

OFFICIAL STATEMENT DATED MAY 18, 2022

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

The Bonds have been designated 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. (Underlying) "A3"
S&P Global Ratings (BAM Insured) "AA"
See "MUNICIPAL BOND INSURANCE" and "RATINGS" herein.

\$5,575,000

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 12

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

UNLIMITED CONTRACT TAX REVENUE BONDS

SERIES 2022

Dated: June 1, 2022

Due: September 1, as shown on inside cover

Interest accrues from: Date of Delivery (herein defined)

Kaufman County Municipal Utility District No. 12 (the "Master District," "KC MUD 12," or the "District") is the coordinating district for provision of regional water, wastewater, and drainage facilities and service to customers within the Service Area (hereinafter defined), which is comprised of the District, Kaufman County Municipal Utility District No. 9 ("KC MUD 9"), Kaufman County Municipal Utility District No. 10 ("KC MUD 10"), Kaufman County Municipal Utility District No. 11 ("KC MUD 11"), and Kaufman County Municipal Utility District No. 14 ("KC MUD 14") in order to encourage the regionalization and to avoid duplication of such facilities in the Service Area. KC MUD 9, KC MUD 10, KC MUD 11, KC MUD 12, and KC MUD 14 are collectively referred to herein as the "Participants".

The \$5,575,000 Unlimited Contract Tax Revenue Bonds, Series 2022 (the "Bonds"), are special limited obligations of the Master District payable solely from and to the extent of payments required to be made to the Master District by the Participants (the "Pledged Contract Payments") within the Service Area from proceeds of an unlimited annual ad valorem contract tax levied by each Participant for debt service pursuant to the terms of a separate "Contract for Financing, Operation and Maintenance of Regional Water, Sanitary Sewer and Drainage Facilities" entered into between the Master District and each Participant with identical terms (collectively, the "Master District Contract") as described under "SUMMARY OF CERTAIN DOCUMENTS – Master District Contract." The Bonds are limited obligations of the Master District payable solely from the Pledged Contract Payments pursuant to the Indenture (hereinafter defined) and the Master District Contract and are not obligations of the State of Texas; the City of Crandall, Texas; Kaufman County, Texas; or any other entity other than the Master District. See "THE BONDS – Source of Payment."

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 BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System."

Principal of the Bonds is payable to the registered owner(s) of the Bonds (the "Bondholder(s)") at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. Interest on the Bonds accrues from the initial date of delivery (on or about June 16, 2022) (the "Date of Delivery"), and 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. Unless otherwise agreed between the Paying Agent/Registrar and a Bondholder, such interest is payable by check mailed to such persons or by other means acceptable to such persons and the Paying Agent/Registrar. The Bonds are issuable in principal denominations of \$5,000 or any integral multiple thereof in fully registered form only.

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM").



The Bonds constitute the first series of unlimited contract tax revenue bonds issued by the Master District. Voters within the boundaries of each of the Participants have authorized the issuance of Unlimited Contract Tax Revenue Bonds (defined herein) in an amount necessary to provide the facilities intended to be provided by the Master District on parity with the Bonds. See "THE BONDS – Authority for Issuance." The Bonds, when issued, will constitute valid and legally binding special limited obligations of the Master District. See "THE BONDS – Source of Payment."

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

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

\$5,575,000 Unlimited Contract Tax Revenue Bonds, Series 2022

\$610,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 48620C (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 48620C (b)
2024	\$145,000	6.500%	2.700%	AA0	2026	\$155,000	6.250%	3.000%	AC6
2025	150,000	6.500%	2.850%	AB8	2027	160,000	6.000%	3.100%	AD4

\$4,965,000 Term Bonds

- \$340,000 Term Bond Due September 1, 2029 (c)(d), Interest Rate: 4.000% (Price: \$102.837) (a), CUSIP No. 48620C AF9 (b)
- \$1,200,000 Term Bond Due September 1, 2035 (c)(d), Interest Rate: 4.000% (Price: \$100.932) (a), CUSIP No. 48620C AM4 (b)
- \$465,000 Term Bond Due September 1, 2037 (c)(d), Interest Rate: 4.000% (Price: \$100.000) (a), CUSIP No. 48620C AP7 (b)
- \$500,000 Term Bond Due September 1, 2039 (c)(d), Interest Rate: 4.000% (Price: \$98.769) (a), CUSIP No. 48620C AR3 (b)
- \$1,135,000 Term Bond Due September 1, 2043 (c)(d), Interest Rate: 4.125% (Price: \$97.575) (a), CUSIP No. 48620C AV4 (b)
- \$1,325,000 Term Bond Due September 1, 2047 (c)(d), Interest Rate: 4.250% (Price: \$98.472) (a), CUSIP No. 48620C AZ5 (b)

