	\$ 1,193,499	
2021 Tax Rate		
Utility System Debt Service	\$ 0.42	
Road System Debt Service	0.40	
Maintenance and Operations	0.18	
Total	\$ 1.00	(f)
Average Annual Debt Service Requirement (2022-2047)	\$ 1,077,927	(g)
Maximum Annual Debt Service Requirement (2037)	\$ 1,203,988	(g)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay		
Average Annual Debt Service Requirement (2022-2047):		
Based on 2021 Assessed Valuation at 95% Tax Collections	\$ 0.92	
Based on Estimated Valuation as of December 15, 2021, at 95% Tax Collections	\$ 0.70	
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay		
Maximum Annual Debt Service Requirement (2037):		
Based on 2021 Assessed Valuation at 95% Tax Collections	\$ 1.03	
Based on Estimated Valuation as of December 15, 2021, at 95% Tax Collections	\$ 0.78	
Single-Family Homes (including 174 homes under construction) as of January 7, 2022	725	(h)

- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2021, provided by the Kaufman Central Appraisal District (the "Appraisal District"). Such amount includes \$1,693,502, which represents 80% of the amount under arbitration. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of December 15, 2021 and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2021, through December 15, 2021. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT - Direct and Estimated Overlapping Debt Statement."
- (d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not pledged to pay debt service on any bonds issued for the purpose of acquiring or constructing the Road System (herein defined), such as the Bonds.
- (e) Accrued interest from March 1, 2022, to the delivery date will be deposited into the Road System Debt Service Fund upon closing. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are pledged only to pay the debt service on the Bonds, the Outstanding Bonds for the Road System and any other bonds issued for the purpose of acquiring or constructing the Road System. Funds in the Road System Debt Service Fund are not pledged to pay debt service on any bonds issued for the purpose of acquiring or constructing the Utility System (herein defined).
- (f) See "TAX DATA - Tax Rate Calculations."
- (g) See "DISTRICT DEBT - Debt Service Requirements."
- (h) Approximately 537 homes are occupied, 12 homes are unoccupied, and 2 homes are model homes.

OFFICIAL STATEMENT
relating to
KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 6
(A political subdivision of the State of Texas, located within Kaufman County)
\$3,700,000
UNLIMITED TAX ROAD BONDS
SERIES 2022

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Kaufman County Fresh Water Supply District No. 6 (the "District"), of its \$3,700,000 Unlimited Tax Road Bonds, Series 2022 (the "Bonds").

The Bonds are issued pursuant to (i) the bond order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board") on the date of the sale of the Bonds, (ii) Article III, Section 52 of the Texas Constitution, (iii) the general laws of the State of Texas, particularly Chapters 49 and 54, Texas Water Code, as amended, and (iv) an election held by the District on November 8, 2016.

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

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

THE BONDS

General

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

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

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

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

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

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable but takes no responsibility for the accuracy or completeness thereof.

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

The information in the section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

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

Paying Agent/Registrar

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

authority, shall be registered as a transfer agent with the United States Securities and Exchange Commission and shall have a corporate trust office in the State of Texas.

Record Date

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

Registration, Transfer and Exchange

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange, and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Paying Agent/Registrar, or sent by the United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of the Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See “Book-Entry-Only System” herein defined for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Mutilated, Lost, Stolen or Destroyed Bonds

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

Outstanding Bonds

The District has previously issued the following bonds: \$4,370,000 Unlimited Tax Road Bonds, Series 2018; \$3,505,000 Unlimited Tax Utility Bonds, Series 2019; \$1,750,000 Unlimited Tax Utility Bonds, Series 2020; \$2,980,000 Unlimited Tax Road Bonds, Series 2020; and \$3,755,000 Unlimited Tax Bonds, Series 2021. Of the above-referenced bonds issued by the District, \$15,920,000 of bonds will remain outstanding at the delivery of the Bonds (the “Outstanding Bonds”).

Authority for Issuance

At an election held within the District on November 8, 2016, voters of the District authorized the issuance of \$59,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District (the “Road System”); \$66,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and drainage facilities to serve the District (the “Utility System”); \$88,500,000 principal amount for the purpose of refunding bonds issued by the District for the Road System; and \$99,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System.

The Bonds are issued by the District pursuant to (i) the Bond Order, (ii) Article III, Section 52 of the Texas Constitution, (iii) the general laws of the State of Texas, including particularly Chapters 49 and 54, Texas Water Code, as amended, and (iv) an election held by the District on November 8, 2016.

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

Source of Payment

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

The Bonds are obligations solely of the District and are not the obligations of the State of Texas; Kaufman County (the "County"); City of Forney (the "City"); or any entity other than the District.

Redemption of the Bonds

Optional Redemption

The Bonds maturing on and after September 1, 2028, shall be subject to redemption at the option of the District, in whole or from time to time in part, on September 1, 2027, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by a random selection method in integral multiples of \$5,000 within any one maturity. The Registered Owner of any Bond, all, or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mandatory Redemption

The Bonds maturing on September 1 in the years 2031, 2033, 2035, 2040, 2043 and 2047 are term bonds (the "Term Bonds") and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), on September 1 in each of the years and in the principal amounts set forth in the following schedule:

\$255,000 Term Bonds due September 1, 2031

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2030	\$ 125,000
September 1, 2031 (Maturity)	130,000

\$275,000 Term Bonds due September 1, 2033

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2032	\$ 135,000
September 1, 2033 (Maturity)	140,000

\$285,000 Term Bonds due September 1, 2035

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2034	\$ 140,000
September 1, 2035 (Maturity)	145,000

\$790,000 Term Bonds due September 1, 2040

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2036	\$ 150,000
September 1, 2037	155,000
September 1, 2038	160,000
September 1, 2039	160,000
September 1, 2040 (Maturity)	165,000

\$525,000 Term Bonds due September 1, 2043

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2041	\$ 170,000
September 1, 2042	175,000
September 1, 2043 (Maturity)	180,000

\$770,000 Term Bonds due September 1, 2047

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2044	\$ 185,000
September 1, 2045	190,000
September 1, 2046	195,000
September 1, 2047 (Maturity)	200,000

On or before thirty (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 Resolution. 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 section.

Annexation

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

The District lies wholly within the ETJ of the City of Forney, Texas. Under current law, certain portions of the District may be annexed and dissolved by the City of Forney 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 Forney 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 Forney is a policy-making matter within the discretion of the Mayor and City Council of the City of Forney, and therefore, the District makes no representation that the City of Forney will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Forney to make debt service payments should annexation occur. The Bond Order provides for the termination of the pledge of taxes to the Bonds upon annexation and dissolution by a city.

Consolidation

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

No Arbitrage

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

Funds

The Bond Order confirms the District’s fund for debt service on the Bonds, the Outstanding Bonds for the Road System, and any additional unlimited tax bonds issued by the District for the Road System (the “Road System Debt Service Fund”). Accrued interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the Road System Debt Service Fund. The Road System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds, the Outstanding Bonds for the Road System, and any additional unlimited tax bonds issued by the District for the Road System, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds, the Outstanding Bonds for the Road System, and any of the District’s other duly authorized bonds issued for the Road System payable in whole or in part from taxes. Amounts on deposit in the Road System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, the Outstanding Bonds for the Road System, and any additional bonds for the Road System payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. Amounts on deposit in the Road System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Utility System.

Defeasance

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest, and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place or payment (paying agent) for obligations of the District payable from ad valorem taxes, amounts sufficient to provide for payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded

and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

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

Issuance of Additional Debt

The District may issue additional bonds with the approval of the Texas Commission on Environmental Quality (the "TCEQ") (with respect to the bonds for the Utility System) necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of \$59,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$66,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System; \$88,500,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System; and \$99,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System.

The Bonds represent the third series of bonds issued by the District for the purpose of acquiring or constructing the Road System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$47,950,000 for the purpose of acquiring or constructing the Road System; \$56,990,000 for the purpose of acquiring or constructing the Utility System; \$88,500,000 for the purpose of refunding bonds issued by the District for the Road System; and \$99,000,000 for the purpose of refunding bonds issued by the District for the Utility System. The District may also issue any additional bonds as may hereafter be approved by both the Board of Directors and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Order. The Bond Order 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, in the case of bonds for the Utility System, approved by the TCEQ).

Based on present engineering cost estimates and development plans, in the opinion of the District's Engineer, the remaining \$47,950,000 principal amount of authorized but unissued unlimited tax bonds for purpose of acquiring or constructing the Road System will be sufficient to fully finance road improvements to serve the remaining undeveloped but developable land within the District.

Based on present engineering cost estimates and development plans, in the opinion of the District's Engineer, the remaining \$56,990,000 principal amount of authorized but unissued unlimited tax bonds for purpose of acquiring or constructing the Utility System will be sufficient to fully finance utility facilities to serve the remaining undeveloped but developable land within the District.

Following the issuance of the Bonds, the District will owe the Developers (hereinafter defined) approximately \$1,900,000 for expenditures to construct the Road System and approximately \$5,400,000 for its expenditures to construct the Utility System that had been expended as of January 1, 2022. Such expenditures are expected to increase as development continues within the District.

The District anticipates submitting a bond application of approximately \$2,215,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System to the TCEQ for approval in the first quarter of 2022. Such bonds are anticipated to sell in the fourth of 2022.

Amendments to the Bond Order

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

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order 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 default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

“(b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and

bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.”

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

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

Use and Distribution of Bond Proceeds

A portion of the proceeds from the sale of the Bonds will be used to reimburse the Developers (hereinafter defined) for the road improvements and related engineering and land costs shown below. Additionally, proceeds from the Bonds will be used to pay certain costs of issuance of the Bonds and developer interest.

The construction costs described below were compiled by Jones-Heroy & Associates, Inc., the District’s consulting engineer (the “Consulting Engineer”), based, in some cases, on the estimated costs of facilities. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and the District’s financial advisor, Robert W. Baird & Co. Incorporated (the “Financial Advisor”).

	<u>District’s Share</u>
Construction Costs	
A. Vintage Meadows, Phases 2 & 3 – Drainage	\$ 179,902
B. Lakewood Trails, Phase 1	2,541,149
C. Lakewood Trails, Phase 2	187,880
D. Engineering & Testing (Items 1-2)	<u>157,260</u>
Total Construction Costs	\$ 3,066,190
Non-Construction Costs	
A. Legal Fees	\$ 111,000
B. Financial Advisor Fees	74,000
C. Interest Costs	
a. Developer Interest	282,639
D. Bond Discount	104,794
E. Bond Issuance Expenses	36,671
F. Bond Engineering Fee	14,800
G. Attorney General Fee	3,700
H. Contingency (a)	<u>6,206</u>
Total Non-Construction Costs	\$ 633,810
Total Bond Issue Requirement	<u>\$ 3,700,000</u>

(a) Represents the difference between the estimated and actual amount of discount on the Bonds.

Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District’s auditor. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used, limited, however, to the purposes for which the Bonds were issued.

The Engineer (herein defined) has advised the District that proceeds of the sale of the Bonds should be sufficient to pay the costs of the above-described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

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 an order of the Commissioners Court of Kaufman County effective December 27, 2010. By an order of the TCEQ, the District converted to a municipal utility district, effective June 6, 2016. 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. In addition, the District is authorized to purchase, construct, operate and maintain roads. The District is also authorized to purchase, construct, operate and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water. The District may also provide solid waste collection and disposal service and operate and maintain recreational facilities. The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters and the TCEQ. The District does not operate and/or maintain a fire department. The District is subject to the continuing supervision of the TCEQ.

Description

The District is located in central Kaufman County, approximately 20 miles east of the City of Dallas and is located wholly within the extraterritorial jurisdiction of the City of Forney and wholly within Forney Independent School District. The District is part of the community being marketed as “Vintage Meadows” and “Lakewood Trails.” The District contains approximately 330 acres.

Management of the District

The District is governed by the Board consisting of five directors, who have control over and management supervision of all affairs of the District. All of the Directors own property within the District. The directors serve four-year staggered terms. Elections are held in May of even-numbered years. The current members and officers of the Board are listed below:

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Christian Looney	President	2024
Kelli Burke	Vice President	2024
Kimberly Lanphere	Secretary	2024
Christine LaGrone	Assistant Secretary	2022
Zackry Barbee	Assistant Secretary	2022

Consultants

Although the District does not have a general manager or any other full-time employees, it has contracted for bookkeeping, tax assessing and collecting, auditing, engineering, and legal services as follows:

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

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

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

Auditor – As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. A copy of the District's audit prepared by Mark C. Eyring, CPA, PLLC for the fiscal year ended August 31, 2021, is included as “APPENDIX A” to this Official Statement.

Engineer – The District's engineer is JBI Partners, Inc. (the “Engineer”). The District has also engaged Jones-Heroy & Associates, Inc. as its Consulting Engineer in connection with this bond issue.

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

Disclosure Counsel – The District has engaged McCall, Parkhurst & Horton L.L.P., Dallas, 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 WITHIN THE DISTRICT

Status of Development within the District

Approximately 244 acres within the District have been developed with water distribution, sanitary sewer and storm drainage and road facilities to serve the single-family residential subdivisions of Vintage Meadows, Phases 1, 2 and 3 (374 lots) and Lakewood Trails Phase 1 and 2 (365 lots). As of January 7, 2022, the District was comprised of approximately 551 completed homes (537 occupied, 12 unoccupied, and 2 model homes); 174 homes under construction; 14 vacant, developed lots, and two amenity centers (one in Vintage Meadows and one in Lakewood Trails). The remaining acreage within the District is comprised of approximately 86 undeveloped but developable acres and no undevelopable acres.

The table below summarizes the development within the District as of January 7, 2022, by section.

	Approximate Acreage	Lots	Homes		Vacant Developed Lots
			Completed	Under Construction	
Vintage Meadows, Phase 1	36	143	143	-0-	-0-
Vintage Meadows, Phase 2	23	117	117	-0-	-0-
Vintage Meadows, Phase 3	29	114	114	-0-	-0-
Lakewood Trails, Phase 1	88	196	170	15	11
Lakewood Trails, Phase 2	<u>68</u>	<u>169</u>	<u>7</u>	<u>159</u>	<u>3</u>
Totals	244	739	551	174	14
Acres Under Development	-0-				
Remaining Undeveloped but Developable Acres	86				
Undevelopable Acres	<u>-0-</u>				
Total	<u>330</u>				

Homebuilders within the District

Homebuilding in the District began in 2016. The only homebuilder active within the District is DR Horton-Texas. See “THE DEVELOPERS.” Home prices range from approximately \$341,000 to \$391,000 and homes range in size from approximately 1,500 to 2,600 square feet.

PHOTOGRAPHS TAKEN IN THE DISTRICT
(JANUARY 2022)



THE DEVELOPERS

The Role of a Developer

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

The Developers

The 330 acres of land within the District was originally purchased by a predecessor to Dassons Commercial Ltd. ("Dassons"), a Texas limited partnership whose general partner is Schlachter Management Services, LLC, a Texas limited liability company. Such Dassons predecessor sold approximately 88 acres of land to DR Texas (defined below), and a separate entity related to Dassons sold approximately 208 acres to Forestar (defined below). Dassons currently owns approximately 34 acres of undeveloped land within the District.

As a condition to the sale of the land mentioned above, Dassons retained the rights to receive a portion of the reimbursements to be paid by the District to both DR Texas and Forestar.

Forestar Real Estate Group, Inc., ("Forestar"), a subsidiary of Forestar Group Inc. which is a majority owned subsidiary of D.R. Horton Inc., has developed approximately 156 acres as 365 single family lots as Phases 1 and 2 of the residential subdivision known as Lakewood Trails. Forestar owns approximately 52 acres of undeveloped land within the District. The development of Lakewood Trails is being managed for Forestar by DR Texas (defined below).

Forestar Group, Inc. is a publicly traded corporation whose stock is listed on the New York Stock Exchange as "FOR". Audited financial statements for Forestar Group, Inc. can be found online at <https://investor.forestar.com>. Forestar Group, Inc. is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the SEC. Reports, proxy statements and other information filed by Forestar Group, Inc. can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

D.R. Horton-Texas, Ltd. is a Texas limited partnership ("DR Texas"), which is wholly owned and controlled by D.R. Horton, Inc. DR Texas has developed approximately 88 acres as 374 single family lots within the District as the residential subdivision known as "Vintage Meadows" and is managing the development of the land owned by Forestar as described above.

D.R. Horton, Inc. is a publicly traded corporation whose stock is listed on the New York Stock Exchange as "DHI". Audited financial statements for D.R. Horton, Inc. can be found online at <https://investor.drhorton.com>. D.R. Horton, Inc. is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the SEC. Reports, proxy statements and other information filed by D.R. Horton, Inc. can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

Dassons, Forestar and DR Texas are collectively referred to herein as the “Developers.”

Certain financial information concerning Forestar, and DR Texas is included as part of the consolidated financial statements of Forestar Group, Inc. and D.R. Horton, Inc, respectively. However, Forestar Group, Inc. and D.R. Horton, Inc. are not legally obligated to provide funds for the development of the District, to provide funds to pay taxes on property in the District owned by Forestar and DR Texas, respectively, or to pay any other obligations of Forestar and DR Texas, respectively. Further, none of the Developers is responsible for, is liable for or has made any commitment for payment of the Bonds or other obligations of the District, and the inclusion of such financial statements and description of financial arrangements herein should not be construed as an implication to that effect. None of the Developers has any legal commitment to the District or owners of the Bonds to continue development of the land within the District and the Developers may sell or otherwise dispose of their property within the District, or any other assets, at any time. Further, the financial condition of the Developers is subject to change at any time.

As of January 7, 2022, DR Texas owned approximately 12 completed homes, 2 model homes, 174 homes under construction, and 14 vacant lots in the District and Forestar owns approximately 52 acres of undeveloped land in the District

THE SYSTEM

General

According to the Engineer, the water distribution, wastewater collection and storm water drainage facilities and roads constructed by the District (the “System”) have been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the City of Forney, and Kaufman County. According to the District’s Engineer, the design of all such facilities has been approved by all required governmental agencies and, the water and sanitary sewer system has been inspected by the TCEQ.

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 System

- Roads -

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

- Wastewater Treatment and Conveyance System -

Effective March 14, 2013, the District entered into a Development Agreement (the “Agreement”) with the City and the Developers. In consideration of the District’s acquiring and constructing of wastewater infrastructure on behalf of the City, the City agrees, pursuant to the terms and conditions of the Agreement, to own, operate and maintain the wastewater infrastructure located within the City certificate of convenience and necessity (“CCN”) and to utilize a portion of the capacity in such infrastructure equal to the capacity funded by or on behalf of the District. The City agrees to provide retail wastewater service at the rates established by the City Council for service within the City’s corporate boundaries, as amended from time to time.

- Water Supply and Distribution -

The District lies wholly within the CCN of Talty Special Utility District (“Talty SUD”) for retail water service. On January 27, 2015, the District entered into a water supply service contract (the “Contract”) with Talty SUD. Under the terms of the Contract, the District will construct, or has constructed, a water production or distribution system. Upon completion of such system, the system has been or will be conveyed to Talty SUD. In consideration of the District’s construction and conveying such system, Talty SUD agrees to assume all

operation and maintenance responsibilities for the water system. Talty SUD receives and retains all water service fees collected from customers within the District.

- *Drainage* -

The District is split into two tracts of land. The eastern tract of land drains to the west and south into detention ponds, which outfall into tributaries which lead to the East Fork of the Trinity River. The western tract of land drains to the west into a tributary of the East Fork of the Trinity River.

Rainwater flows to curb and gutter streets to an underground storm sewer collection system to detention ponds or natural drainage ways before being released to a tributary of the East Fork of the Trinity River.

A portion of the District lies within the 100-year floodplain as defined by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps. No areas located within the floodplain are planned for development.

Historical Operations of the System

The following is a summary of the District's Operating Fund. The figures for the fiscal year ending August 31, 2017, through 2021 were obtained from the District's annual financial reports, reference to which is hereby made. See "APPENDIX A." The District is required by statute to have a certified public accountant prepare and file an annual audit of its financial records with the TCEQ.

	Fiscal Year Enging August 31				
<u>Revenues</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Property Taxes	\$ 257,389	\$ 363,654	\$ 437,114	\$ 114,739	\$ 822
Sewer Service	455,072	342,727	303,929	192,490	35,502
Penalty	-	-	-	2,684	-
Interest on Deposits	865	7,054	5,073	256	3
Other	-	-	-	397	343
Total	<u>\$ 713,326</u>	<u>\$ 713,435</u>	<u>\$ 746,116</u>	<u>\$ 310,566</u>	<u>\$ 36,670</u>
<u>Expenditures</u>					
Purchased Wastewater Services	\$ 119,127	\$ 229,570	\$ 120,172	\$ 25,601	\$ 2,970
Professional Fees	38,632	37,891	29,095	46,382	17,385
Contracted Services	91,241	70,416	61,688	39,976	9,951
Utilities	9,516	10,929	9,536	2,017	1,944
Repairs & Maintenance	15,216	12,274	13,805	-	-
Garbage Disposal	100,830	80,255	54,054	23,586	4,182
Capital Outlay	46,814	8,304	-	-	-
Administrative Expenditures	16,657	13,149	12,551	14,851	9,625
Total	<u>\$ 438,033</u>	<u>\$ 462,788</u>	<u>\$ 300,901</u>	<u>\$ 152,413</u>	<u>\$ 46,057</u>
Net Revenues (Deficit)	<u>\$ 275,293</u>	<u>\$ 250,647</u>	<u>\$ 445,215</u>	<u>\$ 158,153</u>	<u>\$ (9,387)</u>
Other Financing Sources (Uses)	\$ -	\$ -	\$ (4,177)	\$ 77	\$ 15,000
Beginning Fund Balance	\$ 862,268	\$ 611,621	\$ 170,583	\$ 12,353	\$ 6,740
Ending Fund Balance	<u>\$ 1,137,561</u>	<u>\$ 862,268</u>	<u>\$ 611,621</u>	<u>\$ 170,583</u>	<u>\$ 12,353</u>

DISTRICT DEBT

General

2021 Assessed Valuation	\$ 123,806,441	(a)
Estimated Valuation as of December 15, 2021	\$ 163,512,630	(b)

Direct Debt

The Outstanding Bonds	\$ 15,920,000
The Bonds	\$ <u>3,700,000</u>
Total	\$ 19,620,000

Estimated Overlapping Debt	\$ <u>11,749,886</u>	(c)
Total Direct and Estimated Overlapping Debt	\$ <u>31,369,886</u>	(c)

Direct Debt Ratios:

As a Percentage of 2021 Assessed Valuation	15.85	%
As a Percentage of Estimated Valuation as of December 15, 2021	12.00	%

Direct and Estimated Overlapping Debt Ratios:

As a Percentage of 2021 Assessed Valuation	25.34	%
As a Percentage of Estimated Valuation as of December 15, 2021	19.18	%

Utility System Debt Service Fund Balance (as of December 21, 2021)	\$	190,029	(d)
Road System Debt Service Fund Balance (as of December 21, 2021).....	\$	167,682	(e)
Utility System Capital Projects Fund (as of December 21, 2021)	\$	258,204	
Road System Capital Projects Fund (as of December 21, 2021)	\$	27,635	
General Operating Fund Balance (as of December 21, 2021)	\$	1,193,499	