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- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
 - (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds. None of the District, Financial Advisor, or Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers.
 - (c) The Bonds maturing on and after September 1, 2028, are subject to redemption and payment prior to maturity at the option of the Master 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. See "THE BONDS – Redemption Provisions – *Optional Redemption*."
 - (d) Subject to mandatory sinking fund redemption as provided under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are available from Bond Counsel, for further information.

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 Master 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.

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

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

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purposes.

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS" at a price of 97.019993% of the par value thereof, which resulted in a net effective interest rate of 4.374136%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

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

Subject to certain restrictions described in the Official Notice of Sale, the prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

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

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

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

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

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

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the

above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2022, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$466.8 million, \$172.1 million, and \$294.7 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

RATINGS

Moody's Investors Service, Inc. ("Moody's") has assigned an underlying credit rating of "A3" to the Bonds. The District will pay the fee charged by Moody's for the underlying credit rating. An explanation of the rating 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 rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

The Bonds are expected to receive an insured rating of "AA" from S&P solely in reliance upon the issuance of the municipal bond insurance policy by BAM 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. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

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

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OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The Issuer Kaufman County Municipal Utility District No. 12 (the “Master District,” “KC MUD 12,” or the “District”), a political subdivision of the State of Texas, is located in Kaufman County, Texas. See “THE DISTRICT.”

The Issue The \$5,575,000 Unlimited Contract Tax Revenue Bonds, Series 2022 (the “Bonds”), are dated June 1, 2022 and interest accrues from the initial date of delivery (on or about June 16, 2022) at the rates set forth on the inside cover page hereof, and is payable September 1, 2022, and each March 1 and September 1 thereafter until the earlier of stated maturity or redemption. The Bonds mature on September 1 in the years and in the principal amounts as set forth on the inside cover page hereof. See “THE BONDS – General.”

Redemption Provisions The Bonds maturing on or after September 1, 2028, are subject to redemption prior to maturity 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. See “THE BONDS – Redemption Provisions – *Optional Redemption*.”

The Bonds maturing on September 1 in the years 2029, 2035, 2037, 2039, 2043, and 2047 are term bonds that are also subject to mandatory sinking fund redemption provisions set out herein under “THE BONDS – Redemption Provisions – *Mandatory Redemption*.”

Book-Entry-Only System..... The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (hereinafter defined) thereof. Principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”), to Cede & Co., which 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 “THE BONDS – Book-Entry-Only System.”

Authority for Issuance..... The Bonds are issued pursuant to (i) House Bill No. 3622, 78th Legislature of Texas, Regular Session, (ii) Article XVI, Section 59 of the Texas Constitution, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) an election held within the District on May 7, 2005, (iv) a bond order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”), (v) an order of the Texas Commission on Environmental Quality (the “TCEQ”) dated March 11, 2022, and (vi) a trust indenture (the “Indenture”) between the Master District and BOKF, NA, Dallas, Texas (the “Trustee”).

The rights, powers, privileges, authority and functions of the Master 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, and Article XVI, Section 59 of the Texas Constitution. See “THE MASTER DISTRICT – Authority” and “THE BONDS – Authority for Issuance.”

At separate elections held within the boundaries of each Participant, the voters of each Participant approved the Master District Contract, thereby authorizing the levy and collection of the Contract Tax (hereinafter defined)

and the issuance of the Bonds and future Unlimited Contract Tax Revenue Bonds (hereinafter defined) necessary to fund the Master District Facilities (hereinafter defined). See “THE BONDS – Authority for Issuance” and “– Issuance of Additional Debt.”