2021 Tax Rate

Utility System Debt Service.....	\$ 0.42
Road System Debt Service.....	0.40
Maintenance and Operations	<u>0.18</u>
Total.....	\$ 1.00 (f)

Average Annual Debt Service Requirement (2022–2047)	\$ 1,077,927	(g)
Maximum Annual Debt Service Requirement (2037)	\$ 1,203,988	(g)

Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay

Average Annual Debt Service Requirement (2022–2047):

Based on 2021 Assessed Valuation at 95% Tax Collections	\$ 0.92
Based on Estimated Valuation as of December 15, 2021, at 95% Tax Collections	\$ 0.70

Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay

Maximum Annual Debt Service Requirement (2037):

Based on 2021 Assessed Valuation at 95% Tax Collections	\$ 1.03
Based on Estimated Valuation as of December 15, 2021, at 95% Tax Collections	\$ 0.78

Single-Family Homes (including 174 homes under construction) as of January 7, 2022	725	(h)
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- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2021, provided by the Kaufman Central Appraisal District (the "Appraisal District"). Such amount includes \$1,693,502, which represents 80% of the amount under arbitration. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of December 15, 2021 and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2021, through December 15, 2021. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."
- (d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not pledged to pay debt service on any bonds issued for the purpose of acquiring or constructing the Road System (herein defined), such as the Bonds.
- (e) Accrued interest from March 1, 2022, to the delivery date will be deposited into the Road System Debt Service Fund upon closing. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are pledged only to pay the debt service on the Bonds, the Outstanding Bonds for the Road System and any other bonds issued for the purpose of acquiring or constructing the Road System. Funds in the Road System Debt Service Fund are not pledged to pay debt service on any bonds issued for the purpose of acquiring or constructing the Utility System (herein defined).
- (f) See "TAX DATA – Tax Rate Calculations."
- (g) See "DISTRICT DEBT – Debt Service Requirements."
- (h) Approximately 537 homes are occupied, 12 homes are unoccupied, and 2 homes are model homes.

Direct and Estimated Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt as of December 31, 2021	Overlapping	
		Percent	Amount
Kaufman County	\$ 149,848,357	0.94%	\$ 1,406,905
Forney ISD	509,909,858	2.03	<u>10,342,981</u>
Total Estimated Overlapping Debt			\$ 11,749,886
Direct Debt			<u>19,620,000(a)</u>
Total Direct & Estimated Overlapping Debt			<u>\$ 31,369,886</u>

(a) The Outstanding Bonds and the Bonds.

Debt Ratios

	2021 Taxable Assessed Valuation	Estimated Valuation as of December 15, 2021
Direct Debt	15.85%	12.00%
Total Direct and Estimated Overlapping Debt	25.34%	19.18%

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Debt Service Requirements

The following schedule sets forth the principal and interest requirements on the Bonds.

Year Ending 12/31	Outstanding Debt Service	Plus: The Bonds		Total New Debt Service	Total Debt Service
		Principal	Interest		
2022	\$830,144	\$ -	\$55,500	\$55,500	\$885,644
2023	960,008	105,000	111,000	216,000	1,176,008
2024	964,718	110,000	107,850	217,850	1,182,568
2025	973,418	110,000	104,550	214,550	1,187,968
2026	966,218	115,000	101,250	216,250	1,182,468
2027	968,828	115,000	97,800	212,800	1,181,628
2028	966,663	120,000	94,350	214,350	1,181,013
2029	965,988	125,000	90,750	215,750	1,181,738
2030	974,856	125,000	87,000	212,000	1,186,856
2031	977,813	130,000	83,250	213,250	1,191,063
2032	975,044	135,000	79,350	214,350	1,189,394
2033	976,169	140,000	75,300	215,300	1,191,469
2034	981,300	140,000	71,100	211,100	1,192,400
2035	980,450	145,000	66,900	211,900	1,192,350
2036	984,000	150,000	62,550	212,550	1,196,550
2037	990,938	155,000	58,050	213,050	1,203,988
2038	986,931	160,000	53,400	213,400	1,200,331
2039	986,356	160,000	48,600	208,600	1,194,956
2040	989,931	165,000	43,800	208,800	1,198,731
2041	987,519	170,000	38,850	208,850	1,196,369
2042	994,194	175,000	33,750	208,750	1,202,944
2043	994,444	180,000	28,500	208,500	1,202,944
2044	703,413	185,000	23,100	208,100	911,513
2045	384,438	190,000	17,550	207,550	591,988
2046	210,381	195,000	11,850	206,850	417,231
2047		200,000	6,000	206,000	206,000
	<u>\$22,674,157</u>	<u>\$3,700,000</u>	<u>\$1,651,950</u>	<u>\$5,351,950</u>	<u>\$28,026,107</u>

Average Annual Requirements - (2022-2047)..... \$ 1,077,927
Maximum Annual Requirement - (2037) \$ 1,203,988

TAXING PROCEDURES

Set forth below is a summary of certain provisions of the Texas Property Tax Code relating to the District's ability to levy and collect property taxes on property within the District. Provisions of the Property Tax Code are complex and are not fully summarized herein. Reference is made to the Property Tax Code for more complete information, including the identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

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, the Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully above under "THE BONDS - Source of Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and for the payment of certain contractual obligations. The District's 2021 total tax rate of \$1.00 per \$100 of assessed valuation is composed of the following: a Utility System debt service tax rate of \$0.42 per \$100 of assessed valuation, a Road System debt service tax rate of \$0.40 per \$100 of assessed valuation, and a maintenance tax rate of \$0.18 per \$100 of assessed valuation. See "TAX DATA- Tax Rate Limitation."

Property Tax Code and County-Wide Appraisal District

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

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. The District has not adopted disabled or over 65 exemptions.

Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the

deceased spouse and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. 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. Also, the surviving spouse of a member of the armed forces who was killed or fatally injured in the line of duty is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

Freeport Goods Exemption and "Goods-in-Transit": A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10 percent annually regardless of the market value of the property.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all property in the Appraisal District at least once every three years. It is not known what frequency of reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

Reappraisal of Property after Disaster

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

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.

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. See "TAX DATA – Analysis of Tax Base."

District and Taxpayer Remedies

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

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units

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

Developed Districts

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

Developing Districts

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

in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the District in that year, subject to certain homestead exemptions.

The District

The District was determined to be a Developing District for tax year 2021. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

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. 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 each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien, however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

TAX DATA

General

Taxable property within the District is subject to the assessment, levy, and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements, and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an unlimited amount, for operation and maintenance purposes. The District's 2021 total tax rate of \$1.00 per \$100 of assessed valuation is composed of the following: a Utility System debt service tax rate of \$0.42 per \$100 of assessed valuation, a Road System debt service tax rate of \$0.40 per \$100 of assessed valuation, and a maintenance tax rate of \$0.18 per \$100 of assessed valuation.

Tax Rate Limitation

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

Debt Service Taxes

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. In 2021, the District levied a Utility System debt service tax of \$0.42 per \$100 of assessed valuation and a Road System debt service tax of \$0.40 per \$100 of assessed valuation.

Maintenance Taxes

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. The Board is authorized by the District's voters to levy such maintenance tax in an amount not to exceed \$1.00 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. In 2021, the District levied a maintenance tax of \$0.18 per \$100 of assessed valuation. See "Tax Rate Distribution" below.

Tax Exemption

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

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This twenty percent (20%) penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than June 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

Historical Tax Collections

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

Tax Year	Certified Assessed Valuation	Tax Rate/ \$100 (a)	Adjusted Levy	% of Collections Current Year	Period Ending 9/30	% of Collections as of 12/31/2021
2016	\$ 1,855,110	\$1.000	\$ 18,551	100.00%	2017	100.00
2017	9,704,636	1.000	97,046	99.96	2018	100.00
2018	35,760,941	1.000	357,609	99.52	2019	100.00
2019	82,921,064	1.000	829,211	99.67	2020	100.00
2020	100,508,883	1.000	1,005,089	100.00	2021	100.00
2021	123,806,441	1.000	1,238,064	(b)	2022	(b)

(a) Includes a tax for maintenance and operations purposes. See “- Tax Rate Distribution” below.

(b) In process of collection.

Tax Rate Distribution

The following table sets out the components of the District’s tax levy for each of the 2017 – 2021 tax years.

	2021	2020	2019	2018	2017
Utility Debt Service	\$ 0.42	\$ 0.31	\$ 0.20	\$ 0.00	\$ 0.00
Road Debt Service	0.40	0.44	0.36	0.00	0.00
Maintenance	<u>0.18</u>	<u>0.25</u>	<u>0.44</u>	<u>1.00</u>	<u>1.00</u>
Total	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00

Analysis of Tax Base

The following tables illustrates the types of property comprising the District assessed taxable value for the 2017 – 2021 tax years:

Type of Property	2021 Assessed Valuation	2020 Assessed Valuation	2019 Assessed Valuation	2018 Assessed Valuation	2017 Assessed Valuation
Land	\$ 32,574,564	\$ 32,511,330	\$ 16,977,843	\$ 17,062,000	\$ 11,390,320
Improvements	94,578,919	69,434,334	67,434,334	24,539,455	4,139,686
Personal Property	23,763	89,850	4,100	25,050	0
Less: Exemptions	<u>(3,370,805)</u>	<u>(1,826,036)</u>	<u>(1,495,213)</u>	<u>(5,865,564)</u>	<u>(5,825,370)</u>
Total	\$123,806,441	\$100,508,883	\$ 82,921,064	\$ 35,760,941	\$ 9,704,636

Principal Taxpayers

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

Taxpayer	Type of Property	Assessed Valuation 2021 Tax Roll	Percentage of 2021 Tax Roll
DR Horton Texas Ltd (a)	Land & Improvements	\$ 7,172,097	5.79%
Forestar USA (a)	Land & Improvements	3,732,494	3.01%
FJ Red Sanders Wood King Capital LLC	Land & Improvements	464,569	0.38%
Homeowner	Land & Improvements	338,224	0.27%
Homeowner	Land & Improvements	334,212	0.27%
Homeowner	Land & Improvements	331,746	0.27%
Homeowner	Land & Improvements	331,746	0.27%
Homeowner	Land & Improvements	329,197	0.27%
Homeowner	Land & Improvements	321,099	0.26%
Homeowner	Land & Improvements	<u>321,099</u>	<u>0.26%</u>
Total		<u>\$13,676,483</u>	<u>11.05%</u>

(a) See “THE DEVELOPERS” and “INVESTMENT CONSIDERATIONS – Economic Factors Affecting Taxable Values and Tax Payments.”

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed taxable valuation that would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District's tax base occurs beyond the 2021 Assessed Valuation (\$123,806,441) or the Estimated Valuation as of December 15, 2021 (\$163,512,630). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirement (2022–2047)	\$1,077,927
Debt Service Tax Rate of \$0.92 on the 2021 Assessed Taxable Valuation produces	\$1,082,068
Debt Service Tax Rate of \$0.70 on the Estimated Valuation as of December 15, 2021, produces	\$1,087,359
Maximum Annual Debt Service Requirement (2037)	\$1,203,988
Debt Service Tax Rate of \$1.03 on the 2021 Assessed Taxable Valuation produces	\$1,211,446
Debt Service Tax Rate of \$0.78 on the Estimated Valuation as of December 15, 2021, produces	\$1,211,629

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

Set forth below is an estimation of all 2021 taxes per \$100 of assessed valuation levied by such jurisdictions. The jurisdictions are in the process of levying their tax rates for the 2020 tax year. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

Taxing Jurisdiction	2021 Tax Rate/ Per \$100 of A.V.
The District	\$1.000000
Kaufman County	0.379985
Forney Independent School District	1.372000
Kaufman County Road and Bridge	0.081186
Kaufman County Emergency Service District No. 6	<u>0.030000</u>
Estimated Total Tax Rate	<u>\$2.863171</u>

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 Forney, 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.