Source of Payment.....	Principal of and interest on the Bonds are payable from and secured by an unconditional obligation made severally by the Master District (in its capacity as a Participant), Kaufman County Municipal Utility District No. 9 (“KC MUD 9”), Kaufman County Municipal Utility District No. 10 (“KC MUD 10”), Kaufman County Municipal Utility District No. 11 (“KC MUD 11”), and Kaufman County Municipal Utility District No. 14 (“KC MUD 14”) (the “Participants” collectively or “Participant” individually) pursuant to a Master District Contract (hereinafter defined) entered into between the Master District and each Participant to make certain debt service payments on the Bonds (collectively the “Pledged Contract Payments”). By execution of the Master District Contract, each Participant has agreed to pay a pro rata share of debt service on the Master District’s Unlimited Contract Tax Revenue Bonds issued for the acquisition and construction of Master District Facilities based upon the certified assessed valuation of such Participant as a percentage of the total assessed valuation of all taxable property located within boundaries of all Participants (the “Service Area”). Participants are obligated to make such Pledged Contract Payments from the proceeds of an annual unlimited ad valorem contract tax levied by such Participant on land within its boundaries for debt service requirements (the “Contract Tax”). No Participant is liable for the payments due by any other Participant. The Bonds are further secured by a Master District Debt Service Fund (as hereinafter defined) held by the Trustee (hereinafter defined) pursuant to the terms of the Indenture (hereinafter defined). KC MUD 10, KC MUD 11, and KC MUD 14 anticipate levying an initial Contract Tax in the 2022 tax year. The Master District, in its capacity as a Participant, and KC MUD 9 have not previously levied taxes. It is anticipated that KC MUD 9 will levy an initial tax rate for the 2022 tax year. THE BONDS ARE LIMITED OBLIGATIONS OF THE MASTER DISTRICT, PAYABLE SOLELY FROM CERTAIN PLEDGED CONTRACT PAYMENTS OF EACH PARTICIPANT AND CERTAIN FUNDS HELD BY THE TRUSTEE UNDER THE INDENTURE, AND ARE NOT OBLIGATIONS OF THE CITY OF CRANDALL, TEXAS; KAUFMAN COUNTY, TEXAS; OR ANY OTHER POLITICAL SUBDIVISION OR AGENCY. See “THE BONDS – Source of Payment” and “SUMMARY OF CERTAIN DOCUMENTS – Master District Contract.”
Payment Record.....	The Bonds are the Master District’s first issuance of unlimited contract tax revenue bonds. See “THE BONDS – Source of Payment.”
Use and Distribution of Bond Proceeds.....	Proceeds of the Bonds will be used to reimburse UST (herein defined) for the Master District’s share of costs for regional facilities as set out herein under “THE BONDS – Use and Distribution of Bond Proceeds.” Additionally, proceeds of the Bonds will be used to pay developer interest on the Bonds, eighteen (18) months of capitalized interest, and miscellaneous costs of issuance associated with the Bonds.
Qualified Tax-Exempt Obligations.....	The Bonds have been designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Qualified Tax-Exempt Obligations.”
Municipal Bond Insurance.....	Build America Mutual Assurance Company (“BAM”). See “MUNICIPAL BOND INSURANCE.”
Ratings.....	Moody’s Investors Service, Inc. (Underlying): “A3.” S&P Global Ratings (BAM Insured): “AA.” See “RATINGS.”
Legal Opinion.....	Coats Rose, P.C., Dallas, Texas. See “LEGAL MATTERS.”
Financial Advisor.....	Robert W. Baird & Co. Incorporated, Houston, Texas.
Disclosure Counsel.....	McCall, Parkhurst & Horton L.L.P., Houston, Texas.

INFECTIOUS DISEASE OUTLOOK (COVID-19)

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

There are currently no COVID-19 related operating limits imposed by the executive order of the Governor for any business or other establishment in the State of Texas. 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.

The Master District and the Participants have not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the Master District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

THE MASTER DISTRICT

Description..... The District, a political subdivision of the State of Texas, was created by Acts of the 78th Legislature of the State of Texas on June 21, 2003, Regular Session pursuant to House Bill 3622 codified as Chapter 1299 of the Texas Special District Local Laws Code, as Kingsborough Municipal Utility District No. 5. The District changed its name to Kaufman County Municipal Utility District No. 12 by an order issued by the Texas Commission on Environmental Quality (the "TCEQ") on February 3, 2006. The District, in its capacity as the Master District, serves as the coordinating district for provision of regional water, wastewater, and drainage facilities and service to customers within the Service Area (approximately 2,148.52 acres).

The Service Area, comprised of KC MUD 9, KC MUD 10, KC MUD 11, KC MUD 12, and KC MUD 14 (originally named Kingsborough Municipal Utility District Nos. 2 through 5 and 1, respectively), is located wholly within the County, approximately 2 miles north of the City of Crandall, Texas (the "City"), south of Interstate Highway 20, and north of Farm-to-Market ("FM") 2757. Access to the Service Area is from FM 741 and FM 257. All of the land within the Service Area is within the extraterritorial jurisdiction of the City. See "THE MASTER DISTRICT – General."