Economic Factors Affecting Taxable Values and Tax Payments

Economic Factors: The District is situated in the Dallas, Texas, area, and the rate of development of the District is directly related to the vitality of the residential housing industry in said metropolitan area. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development or home construction in the District

Developers: There is no commitment by, or legal requirement of the Developer or any other landowner in 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 homebuilder 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 probability 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 WITHIN THE DISTRICT," "THE DEVELOPERS," and "TAX DATA – Principal Taxpayers."

Dependence on Principal Taxpayers and the Developers: The top ten principal taxpayers represent \$13,676,483 or approximately 11.20% of the 2021 Assessed Valuation, which represents ownership as of January 1, 2021. Forestar and DR Texas represent \$10,904,591 or 8.81% of such value. If Forestar, DR Texas, or other principal taxpayers were to default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds would be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its debt service funds. See "TAX DATA – Principal Taxpayers" and "TAXING PROCEDURES – Levy and Collection of Taxes."

Maximum Impact on District Tax Rate: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2021 Assessed Valuation of property located within the District is \$123,806,441 and the Estimated Valuation as of December 15, 2021, is \$163,512,630. See "TAX DATA."

After issuance of the Bonds, the maximum annual debt service requirement on the Bonds and the Outstanding Bonds will be \$1,203,988 (2037) and the average annual debt service requirement on the Bonds and the Outstanding Bonds will be \$1,077,927 (2022-2047). Assuming no decrease to the 2021 Assessed Valuation, tax rates of \$1.03 and \$0.92 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively.

Assuming no decrease from the Estimated Valuation as of December 15, 2021, tax rates of \$0.78 and \$0.70 per \$100 of assessed valuation at 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 can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owner.

Competitive Nature of Residential Housing Market

The residential housing industry in the Dallas, Texas, area is very competitive, and the District can give no assurance that the building programs which are planned by any homebuilder(s) will be continued or completed. The respective competitive position of the homebuilders listed herein and any other developer or homebuilder(s) which might attempt future home building or development projects in the District, the sale of developed lots or in the construction and sale of single-family residential units, 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.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within two years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAX PROCEDURES."

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the registered owners of the Bonds (the "Registered Owner(s)") have the right to seek of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order 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 default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

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

Bankruptcy Limitation to Registered Owners' Rights

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

District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

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

The District may not be placed into bankruptcy involuntarily.

Marketability

The District has no understanding with the winning bidder of the Bonds (the "Initial Purchaser") regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price for the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold, or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

Future Debt

At an election held within the District on November 8, 2016, voters of the District authorized the District's issuance of: \$59,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$66,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System; \$88,500,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System; and \$99,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System.

The Bonds represent the third series of bonds issued by the District for the purpose of acquiring or constructing the Road System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$47,950,000 for the purpose of acquiring or constructing the Road System; \$56,990,000 for the purpose of acquiring or constructing the Utility System; \$88,500,000 for the purpose of refunding bonds issued by the District for the Road System; and \$99,000,000 for the purpose of refunding bonds issued by the District for the Utility System. The District may also issue any additional bonds as may hereafter be approved by both the Board of Directors and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Order. See "THE BONDS – Issuance of Additional Debt."

The District's issuance of the remaining \$56,990,000 unlimited tax bonds authorized for the Utility System shall be subject to approval by the TCEQ.

Following the issuance of the Bonds, the District will owe the Developers approximately \$1,900,000 for expenditures to construct the Road System and approximately \$5,400,000 for its expenditures to construct the Utility System that had been expended as of January 1, 2022. Such expenditures are expected to increase as development continues within the District.

The District anticipates submitting a bond application of approximately \$2,215,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System to the TCEQ for approval in the first quarter of 2022. Such bonds are anticipated to sell in the fourth of 2022.

Continuing Compliance with Certain Covenants

The Bond Order contain covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure of the District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See “TAX MATTERS.”

Approval of the Bonds

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

Environmental Regulations

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the TCEQ may impact new industrial, commercial, and residential development in the Dallas-Fort Worth area. Under the Clean Air Act (“CAA”) Amendments of 1990, a nine-county Dallas-Fort Worth area (“1997 DFW Area”)—Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Rockwall, and Tarrant Counties—has been designated an attainment area under the one-hour (124 parts per billion (“ppb”)) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”).

However, a ten-county Dallas-Fort Worth area (“2008 DFW Area”) – Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Rockwall, Tarrant, and Wise Counties – has been designated a “moderate” nonattainment area under the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), with an attainment deadline of July 20, 2018. If the EPA ultimately determines that the 2008 DFW Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

Further, a nine-county Dallas-Fort Worth area (“2015 DFW Area”) – Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Tarrant, and Wise Counties has been designated a “marginal” nonattainment area under the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2015 (the “2015 Ozone Standard”), with an attainment deadline of August 3, 2021.

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the 2008 and 2015 DFW Areas setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what

jobs are available in the area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the 2008 and 2015 DFW Areas to reach attainment with the ozone standards by the EPA's attainment deadlines. These additional controls could have a negative impact on the area's economic growth and development.

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

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

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

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

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

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

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

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

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule (“NWPR”), which contains a new definition of “waters of the United States.” The stated purpose of the NWPR is to restore and maintain the integrity of the nation’s waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states’ primary authority over land and water resources. The new definition outlines four categories of waters that are considered “waters of the United States,” and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not “waters of the United States,” and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR became effective June 22, 2020 and is currently the subject of ongoing litigation.

In June and July of 2021, the EPA and USACE announced plans to further revise the definition of “waters of the United States.” On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE make plans to replace it. In light of this order, the EPA and the USACE announced that they have halted implementation of the NWPR and are interpreting “waters of the United States” consistent with the pre-2015 regulatory regime until further notice while continuing to move forward with the rulemakings announced in June of 2021. Due to existing and possible future litigation and regulatory action, there remains uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

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.

Since such time, 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 COVID-19 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.

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.

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

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

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

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

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

Neither the District nor the 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 of 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 “MUNICIPAL BOND RATINGS” herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

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., Dallas, Texas, Disclosure Counsel.

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature has been filed or is to their knowledge then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds.

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

Tax Exemption

On the date of initial delivery of the Bonds, Coats Rose, P.C., Dallas, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof 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 Registered Owners may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds is less than the principal amount thereof or one or more periods for the payment of interest on the Bonds is not equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (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.

Qualified Tax-Exempt Obligations

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by section 265(b) of the Code, section 291 of the Code provides that the allowable deduction to a "bank," as defined in section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the Bonds would not be "qualified tax-exempt obligations".**

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has 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, audited financial statements and timely notice of specified material events, in an electronic format as prescribed by the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system for such purpose.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "DISTRICT DEBT" (excluding the information contained 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 its fiscal years.

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 August 31. Accordingly, it must provide updated information by the last day of February in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the TCEQ and the MSRB of the change.

Event Notices

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

Availability of Information

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, but only if (1) the agreement, as amended, would have permitted

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

Compliance with Prior Undertakings

The District's first issuance of bonds occurred in 2018. Since such undertaking, the District filed the required financial information and operating data for the District's fiscal year ending August 31, 2018, after the February 28, 2019, filing deadline on March 24, 2019. Notice of late filing was made. The District has instituted procedures to ensure timely filing of all required information. Otherwise, the District has been in material compliance with its continuing disclosure undertaking pursuant to SEC Rule 15c2-12.

OFFICIAL STATEMENT

General

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

The District's audited financial statements for the year ended August 31, 2021, were prepared by Mark C. Eyring, CPA, PLLC, and have been included herein as "APPENDIX A." Mark C. Eyring, CPA, PLLC, has consented to the publication of such financial statements in this Official Statement.

Experts

The information contained in this Official Statement relating to engineering and to the description of the Utility System, and, in particular, that engineering information included in the sections entitled "THE BONDS – Use and Distribution of Bond Proceeds," "THE DISTRICT – Description," "DEVELOPMENT WITHIN THE DISTRICT – Status of Development within the District," and "THE SYSTEM" has been provided by the Engineer and Consulting Engineer has been included herein in reliance upon the authority of said firm as an expert in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by the Tax Assessor/Collector and the Appraisal District. Such information has been included herein in reliance upon the Tax Assessor/Collector's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of property appraisal.

Certification as to Official Statement

The District, acting by and through its Board in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements, and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, descriptions, and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Updating the Official Statement

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

CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements and other sources 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 Fresh Water Supply District No. 6 as of the date specified on the first page hereof.

/s/ Christian Looney
President, Board of Directors
Kaufman County Fresh Water Supply District No. 6

ATTEST:

/s/ Kimberly Lanphere
Secretary, Board of Directors
Kaufman County Fresh Water Supply District No. 6

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

KAUFMAN COUNTY
FRESH WATER SUPPLY DISTRICT NO. 6
KAUFMAN COUNTY, TEXAS
ANNUAL AUDIT REPORT
AUGUST 31, 2021

C O N T E N T S

INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	8
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES	9
NOTES TO THE FINANCIAL STATEMENTS	10-18
SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND	19
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY	20
SCHEDULE OF SERVICES AND RATES	21
EXPENDITURES FOR THE YEAR ENDED AUGUST 31, 2021	22
ANALYSIS OF CHANGES IN DEPOSITS, ALL GOVERNMENTAL FUND TYPES	23
SCHEDULE OF CERTIFICATES OF DEPOSIT	24
TAXES LEVIED AND RECEIVABLE	25-26
LONG-TERM BONDED DEBT SERVICE REQUIREMENTS, BY YEARS	27-31
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT	32-33
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, GENERAL FUND	34
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, DEBT SERVICE FUND	35
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	36-37

Mark C. Eyring, CPA, PLLC

12702 Century Drive • Suite C2 • Stafford, Texas 77477 • 281-277-9595 • Mark@EyringCPA.com

November 16, 2021

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kaufman County Fresh Water
Supply District No. 6
Kaufman County, Texas

I have audited the accompanying financial statements of the governmental activities and each fund of Kaufman County Fresh Water Supply District No. 6, as of and for the year ended August 31, 2021, which collectively comprise the District's basic financial statements, as listed in the table of contents, and the related notes to the financial statements.

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 of material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the 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 assessment of the risk 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 I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of Kaufman County Fresh Water Supply District No. 6 as of August 31, 2021, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)**Emphasis of Matters**

As discussed in Note 5 of the Notes to the Financial Statements, the District has substantial contingent liabilities to its developers. In addition, as discussed in Note 6 of the Notes to the Financial Statements, the District's tax base is concentrated in a small number of taxpayers, including the District's developers. My opinions are not modified with respect to these matters.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 to 7 and Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 19 be presented to supplement the basic financial statements. Such information, although not 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on Pages 20 to 37 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

A handwritten signature in dark ink, appearing to read "M. G. J.", is located at the bottom right of the page.

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Kaufman County Fresh Water Supply District No. 6 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended August 31, 2021.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is provision of water and sewer services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets and liabilities owned by the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Although the statement of activities looks different from a commercial enterprise's income statement, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as *change in net position*, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. 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 or governmental statutes or regulations.

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures and change in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water and sewer systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

Financial Analysis of the District as a Whole

Financial Analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds and expenditures from this fund are subject to the Rules of the Texas Commission on Environmental Quality. Resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes and billings for water and sewer services and are used to operate and maintain the system and to pay costs of administration of the District.