Development within the Service Area..... Land within the Service Area is being developed as the single-family subdivisions of "Heartland" and "Eastland." To date, approximately 1,063 acres (4,157 lots) have been developed as the single-family subdivision of Heartland, Phases 1A, 1B, 2A, 2B, 2C, 3A, 3B, 4A, 7B, 8, 9, 10A, 10B, 11, 12B, 13, 14, 15, 16A, 16B, 17, 18, 19, and 20, and Heartland, Parcels 5, 6A, 7A, 8, 9A, 9B, 10A, and 10B. Additionally, approximately 140 acres (565 lots) are currently under development within the Service Area as Heartland, Phases 21, 22, and 23 and approximately 149 acres (593 lots) are currently under development as Eastland, Phases 1A, 1B, 1C, and 2A. As of May 1, 2022, the Service Area consisted of 3,553 completed homes (3,489 occupied and 64 are unoccupied), 335 homes under construction, and 269 vacant developed lots.

The remaining land within the Service Area consists of approximately 671 undeveloped but developable acres and approximately 126 undevelopable acres. See "DEVELOPMENT WITHIN THE SERVICE AREA."

Developers Land within the Service Area is being developed by UST-Heartland, L.P., a Texas limited partnership ("UST") and Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership ("Lennar," and collectively with UST, the "Developers").

UST initially purchased all of the land within the Service Area, approximately 2,148.52 acres. To-date, UST has developed approximately 1,063 acres as the master-planned community of Heartland within the Service Area, sold approximately 325 acres to Lennar for the purpose of developing land within the Service Area, and continues to own approximately 761 acres within the Service Area (inclusive of approximately 140 acres currently under development within the Service Area). UST Heartland GP, LLC, a Texas limited liability company ("Heartland GP"), is the sole general partner of UST. UST Subpartnership II, L.P., a Delaware limited partnership ("UST II"), is the sole limited partner of UST. Each of UST II and Heartland GP are wholly owned by UST Joint Venture Opportunity I, L.P., a Delaware limited partnership ("UST JV"), formed to invest in industrial, commercial, residential, office, hotel, hospital, medical, sports arena, mixed use, condominium, timeshare, golf course, and recreation properties throughout the United States. UST is managed by UST Opportunity Corporation, a company owned by Lothar Estein who has over 40 years' experience in US real estate investments in the United States.

In July of 2013, UST engaged Huffines Management Partners, L.P. (d/b/a "Huffines Communities"), a third-party management company, to perform management services related to the development of property within Heartland. Huffines Communities is in the business of managing and developing real property, including residential communities. There is no assurance that Huffines Communities will continue to be the manager for the development of the property, as UST and Huffines Communities have the right, upon prior notice to the other and for certain other reasons, to terminate the management services agreement between them. Huffines Communities has no ownership in Heartland or UST.

In July of 2021, Lennar purchased all of the land within KC MUD 9 (approximately 292 acres) and a portion of land within KC MUD 12 (approximately 33 acres) within the Service Area, of which it is currently developing approximately 149 acres (593 lots) as the single-family subdivision of Eastland. Additionally, Lennar is currently under contract to purchase the remaining land within KC MUD 12 (approximately 285 acres) from UST by July 2023.

The General Partner of Lennar is U.S. Home LLC, a Delaware limited liability company, that is wholly owned by Lennar Corporation. Lennar Corporation is a publicly traded corporation whose stock is listed on the New York Stock Exchange. See "THE DEVELOPERS."

Homebuilders within the Service Area Homebuilders active in the Service Area include Lennar Homes, History Maker Homes, Impression Homes, Bloomfield Homes, and Highland Homes. Prices of new homes being constructed in the Service Area range in price from approximately \$240,000 - \$475,000 and in size from approximately 1,200 square feet to 3,500 square feet. See "DEVELOPMENT WITHIN THE SERVICE AREA - Homebuilders within the Service Area."

Master District Facilities The Master District is responsible for providing the water supply and wastewater treatment capacity as well as the regional water distribution trunklines, regional wastewater collection trunk lines and regional storm water collection trunklines necessary to serve the Service Area (collectively, the "Master District Facilities"). The Master District, and each of the Participants have entered into a "Contract for Financing, Operation and

Maintenance of Regional Water, Sanitary Sewer and Drainage Facilities” (collectively, the “Master District Contract”) with the Master District. The Master District is authorized to issue unlimited contract tax revenue bonds sufficient to complete acquisition and construction of the Master District Facilities (the “Unlimited Contract Tax Revenue Bonds”), such as the Bonds. Pursuant to the Master District Contract, the District and all other Participants are obligated to pay a pro rata share of debt service on Unlimited Contract Tax Revenue Bonds based upon certified appraised valuation, such as the Bonds. See “MASTER DISTRICT FACILITIES” and “INVESTMENT CONSIDERATIONS – Future Debt.”

Agreements with the City of Mesquite Water supply and wastewater treatment are provided to the Participants by the City of Mesquite, Texas. The City of Mesquite, in turn, purchases water and wastewater treatment service from the North Texas Municipal Water District (“NTMWD”), a regional provider of such services.

In April 2006, NTMWD issued bonds to construct a wastewater interceptor, within the vicinity of the Service Area, to serve the Service Area (the “NTMWD Bonds”). The City of Mesquite and the City of Seagoville are the entities entitled to utilize capacity in the interceptor and are responsible for paying debt service on the NTMWD Bonds. The City of Mesquite has contracted with the Master District to obtain payment of amounts sufficient to cover its portion of debt service on the NTMWD Bonds. In turn, the Master District collects payment from each Participant for their portion of the debt service. Currently, the Participants are obligated through the Master District’s contract with the City of Mesquite to pay 78.21% of the annual debt service on the NTMWD Bonds. The City of Seagoville is paying the remaining annual debt service payments. For the fiscal year ending September 30, 2021, the payments allocable to the Participants were \$1,450,992, and the projected payments allocable to the Participants for the fiscal year ending September 30, 2022, are approximately \$1,571,905. Such payments are secured by the unlimited taxing authority of the Participants. Such payments are currently being made from net revenues of each Participant. See “MASTER DISTRICT FACILITIES” and “INVESTMENT CONSIDERATIONS.”

INVESTMENT CONSIDERATIONS

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED “INVESTMENT CONSIDERATIONS,” BEFORE MAKING AN INVESTMENT DECISION.

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SELECTED FINANCIAL INFORMATION

(UNAUDITED)

Assessed Values of the Participants:

	<u>2021 Taxable Assessed Value (a)</u>	<u>% of Total</u>	<u>2022 Preliminary Assessed Value (b)</u>	<u>% of Total</u>
KC MUD 9	\$ 6,199,976	0.81%	\$ 5,853,498	0.56%
KC MUD 10	52,418,730	6.82	125,550,389	12.11
KC MUD 11	278,303,693	36.21	326,783,008	31.52
KC MUD 12	12,429,500	1.62	16,657,065	1.61
KC MUD 14	<u>419,255,541</u>	<u>54.55</u>	<u>562,024,635</u>	<u>54.20</u>
Total	\$ 768,607,440	100.00%	\$ 1,036,868,595	100.00%

Direct Debt:

The Bonds	\$ <u>5,575,000</u>
Total	\$ 5,575,000

Estimated Overlapping Debt	\$ <u>169,445,758 (c)</u>
Total Direct and Estimated Overlapping Debt	\$ 175,020,758

Direct Debt Ratios:

As a percentage of the 2021 Taxable Assessed Valuation of the Participants	0.73 %
As a percentage of the 2022 Preliminary Assessed Valuation of the Participants	0.54 %

Direct and Estimated Overlapping Debt Ratios:

As a percentage of the 2021 Taxable Assessed Valuation of the Participants	22.77 %
As a percentage of the 2022 Preliminary Assessed Valuation of the Participants	16.88 %

Master District Debt Service Fund Balance (as of Delivery of the Bonds)	\$ 313,594 (d)
Master District General Fund Balance (as of April 20, 2022)	\$ 108,354 (e)

2021 Tax Rate per \$100 of Assessed Value of Participants (f)	KC MUD 10	KC MUD 11	KC MUD 14
Utility System Debt Service	\$0.000	\$0.225	\$0.130
Road System Debt Service	0.685	0.365	0.480
Contract Tax (g)	0.000	0.000	0.000
Maintenance	<u>0.315</u>	<u>0.410</u>	<u>0.390</u>
Total	\$1.000	\$1.000	\$1.000