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the Texas Commission on Environmental Quality. The financial objective for the Debt Service Fund is to levy the taxes necessary to pay the fiscal year debt service requirements plus the cost of levying and collecting taxes, leaving the appropriate fund balance as recommended by the District's financial advisor. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

The following required summaries of the District's overall financial position and operations for the past two years are based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

Summary of Net Position

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Current and other assets	\$ 1,660,002	\$ 1,701,136	\$ (41,134)
Capital assets	4,807,182	5,892,024	(1,084,842)
Total assets	<u>6,467,184</u>	<u>7,593,160</u>	<u>(1,125,976)</u>
Long-term liabilities	16,465,480	13,397,427	3,068,053
Other liabilities	349,183	226,104	123,079
Total liabilities	<u>16,814,663</u>	<u>13,623,531</u>	<u>3,191,132</u>
Net position:			
Invested in capital assets, net of related debt	(11,866,886)	(7,547,976)	(4,318,910)
Restricted	494,510	767,984	(273,474)
Unrestricted	1,024,897	749,621	275,276
Total net position	<u>\$ (10,347,479)</u>	<u>\$ (6,030,371)</u>	<u>\$ (4,317,108)</u>

Summary of Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 1,013,051	\$ 829,921	\$ 183,130
Charges for services	455,072	342,727	112,345
Other revenues	1,171	11,138	(9,967)
Total revenues	<u>1,469,294</u>	<u>1,183,786</u>	<u>285,508</u>
Expenses:			
Service operations	5,020,888	472,417	4,548,471
Debt service	765,514	342,097	423,417
Total expenses	<u>5,786,402</u>	<u>814,514</u>	<u>4,971,888</u>
Change in net position	(4,317,108)	369,272	(4,686,380)
Net position, beginning of year	<u>(6,030,371)</u>	<u>(6,399,643)</u>	<u>369,272</u>
Net position, end of year	<u>\$ (10,347,479)</u>	<u>\$ (6,030,371)</u>	<u>\$ (4,317,108)</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended August 31, 2021 were \$1,628,517, a decrease of \$36,406 from the prior year.

The General Fund balance increased by \$275,293, in accordance with the District's financial plan.

The Debt Service Fund balance decreased by \$1,343, in accordance with the District's financial plan.

The Capital Projects Fund balance decreased by \$310,356 as authorized expenditures exceeded proceeds from the Series 2020 road and utility bonds and interest earnings on deposits.

General Fund Budgetary Highlights

The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 19 of this report. The budgetary fund balance as of August 31, 2021 was expected to be \$950,702 and the actual end of year fund balance was \$1,137,561.

Capital Asset and Debt Administration

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized as follows:

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2021</u>	<u>2020</u>	<u>Change</u>
Construction in progress	<u>\$ 4,807,182</u>	<u>\$ 5,892,024</u>	<u>\$ (1,084,842)</u>

Changes to capital assets during the fiscal year ended August 31, 2021, are summarized as follows:

Additions:	
Construction by developers	\$ 3,485,030
Decreases:	
Assets transferred to other entities	<u>(4,569,872)</u>
Net change to capital assets	<u>\$ (1,084,842)</u>

Debt

Subsequent to August 31, 2021, the District issued its \$3,755,000 Series 2021 unlimited tax utility bonds on October 28, 2021.

Changes in the bonded debt position of the District during the fiscal year ended August 31, 2021, are summarized as follows:

Bonded debt payable, beginning of year	\$ 7,765,000
Bonds sold	4,730,000
Bonds paid	<u>(330,000)</u>
Bonded debt payable, end of year	<u>\$ 12,165,000</u>

At August 31, 2021, the District had \$60,745,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District and \$51,650,000 unlimited tax bonds authorized but unissued for road purposes.

The District's Series 2020 road and 2020 utility bonds have an underlying rating of Baa3 from Moody's Investors Service. The Series 2020 road and 2020 utility bonds are insured by Build America Mutual Assurance Company. The Series 2018 and 2019 bonds are not insured or rated. The insured rating of the Series 2020 road and 2020 utility bonds is AA by Standard & Poor's. There were no changes in the bond ratings during the fiscal year ended July 31, 2021.

As further described in Note 5 of the notes to the financial statements, developers within the District have advanced funds to the District to cover initial operating deficits. As of August 31, 2021, the cumulative amount of developer advances for this purpose was \$113,850.

As further described in Note 5 of the notes to the financial statements, developers within the District are constructing water, sewer and drainage facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality. Developers are also constructing roads on behalf of the District. The District has agreed to purchase these roads from the proceeds of future bond issues. At August 31, 2021, the estimated amount due to the developers was \$4,807,182.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base increased approximately \$17,588,000 for the 2020 tax year (approximately 21%), primarily due to the addition of new houses to the tax base.

Relationship to the City of Forney

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Forney (the "City"), the District must conform to a City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City. If the District is annexed, the City will assume the District's assets and obligations (including the bonded indebtedness) and dissolve the District within ninety (90) days.

Utilizing a provision of Texas law, the City and the District entered into a Strategic Partnership Agreement ("SPA"). The SPA provides for the limited purpose annexation of certain developed commercial tracts within the District into the City for the limited purposes of imposition of the City's Sales and Use tax. No City services are provided. Additional properties may become subject to the SPA by amending the SPA upon the consent of the City and the District.

The District is not aware of any plans regarding annexation by the City of Forney.

Water Supply Issues

The District lies entirely within the area for which the Certificate of Convenience and Necessity ("CCN") for retail water service has been issued to Talty Special Utility District ("Talty"). As such, Talty provides retail water service within the District in accordance with Talty's rate order.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 6

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

AUGUST 31, 2021

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
ASSETS						
Cash, including interest-bearing accounts, Note 7	\$ 771,958	\$ 334,276	\$ 157,186	\$ 1,263,420	\$	\$ 1,263,420
Certificates of deposit, at cost, Note 7	350,000			350,000		350,000
Receivables:						
Property taxes	1,186	3,554		4,740		4,740
Service accounts	38,071			38,071		38,071
Accrued interest	16			16		16
Prepaid expenditures	3,755			3,755		3,755
Due from other fund		168		168	(168)	0
Capital assets, Note 4:				0	4,807,182	4,807,182
Total assets	<u>\$1,164,986</u>	<u>\$ 337,998</u>	<u>\$ 157,186</u>	<u>\$ 1,660,170</u>	<u>4,807,014</u>	<u>6,467,184</u>
LIABILITIES						
Accounts payable	\$ 26,071	\$ 674	\$	\$ 26,745		26,745
Due to other fund	168			168	(168)	0
Long-term liabilities, Note 5:						
Due within one year				0	322,438	322,438
Due in more than one year				0	16,465,480	16,465,480
Total liabilities	<u>26,239</u>	<u>674</u>	<u>0</u>	<u>26,913</u>	<u>16,787,750</u>	<u>16,814,663</u>
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	<u>1,186</u>	<u>3,554</u>	<u>0</u>	<u>4,740</u>	<u>(4,740)</u>	<u>0</u>
FUND BALANCES / NET POSITION						
Fund balances:						
Assigned to:						
Debt service		333,770		333,770	(333,770)	0
Capital projects			157,186	157,186	(157,186)	0
Unassigned	<u>1,137,561</u>			<u>1,137,561</u>	<u>(1,137,561)</u>	<u>0</u>
Total fund balances	<u>1,137,561</u>	<u>333,770</u>	<u>157,186</u>	<u>1,628,517</u>	<u>(1,628,517)</u>	<u>0</u>
Total liabilities, deferred inflows, and fund balances	<u>\$1,164,986</u>	<u>\$ 337,998</u>	<u>\$ 157,186</u>	<u>\$ 1,660,170</u>		
Net position:						
Invested in capital assets, net of related debt, Note 4					(11,866,886)	(11,866,886)
Restricted for debt service					337,324	337,324
Restricted for capital projects					157,186	157,186
Unrestricted, Note 5					<u>1,024,897</u>	<u>1,024,897</u>
Total net position					<u>\$ (10,347,479)</u>	<u>\$(10,347,479)</u>

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

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 6

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

FOR THE YEAR ENDED AUGUST 31, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	\$ 257,389	\$ 751,788	\$	\$ 1,009,177	\$ 2,011	\$ 1,011,188
Sewer service	455,072			455,072		455,072
Penalty and interest		1,863		1,863		1,863
Accrued interest on bonds received at date of sale		5,130		5,130	(5,130)	0
Interest on deposits	865	162	144	1,171		1,171
Total revenues	713,326	758,943	144	1,472,413	(3,119)	1,469,294
EXPENDITURES / EXPENSES						
Service operations:						
Purchased wastewater service, Note 9	119,127			119,127		119,127
Professional fees	38,632	665		39,297		39,297
Contracted services	91,241	11,758		102,999		102,999
Utilities	9,516			9,516		9,516
Repairs, maintenance and other operating expenditures	15,216			15,216		15,216
Garbage disposal	100,830			100,830		100,830
Administrative expenditures	16,657	260	300	17,217		17,217
Capital outlay / non-capital outlay	46,814		4,323,766	4,370,580		4,370,580
Interest on developer construction			246,106	246,106		246,106
Debt service:						
Principal retirement		330,000		330,000	(330,000)	0
Bond issuance expenditures			329,718	329,718		329,718
Interest		417,603		417,603	18,193	435,796
Total expenditures / expenses	438,033	760,286	4,899,890	6,098,209	(311,807)	5,786,402
Excess (deficiency) of revenues over expenditures	275,293	(1,343)	(4,899,746)	(4,625,796)	308,688	(4,317,108)
OTHER FINANCING SOURCES (USES)						
Bonds issued, Note 5		140,610	4,589,390	4,730,000	(4,730,000)	0
Bond issuance discount, Note 5		(140,610)		(140,610)	140,610	0
Total other financing sources (uses)	0	0	4,589,390	4,589,390	(4,589,390)	0
Net change in fund balances / net position	275,293	(1,343)	(310,356)	(36,406)	(4,280,702)	(4,317,108)
Beginning of year	862,268	335,113	467,542	1,664,923	(7,695,294)	(6,030,371)
End of year	\$ 1,137,561	\$ 333,770	\$ 157,186	\$ 1,628,517	\$ (11,975,996)	\$ (10,347,479)

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

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 6NOTES TO THE FINANCIAL STATEMENTSAUGUST 31, 2021

NOTE 1: REPORTING ENTITY

Kaufman County Fresh Water Supply District No. 6 (the "District") was created by Order of the Commissioners Court of Kaufman County effective December 27, 2010, and operates accordance with Texas Water Code Chapters 49 and 53. The District is a political subdivision in the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on May 13, 2013 and the first bonds were sold on November 20, 2018. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may also provide solid waste collection and disposal service and operate and maintain recreational facilities. In addition, pursuant to Article III, Section 52(b)(3) of the Texas Constitution, Chapter 257, Transportation Code, and other general laws of the state relating to road districts, the District is authorized to assume the rights, authority, privileges, and functions of a road district. Furthermore, the District is empowered, if approved by the electorate, the TCEQ and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no other entities which were included as a component unit in the District's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net position are reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not in spendable form or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Receivables

Service accounts receivable as reported are considered collectible. The District uses the direct write off method for uncollectible service accounts. Unbilled water and sewer revenues are not material and are not recorded at year end. The District considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred revenues. Property taxes collected after the end of the fiscal year are not included in revenues.

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Reconciliation of year end fund balances to net position:

Total fund balances, end of year	\$ 1,628,517
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	4,807,182
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	\$12,165,000)
Less: Issuance discount (to be amortized as interest expense)	298,114
Due to developers for advances	(113,850)
Due to developers for construction	<u>(4,807,182)</u> (16,787,918)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:	
Uncollected property taxes	<u>4,740</u>
Net position, end of year	<u>\$10,347,479)</u>

Reconciliation of net change in fund balances to change in net position:

Total net change in fund balances	\$ (36,406)
The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:	
Bonds issued	(4,730,000)
Principal reduction	<u>330,000</u> (4,400,000)
The funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:	
Issuance discount	117,287
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:	
Uncollected property taxes	<u>2,011</u>
Change in net position	<u>\$ (4,317,108)</u>

NOTE 4: CAPITAL ASSETS

At August 31, 2021, "Invested in capital assets, net of related debt" was \$(11,866,886). This amount was negative primarily because, as further described in Note 9, under the terms of agreements with the City of Forney and Talty Special Utility District, the District transfers the ownership of certain capital assets constructed by the District to the respective entity. Under the terms of the agreements, the District is to pay for construction of a water distribution system, a sanitary sewer collection system, a drainage system and roads to serve the District. The District shall be the owner of each phase of the system until such phase is completed and approved by the other entity, at which time ownership of such phase shall be transferred to the other entity. However, the District shall have a security interest therein until all bonds issued by the District pursuant to the respective agreement are retired. In addition, the District reimbursed a developer \$1,820,800 for 569 connection charges to Talty Special Utility District.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	\$ 5,892,024	\$ 3,485,030	\$ 4,569,872	\$ 4,807,182
Total capital assets not being depreciated	<u>5,892,024</u>	<u>3,485,030</u>	<u>4,569,872</u>	<u>4,807,182</u>
Total capital assets, net	<u>\$ 5,892,024</u>	<u>\$ 3,485,030</u>	<u>\$ 4,569,872</u>	<u>\$ 4,807,182</u>
Changes to capital assets:				
Increase in liability to developer for construction		\$ 3,485,030	\$	
Capital outlay paid (decrease in liability) to developer		(4,569,872)		
Transfer of assets to other entities		<u>4,569,872</u>	<u>4,569,872</u>	
Net increases / decreases to capital assets		<u>\$ 3,485,030</u>	<u>\$ 4,569,872</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Subsequent to August 31, 2021, the District issued its \$3,755,000 Series 2021 unlimited tax utility bonds on October 28, 2021.

Long-term liability activity for the fiscal year ended August 31, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 7,765,000	\$ 4,730,000	\$ 330,000	\$ 12,165,000	\$ 345,000
Less deferred amounts:					
For issuance discounts	<u>(180,827)</u>	<u>(140,610)</u>	<u>(23,323)</u>	<u>(298,114)</u>	<u>(22,562)</u>
Total bonds payable	<u>7,584,173</u>	<u>4,589,390</u>	<u>306,677</u>	<u>11,866,886</u>	<u>322,438</u>
Due to developer for operating advances (see below)	113,850			113,850	-----
Due to developer for construction (see below)	<u>5,892,024</u>	<u>3,485,030</u>	<u>4,569,872</u>	<u>4,807,182</u>	-----
Total due to developers	<u>6,005,874</u>	<u>3,485,030</u>	<u>4,569,872</u>	<u>4,921,032</u>	<u>0</u>
Total long-term liabilities	<u>\$ 13,590,047</u>	<u>\$ 8,074,420</u>	<u>\$ 4,876,549</u>	<u>\$ 16,787,918</u>	<u>\$ 322,438</u>

Developer Construction Commitments, Liabilities and Advances

Developers within the District are constructing certain facilities within the District's boundaries. The District has agreed to reimburse the developers for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality. The District's engineer stated that cost of the construction in progress at August 31, 2021, was \$4,807,182. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

Developers within the District have advanced funds to the District to cover initial operating deficits. At August 31, 2021, the cumulative amount of unreimbursed developer advances was \$113,850. These amounts have been recorded in the government-wide financial statements and in the schedules in Note 5. This amount has been recorded as a decrease in "Unrestricted net position" in the government-wide financial statements. Without this decrease, "Unrestricted net position" would have a balance of \$1,138,747.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The District pays the amount due September 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future. As of August 31, 2021, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 345,000	\$ 405,028	\$ 750,028
2023	350,000	392,607	742,607
2024	370,000	379,918	749,918
2025	385,000	366,217	751,217
2026	395,000	351,817	746,817
2027 - 2031	2,230,000	1,549,548	3,779,548
2032 - 2036	2,690,000	1,174,948	3,864,948
2037 - 2041	3,250,000	694,705	3,944,705
2042 - 2045	<u>2,150,000</u>	<u>136,873</u>	<u>2,286,873</u>
	<u>\$ 12,165,000</u>	<u>\$ 5,451,661</u>	<u>\$ 17,616,661</u>

Bonds voted	\$ 66,000,000
Bonds approved for sale and sold	5,255,000
Bonds voted and not issued	60,745,000
Road bonds voted	59,000,000
Road bonds approved for sale and sold	7,350,000
Road bonds voted and not issued	51,650,000
Refunding bonds voted	One and one-half times the amount of unlimited tax bonds previously issued

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

The bond issues payable at August 31, 2021, were as follows:

	<u>Series 2018 Road</u>	<u>Series 2019 Utility</u>	<u>Series 2020 Road</u>
Amounts outstanding, August 31, 2021	\$4,145,000	\$3,415,000	\$2,905,000
Interest rates	3.10% to 4.50%	3.00% to 3.75%	2.00% to 4.50%
Maturity dates, serially beginning/ending	September 1, 2022/2043	September 1, 2022/2044	September 1, 2022/2045
Interest payment dates	March 1/September 1	March 1/September 1	March 1/September 1
Callable dates	September 1, 2023*	September 1, 2024*	September 1, 2025*

*Or any date thereafter, callable at par plus accrued interest in whole or in part at the option of the District.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>Series 2018 Utility</u>
Amounts outstanding, August 31, 2021	\$1,700,000
Interest rates	2.125% to 4.50%
Maturity dates, serially beginning/ending	September 1, 2022/2044
Interest payment dates	March 1/September 1
Callable dates	September 1, 2025*

*Or any date thereafter, callable at par plus accrued interest in whole or in part at the option of the District.

In accordance with the Series 2018 and Series 2019 Bond Orders, a portion of the bond proceeds was deposited into the Debt Service Fund and reserved for the payment of bond interest. This bond interest reserve is reduced as the interest is paid. Transactions for the current year are summarized as follows:

Bond interest reserve, beginning of year: Series 2019	\$ 36,197
Deduct appropriation for bond interest paid: Series 2019	<u>(36,197)</u>
Bond interest reserve, end of year: Series 2019	<u><u>\$ 0</u></u>

NOTE 6: PROPERTY TAXES

The Kaufman County Appraisal District has the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax roll and tax rate. The District's taxes are usually levied in the fall, are due when billed and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

At an election held May 9, 2015, the voters within the District authorized a maintenance tax not to exceed \$1.00 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

On September 22, 2020, the District levied the following ad valorem taxes for the 2020 tax year on the adjusted taxable valuation of \$100,508,883:

	<u>Rate</u>	<u>Amount</u>
Debt service, Utilities	\$ 0.3100	\$ 251,272
Debt service, Roads	0.4400	442,239
Maintenance	<u>0.2500</u>	<u>311,578</u>
	<u>\$ 1.0000</u>	<u>\$ 1,005,089</u>

A reconciliation of the tax levy to property tax revenues on the Statement of Activities is as follows:

2020 tax year total property tax levy	\$ 1,005,089
Appraisal district adjustments to prior year taxes	<u>6,099</u>
Statement of Activities property tax revenues	<u>\$ 1,011,188</u>

Concentration of Tax Base

The District's tax base is concentrated in a small number of taxpayers. The District's developers own a substantial portion of land within the District. If any one of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes.

NOTE 7: DEPOSITS

The District complied with the requirements of the Public Funds Investment Act during the current fiscal year including the preparation of quarterly investment reports required by the Act.

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions.

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was \$1,613,420 and the bank balance was \$1,618,393. Of the bank balance, \$250,000 was covered by federal insurance and \$1,368,393 was covered by a letter of credit in favor of the District issued by the Federal Home Loan Bank of Dallas.

Deposits and temporary investments restricted by state statutes and the Bond Orders:

Debt Service Fund

For payment of debt principal and interest,
paying agent fees and costs of assessing and
collecting taxes:

Cash	<u>\$ 334,276</u>
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital Projects Fund

For construction of capital assets:

Cash	\$ <u>157,186</u>
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NOTE 8: 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; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

On August 31, 2021, the District had property damage and boiler and machinery coverage of \$1,000,000, comprehensive general liability coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general aggregate and consultant's crime coverage of \$10,000.

NOTE 9: CONTRACTS WITH OTHER GOVERNMENTAL ENTITIES

City of Forney

The District lies wholly within the extraterritorial jurisdiction of the City of Forney (the "City"). Effective March 14, 2013, the District entered into a Development Agreement (the "Agreement") with the City and the developer. In consideration of the District's acquiring and constructing wastewater infrastructure on behalf of the City, the City agrees, pursuant to the terms and conditions of the Agreement, to own, operate and maintain the wastewater infrastructure located within the City certificate of convenience and necessity ("CCN:") and to utilize a portion of the capacity in such infrastructure equal to the capacity funded by or on behalf of the District. The City shall provide retail wastewater service at the rates established by the City Council for service within the City's corporate boundaries, as amended from time to time. During the fiscal year ended August 31, 2021, the District incurred wastewater service costs of \$119,127.

Talty Special Utility District

The District lies wholly within the CCN of Talty Special Utility District ("Talty SUD") for retail water service. On January 27, 2015, the District entered into a water supply service contract (the "Contract") with Talty SUD. Under the terms of the Contract, the District will construct, or have constructed, a water production or distribution system. Upon completion of such system, the system will be conveyed to Talty SUD. In consideration of the District's construction and conveying such systems, Talty SUD shall assume all operation and maintenance responsibilities for the water system. Talty SUD receives and retains all water service fees collected within the District.

On January 24, 2017, the District and Talty SUD entered into a professional services agreement for the billing and collection for garbage services provided by the District.

On March 1, 2017, the District and Talty SUD entered into a professional services agreement for the operation, maintenance and management of the District's wastewater collection system and for the billing and collection of wastewater services fees provided within the District. The District accrued expenses in the amount of \$79,272 for these services during the fiscal year ended August 31, 2021.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 6

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED AUGUST 31, 2021

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Property taxes	\$ 247,075	\$ 247,075	\$ 257,389	\$ 10,314
Sewer service	317,500	317,500	455,072	137,572
Interest on deposits	<u>0</u>	<u>0</u>	<u>865</u>	<u>865</u>
TOTAL REVENUES	<u>564,575</u>	<u>564,575</u>	<u>713,326</u>	<u>148,751</u>
EXPENDITURES				
Service operations:				
Purchased services	220,000	220,000	119,127	(100,873)
Professional fees	55,500	55,500	38,632	(16,868)
Contracted services	71,300	71,300	91,241	19,941
Utilities	15,750	15,750	9,516	(6,234)
Repairs, maintenance and other operating expenditures	13,585	13,585	15,216	1,631
Garbage disposal	83,500	83,500	100,830	17,330
Capital outlay	0	0	46,814	46,814
Administrative expenditures	<u>16,506</u>	<u>16,506</u>	<u>16,657</u>	<u>151</u>
TOTAL EXPENDITURES	<u>476,141</u>	<u>476,141</u>	<u>438,033</u>	<u>(38,108)</u>
EXCESS REVENUES (EXPENDITURES)	88,434	88,434	275,293	186,859
FUND BALANCE, BEGINNING OF YEAR	<u>862,268</u>	<u>862,268</u>	<u>862,268</u>	<u>0</u>
FUND BALANCE, END OF YEAR	<u>\$ 950,702</u>	<u>\$ 950,702</u>	<u>\$ 1,137,561</u>	<u>\$ 186,859</u>

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

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 6
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
AUGUST 31, 2021

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- [X] TSI-1. Services and Rates
- [X] TSI-2. General Fund Expenditures
- [X] TSI-3. Temporary Investments
- [X] TSI-4. Taxes Levied and Receivable
- [X] TSI-5. Long-Term Debt Service Requirements by Years
- [X] TSI-6. Changes in Long-Term Bonded Debt
- [X] TSI-7. Comparative Schedule of Revenues and Expenditures -
General Fund and Debt Service Fund - Five Year
- [X] TSI-8. Board Members, Key Personnel and Consultants

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 6

SCHEDULE OF SERVICES AND RATES

AUGUST 31, 2021

1. Services Provided by the District during the Fiscal Year:

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

2. Retail Service Providers

a. Retail Rates for a 5/8" meter (or equivalent) (Rates from Master District Rate Order):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WASTEWATER:	\$67.00	0	Y	Not applicable	Not applicable

District employs winter averaging for wastewater usage: Yes ☐ No ☒

Total charges per 10,000 gallons usage: Wastewater: \$67.00

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC* Factor</u>	<u>Active ESFCs</u>
Total Wastewater	<u>733</u>	<u>733</u>	1.0	<u>733</u>

Water: See Note 9 of the Notes to the Financial Statements.

3. Total Water Consumption during the Fiscal Year (rounded to thousands):

Not Applicable. See Note 9 of the Notes to the Financial Statements.

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes ☐ No ☒

If yes, date of the most recent Commission Order: _____

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

If yes, date of the most recent Commission Order: _____

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 6

EXPENDITURES

FOR THE YEAR ENDED AUGUST 31, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
CURRENT				
Purchased services	\$ 119,127	\$ 0	\$ 0	\$ 119,127
Professional fees:				
Auditing	9,950			9,950
Legal	22,237	665		22,902
Engineering	6,445			6,445
	<u>38,632</u>	<u>665</u>	<u>0</u>	<u>39,297</u>
Contracted services:				
Bookkeeping	11,969			11,969
Billing	79,272			79,272
Tax assessor-collector		897		897
Central appraisal district		10,861		10,861
	<u>91,241</u>	<u>11,758</u>	<u>0</u>	<u>102,999</u>
Utilities	<u>9,516</u>	<u>0</u>	<u>0</u>	<u>9,516</u>
Repairs, maintenance and other operating expenditures	<u>15,216</u>	<u>0</u>	<u>0</u>	<u>15,216</u>
Garbage disposal	<u>100,830</u>	<u>0</u>	<u>0</u>	<u>100,830</u>
Administrative expenditures:				
Director's fees	7,950			7,950
Insurance	6,398			6,398
Other	2,309	260	300	2,869
	<u>16,657</u>	<u>260</u>	<u>300</u>	<u>17,217</u>
CAPITAL OUTLAY				
Authorized expenditures	<u>46,814</u>	<u>0</u>	<u>4,323,766</u>	<u>4,370,580</u>
Interest on developer construction	<u>0</u>	<u>0</u>	<u>246,106</u>	<u>246,106</u>
DEBT SERVICE				
Principal retirement	<u>0</u>	<u>330,000</u>	<u>0</u>	<u>330,000</u>
Bond issuance expenditures	<u>0</u>	<u>0</u>	<u>329,718</u>	<u>329,718</u>
Interest and fees:				
Interest		416,803		416,803
Paying agent fees		800		800
	<u>0</u>	<u>417,603</u>	<u>0</u>	<u>417,603</u>
TOTAL EXPENDITURES	<u>\$ 438,033</u>	<u>\$ 760,286</u>	<u>\$ 4,899,890</u>	<u>\$ 6,098,209</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 6

ANALYSIS OF CHANGES IN DEPOSITS
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED AUGUST 31, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS				
Cash receipts from revenues excluding maintenance taxes	\$ 443,786	\$ 758,943	\$ 144	\$ 1,202,873
Maintenance tax receipts		257,389		257,389
Proceeds from sale of bonds			4,589,390	4,589,390
Receipt of interfund receivable	500			500
Transfer of maintenance taxes	<u>259,189</u>			<u>259,189</u>
TOTAL DEPOSITS PROVIDED	<u>703,475</u>	<u>1,016,332</u>	<u>4,589,534</u>	<u>6,309,341</u>
APPLICATIONS OF DEPOSITS				
Cash disbursements for:				
Current expenditures	398,631	12,010	300	410,941
Capital outlay	46,814		4,569,872	4,616,686
Debt service		747,603	329,718	1,077,321
Prepaid expenditures	3,755			3,755
Payment of interfund payables			500	500
Transfer of maintenance taxes		<u>259,189</u>		<u>259,189</u>
TOTAL DEPOSITS APPLIED	<u>449,200</u>	<u>1,018,802</u>	<u>4,900,390</u>	<u>6,368,392</u>
INCREASE (DECREASE) IN DEPOSITS	254,275	(2,470)	(310,856)	(59,051)
DEPOSITS BALANCES, BEGINNING OF YEAR	<u>867,683</u>	<u>336,746</u>	<u>468,042</u>	<u>1,672,471</u>
DEPOSITS BALANCES, END OF YEAR	<u>\$ 1,121,958</u>	<u>\$ 334,276</u>	<u>\$ 157,186</u>	<u>\$ 1,613,420</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 6SCHEDULE OF CERTIFICATES OF DEPOSITAUGUST 31, 2021

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
Certificates of Deposit				
No. 66000864	0.04%	1/20/22	<u>\$ 350,000</u>	<u>\$ 16</u>
Total – All Funds			<u>\$ 350,000</u>	<u>\$ 16</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 6

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED AUGUST 31, 2021

	<u>Maintenance Taxes</u>	<u>Road Debt Service Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 1,203	\$ 981	\$ 545
Additions and corrections to prior year taxes	<u>6,100</u>	<u>(1)</u>	<u>(1)</u>
Adjusted receivable, beginning of year	7,303	980	544
2020 ADJUSTED TAX ROLL	<u>251,272</u>	<u>442,239</u>	<u>311,578</u>
Total to be accounted for	258,575	443,219	312,122
Refund of prior year taxes collected in prior years	<u>0</u>	<u>0</u>	<u>0</u>
Tax collections: Current tax year	(250,088)	(440,155)	(310,110)
Prior tax years	<u>(7,301)</u>	<u>(979)</u>	<u>(543)</u>
RECEIVABLE, END OF YEAR	<u><u>\$ 1,186</u></u>	<u><u>\$ 2,085</u></u>	<u><u>\$ 1,469</u></u>
RECEIVABLE, BY TAX YEAR			
2019	\$ 2	\$ 1	\$ 1
2020	<u>1,184</u>	<u>2,084</u>	<u>1,468</u>
RECEIVABLE, END OF YEAR	<u><u>\$ 1,186</u></u>	<u><u>\$ 2,085</u></u>	<u><u>\$ 1,469</u></u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 6

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED AUGUST 31, 2021

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Land	\$ 32,511,330	\$ 16,977,843	\$ 17,062,000	\$ 11,390,320
Improvements	69,735,739	67,434,334	24,539,455	4,139,686
Personal property	89,850	4,100	25,050	0
Less exemptions	<u>(1,828,036)</u>	<u>(1,495,213)</u>	<u>(5,865,564)</u>	<u>(5,825,370)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 100,508,883</u>	<u>\$ 82,921,064</u>	<u>\$ 35,760,941</u>	<u>\$ 9,704,636</u>
TAX RATES PER \$100 VALUATION				
Debt service tax rates, utilities	\$ 0.31000	\$ 0.20000	\$ 0.00000	\$ 0.00000
Debt service tax rates, roads	0.44000	0.36000	0.00000	0.00000
Maintenance tax rates*	<u>0.25000</u>	<u>0.44000</u>	<u>1.00000</u>	<u>1.00000</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 1.00000</u>	<u>\$ 1.00000</u>	<u>\$ 1.00000</u>	<u>\$ 1.00000</u>
TAX ROLLS	<u>\$ 1,005,089</u>	<u>\$ 829,211</u>	<u>\$ 382,411</u>	<u>\$ 97,046</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>99.5 %</u>	<u>99.9 %</u>	<u>100 %</u>	<u>100 %</u>

*Maximum tax rate approved by voters on May 9, 2015: \$1.00

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 6LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARSAUGUST 31, 2021

The District will pay the amount due September 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future.

<u>Series 2018 Road</u>			
<u>Due During Fiscal Years Ending August 31</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2022	\$ 120,000	\$ 169,565	\$ 289,565
2023	120,000	165,845	285,845
2024	125,000	162,005	287,005
2025	135,000	157,755	292,755
2026	140,000	153,030	293,030
2027	145,000	147,990	292,990
2028	150,000	142,625	292,625
2029	155,000	136,625	291,625
2030	165,000	130,425	295,425
2031	170,000	123,825	293,825
2032	180,000	117,025	297,025
2033	185,000	109,825	294,825
2034	195,000	102,194	297,194
2035	200,000	94,150	294,150
2036	210,000	85,900	295,900
2037	220,000	76,975	296,975
2038	230,000	67,625	297,625
2039	240,000	57,562	297,562
2040	250,000	47,062	297,062
2041	260,000	36,125	296,125
2042	270,000	24,750	294,750
2043	280,000	12,600	292,600
TOTALS	<u>\$ 4,145,000</u>	<u>\$ 2,321,483</u>	<u>\$ 6,466,483</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 6
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
AUGUST 31, 2021

The District will pay the amount due September 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future.

<u>Due During Fiscal Years Ending August 31</u>	<u>Series 2019 Utility</u>		
	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2022	\$ 95,000	\$ 117,956	\$ 212,956
2023	100,000	115,106	215,106
2024	105,000	112,106	217,106
2025	105,000	108,956	213,956
2026	110,000	105,806	215,806
2027	115,000	102,506	217,506
2028	120,000	99,056	219,056
2029	125,000	95,456	220,456
2030	130,000	91,706	221,706
2031	135,000	87,644	222,644
2032	140,000	83,256	223,256
2033	145,000	78,532	223,532
2034	150,000	73,456	223,456
2035	155,000	68,206	223,206
2036	160,000	62,782	222,782
2037	165,000	56,982	221,982
2038	175,000	51,000	226,000
2039	180,000	44,438	224,438
2040	185,000	37,688	222,688
2041	195,000	30,750	225,750
2042	200,000	23,438	223,438
2043	210,000	15,938	225,938
2044	215,000	8,062	223,062
TOTALS	<u>\$ 3,415,000</u>	<u>\$ 1,670,826</u>	<u>\$ 5,085,826</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 6
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
AUGUST 31, 2021

The District will pay the amount due September 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future.

<u>Due During Fiscal Years Ending August 31</u>	<u>Series 2020 Road</u>		
	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2022	\$ 80,000	\$ 74,532	\$ 154,532
2023	80,000	70,931	150,931
2024	85,000	67,332	152,332
2025	90,000	63,506	153,506
2026	90,000	59,456	149,456
2027	95,000	55,406	150,406
2028	95,000	51,131	146,131
2029	100,000	49,232	149,232
2030	105,000	47,232	152,232
2031	110,000	45,132	155,132
2032	110,000	42,932	152,932
2033	115,000	40,731	155,731
2034	120,000	38,432	158,432
2035	125,000	36,032	161,032
2036	130,000	33,532	163,532
2037	135,000	30,768	165,768
2038	135,000	27,900	162,900
2039	140,000	24,862	164,862
2040	145,000	21,712	166,712
2041	150,000	18,450	168,450
2042	160,000	15,074	175,074
2043	165,000	11,474	176,474
2044	170,000	7,762	177,762
2045	175,000	3,938	178,938
TOTALS	<u>\$ 2,905,000</u>	<u>\$ 937,489</u>	<u>\$ 3,842,489</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 6
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
AUGUST 31, 2021

The District will pay the amount due September 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future.

<u>Due During Fiscal Years Ending August 31</u>	<u>Series 2020 Utility</u>		
	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2022	\$ 50,000	\$ 42,975	\$ 92,975
2023	50,000	40,725	90,725
2024	55,000	38,475	93,475
2025	55,000	36,000	91,000
2026	55,000	33,525	88,525
2027	60,000	31,325	91,325
2028	60,000	30,050	90,050
2029	65,000	28,775	93,775
2030	65,000	27,394	92,394
2031	65,000	26,013	91,013
2032	70,000	24,632	94,632
2033	70,000	23,144	93,144
2034	75,000	21,656	96,656
2035	75,000	20,062	95,062
2036	80,000	18,469	98,469
2037	85,000	16,769	101,769
2038	85,000	14,962	99,962
2039	90,000	13,050	103,050
2040	90,000	11,025	101,025
2041	95,000	9,000	104,000
2042	100,000	6,862	106,862
2043	100,000	4,613	104,613
2044	105,000	2,362	107,362
TOTALS	<u>\$ 1,700,000</u>	<u>\$ 521,863</u>	<u>\$ 2,221,863</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 6

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

AUGUST 31, 2021

The District will pay the amount due September 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future.

Due During Fiscal Years Ending August 31	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total
2022	\$ 345,000	\$ 405,028	\$ 750,028
2023	350,000	392,607	742,607
2024	370,000	379,918	749,918
2025	385,000	366,217	751,217
2026	395,000	351,817	746,817
2027	415,000	337,227	752,227
2028	425,000	322,862	747,862
2029	445,000	310,088	755,088
2030	465,000	296,757	761,757
2031	480,000	282,614	762,614
2032	500,000	267,845	767,845
2033	515,000	252,232	767,232
2034	540,000	235,738	775,738
2035	555,000	218,450	773,450
2036	580,000	200,683	780,683
2037	605,000	181,494	786,494
2038	625,000	161,487	786,487
2039	650,000	139,912	789,912
2040	670,000	117,487	787,487
2041	700,000	94,325	794,325
2042	730,000	70,124	800,124
2043	755,000	44,625	799,625
2044	490,000	18,186	508,186
2045	175,000	3,938	178,938
TOTALS	<u>\$ 12,165,000</u>	<u>\$ 5,451,661</u>	<u>\$ 17,616,661</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 6
ANALYSIS OF CHANGES IN GENERAL LONG-TERM BONDED DEBT
FOR THE YEAR ENDED AUGUST 31, 2021

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
Bond Series:	2018 Road	2019 Utility	2020 Road
Interest Rate:	3.10% to 4.50%	3.00% to 3.75%	2.00% to 4.50%
Dates Interest Payable:	March 1/ September 1	March 1/ September 1	March 1/ September 1
Maturity Dates:	September 1, 2022/2043	September 1, 2022/2044	September 1, 2022/2045
Bonds Outstanding at Beginning of Current Year	\$ 4,260,000	\$ 3,505,000	\$
Add Bonds Sold			2,980,000
Less Retirements	<u>(115,000)</u>	<u>(90,000)</u>	<u>(75,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 4,145,000</u>	<u>\$ 3,415,000</u>	<u>\$ 2,905,000</u>
Current Year Interest Paid:	<u>\$ 173,016</u>	<u>\$ 120,656</u>	<u>\$ 77,906</u>

Bond Descriptions and Original Amount of Issue

- (1) Kaufman County Fresh Water Supply District No. 6 Unlimited Tax Road Bonds, Series 2018 (\$4,370,000)
- (2) Kaufman County Fresh Water Supply District No. 6 Unlimited Tax Utility Bonds, Series 2019 (\$3,505,000)
- (3) Kaufman County Fresh Water Supply District No. 6 Unlimited Tax Road Bonds, Series 2020 (\$2,980,000)

Paying Agent/Registrar

- (1) (2) (3) Zions Bancorporation, N.A., (Amegy Bank Division), Houston, Texas

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 6
ANALYSIS OF CHANGES IN GENERAL LONG-TERM BONDED DEBT (Continued)
FOR THE YEAR ENDED AUGUST 31, 2021

	<u>(4)</u>	<u>Totals</u>
Bond Series:	2020 Utility	
Interest Rate:	2.125% to 4.50%	
Dates Interest Payable:	March 1/ September 1	
Maturity Dates:	September 1, 2022/2044	
Bonds Outstanding at Beginning of Current Year	\$	\$ 7,765,000
Add Bonds Sold	1,750,000	4,730,000
Less Retirements	<u>(50,000)</u>	<u>(330,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 1,700,000</u>	<u>\$ 12,165,000</u>
Current Year Interest Paid:	<u>\$ 45,225</u>	<u>\$ 416,803</u>

Bond Descriptions and Original Amount of Issue

(4) Kaufman County Fresh Water Supply District No. 6 Unlimited Tax Utility Bonds, Series 2020
(\$1,750,000)

Paying Agent/Registrar

(4) Zions Bancorporation, N.A., (Amegy Bank Division), Houston, Texas

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Road Tax Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 66,000,000	\$ 59,000,000	One and one-half times the
Amount Issued:	5,255,000	7,350,000	amount of unlimited tax
Remaining to be Issued:	60,745,000	51,650,000	bonds previously issued

Net Debt Service Fund deposits balances as of August 31, 2021:	\$333,770
Average annual debt service payment for remaining term of all debt:	734,028

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 6
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND
FOR YEARS ENDED AUGUST 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2021	2020	2019	2018	2017	2021	2020	2019	2018	2017
REVENUES										
Property taxes	\$ 257,389	\$ 363,654	\$ 437,114	\$ 114,739	\$ 822	36.1 %	51.0 %	58.6 %	36.9 %	2.2 %
Sewer service	455,072	342,727	303,929	192,490	35,502	63.8	48.0	40.7	62.0	96.9
Penalty	0	0	0	2,684	0	0.0	0.0	0.0	0.9	96.9
Interest on deposits	865	7,054	5,073	256	3	0.1	1.0	0.7	0.1	0.0
Other	0	0	0	397	343	0.0	0.0	0.0	0.1	0.9
TOTAL REVENUES	<u>713,326</u>	<u>713,435</u>	<u>746,116</u>	<u>310,566</u>	<u>36,670</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>196.9</u>
EXPENDITURES										
Current:										
Purchased wastewater service	119,127	229,570	120,172	25,601	2,970	16.8	32.3	16.1	8.2	8.1
Professional fees	38,632	37,891	29,095	46,382	17,385	5.4	5.3	3.9	15.0	47.5
Contracted services	91,241	70,416	61,688	39,976	9,951	12.8	9.9	8.3	12.9	27.1
Utilities	9,516	10,929	9,536	2,017	1,944	1.3	1.5	1.3	0.6	5.3
Repairs, maintenance and other operating expenditures	15,216	12,274	13,805	0	0	2.1	1.7	1.8	0.0	0.0
Garbage disposal	100,830	80,255	54,054	23,586	4,182	14.1	11.2	7.2	7.6	11.4
Capital outlay	46,814	8,304	0	0	0	6.6	1.2	0.0	0.0	0.0
Administrative expenditures	16,657	13,149	12,551	14,851	9,625	2.3	1.8	1.7	4.8	26.2
TOTAL EXPENDITURES	<u>438,033</u>	<u>462,788</u>	<u>300,901</u>	<u>152,413</u>	<u>46,057</u>	<u>61.4</u>	<u>64.9</u>	<u>40.3</u>	<u>49.1</u>	<u>125.6</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ 275,293</u>	<u>\$ 250,647</u>	<u>\$ 445,215</u>	<u>\$ 158,153</u>	<u>\$ (9,387)</u>	<u>38.6 %</u>	<u>35.1 %</u>	<u>59.7 %</u>	<u>50.9 %</u>	<u>71.3 %</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>733</u>	<u>504</u>	<u>375</u>	<u>369</u>	<u>N/A</u>					

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 6
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND
FOR YEARS ENDED AUGUST 31

	AMOUNT			PERCENT OF TOTAL REVENUES		
	2021	2020	2019*	2021	2020	2019
REVENUES						
Property taxes	\$ 751,788	\$ 462,832	\$ 0	99.1 %	99.5 %	0.0 %
Penalty and interest	1,863	710	161	0.2	0.2	0.8
Accrued interest on bonds received at date of sale	5,130	0	15,324	0.7	0.0	78.6
Interest on deposits and investments and other	162	1,190	4,017	0.0	0.3	20.6
TOTAL REVENUES	<u>758,943</u>	<u>464,732</u>	<u>19,502</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES						
Current:						
Professional fees	665	0	0	0.1	0.0	0.0
Contracted services	11,758	9,629	4,338	1.5	2.1	22.3
Other expenditures	260	0	0	0.0	0.0	0.0
Debt service:						
Principal retirement	330,000	110,000	0	43.5	23.7	0.0
Interest and fees	<u>417,603</u>	<u>327,675</u>	<u>146,700</u>	<u>55.1</u>	<u>70.4</u>	<u>752.2</u>
TOTAL EXPENDITURES	<u>760,286</u>	<u>447,304</u>	<u>151,038</u>	<u>100.2</u>	<u>96.2</u>	<u>774.5</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ (1,343)</u>	<u>\$ 17,428</u>	<u>\$ (131,536)</u>	<u>(0.2) %</u>	<u>3.8 %</u>	<u>(674.5) %</u>

*First year of activity.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 6BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSAUGUST 31, 2021

Complete District Mailing Address: Kaufman County Fresh Water Supply District No. 6
c/o Coats Rose, P.C.
14755 Preston Road, Suite 600
Dallas, Texas 77524

District Business Telephone No.: 972-982-8450

Submission date of the most recent District Registration Form: March 13, 2020

Limit on Fees of Office that a Director may receive during a fiscal year: \$7,200

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Christian Looney c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 77524	Elected 5/02/20- 5/04/24	\$ 1,950	\$ 0	President
Kelli Burke c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 77524	Elected 5/02/20- 5/04/24	1,800	0	Vice President
Kimberly Lamphere c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 77524	Elected 5/02/20- 5/04/24	1,800	0	Secretary
Christine LaGrone c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 77524	Appointed 10/25/19- 5/07/22	1,650	0	Assistant Secretary
Zachry Barbee c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 77524	Appointed 2/16/21- 5/07/22	900	0	Assistant Secretary

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 6

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

AUGUST 31, 2021

CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 77524	8/20/14	\$ 22,237 122,083 Bonds	Attorney
L & S District Services, LLC P.O. Box 170 Tomball, Texas 77377	9/25/14	11,969 1,800 Bonds	Bookkeeper
Debra Loggins P.O. Box 170 Tomball, Texas 77377	9/25/14	0	Investment Officer
JB I Partners, Inc. 16301 Quorum Drive, Suite 200B Addison, Texas 75001	8/20/14	6,445	Engineer
Kaufman County Tax Assessor Collector Kaufman County Annex 101 N. Washington Kaufman, Texas 75142	Prior to 2017	897	Central Appraisal District
Kaufman Central Appraisal District P.O. Box 819 Kaufman, Texas 75142	Legislative Action	10,861	Central Appraisal District
Robert W. Baird & Co. 1331 Lamar, Suite 1360 Houston, Texas 77010	8/20/14	97,604	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	9/18/17	8,500 1,450 Other 15,050 Bonds	Independent Auditor

See accompanying independent auditor's report.

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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