- (a) Represents the taxable assessed valuation of taxable property as of January 1, 2021, provided by the Kaufman County Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Kaufman County Appraisal District as the preliminary valuation of all taxable property within the District as of January 1, 2022. No taxes will be levied on such preliminary value, which is subject to protest by landowners. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "MASTER DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."
- (d) Neither Texas law, the Bond Order (as hereinafter defined) nor the Indenture (as hereinafter defined) requires that the Master District maintain any particular sum in the Master District Debt Service Fund.
- (e) The Master District maintains a minimal balance in its operating fund and relies on the collection of monthly payments by the Participants to pay its monthly expenses.
- (f) KC MUD 9 and KC MUD 12 have not levied ad valorem taxes to-date.
- (g) The Participants have not levied a Contract Tax to-date; however, it is anticipated that each of the Participants will levy its initial Contract Tax in 2022.

SELECTED FINANCIAL INFORMATION

(UNAUDITED)

Average Annual Debt Service Requirement (2022-2047)	\$353,837 (a)
Maximum Annual Debt Service Requirement (2024).....	\$386,794 (a)
Contract Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay	
Average Annual Debt Service Requirement (2022-2047) at 95% Tax Collections	
Based on the 2021 Taxable Assessed Valuation of the Participants.....	\$0.05
Based on the 2022 Preliminary Assessed Valuation of the Participants	\$0.04
Contract Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay	
Maximum Annual Debt Service Requirement (2024) at 95% Tax Collections	
Based on the 2021 Taxable Assessed Valuation of the Participants.....	\$0.06
Based on the 2022 Preliminary Assessed Valuation of the Participants	\$0.04

Status of Development in Service Area as of March 1, 2022

	<u>Total Acreage</u>	<u>Homes Completed (b)</u>	<u>Homes Under Construction</u>	<u>Developed Vacant Lots</u>
KC MUD 9	292	-	-	-
KC MUD 10	531	324	216	258
KC MUD 11	454	1,236	8	2
KC MUD 12	318	-	-	-
KC MUD 14	<u>554</u>	<u>1,993</u>	<u>111</u>	<u>9</u>
Total	2,149	3,553	335	269

- (a) Requirement of debt service on the Bonds. See "MASTER DISTRICT DEBT – Debt Service Requirement Schedule."
(b) Approximately 3,489 homes are occupied.

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KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 12

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

\$5,575,000

UNLIMITED CONTRACT TAX REVENUE BONDS

SERIES 2022

INTRODUCTION

This Official Statement of Kaufman County Municipal Utility District No. 12 (the “Master District,” the “District,” or “KC MUD 12”) is provided to furnish information with respect to the issuance by the Master District of its \$5,575,000 Unlimited Contract Tax Revenue Bonds, Series 2022 (the “Bonds”).

The Bonds are issued pursuant to (i) House Bill No. 3622, 78th Legislature of Texas, Regular Session, (ii) Article XVI, Section 59 of the Texas Constitution, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) an election held within the District on May 7, 2005, (iv) a bond order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”), (v) an order of the Texas Commission on Environmental Quality (the “TCEQ”) dated March 11, 2022, and (vi) a trust indenture (the “Indenture”) between the Master District and BOKF, NA, Dallas, Texas (the “Trustee”).

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

This Official Statement also includes descriptions, among others, of the Bonds, the Bond Order, and certain other information about the “Participants” (the Master District (in its capacity as a Participant), Kaufman County Municipal Utility District No. 9 (“KC MUD 9”), Kaufman County Municipal Utility District No. 10 (“KC MUD 10”), Kaufman County Municipal Utility District No. 11 (“KC MUD 11”), and Kaufman County Municipal Utility District No. 14 (“KC MUD 14”)), certain other information about the Master District, the approximate 2,148.52-acre area (the “Service Area”) to be provided with Master District Facilities (hereinafter defined), and the Master District Contract (hereinafter defined). 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 and the Indenture. A copy of the Bond Order and the Indenture may be obtained from the Master District upon request to Bond Counsel. The Bond Order and the Indenture authorize 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 Master District.

The Bonds mature on September 1 of the years and in principal amounts, and will bear interest at the rates per annum, set forth on the inside cover page of this Official Statement. Interest on the Bonds will accrue from the initial date of delivery (expected to be June 16, 2022) (the “Date of Delivery”) and will be payable September 1, 2022, and semiannually thereafter on each March 1 and September 1 until maturity or redemption. The Bonds maturing on or after September 1, 2028, are subject to redemption prior to maturity at the option of the Master 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. If less than all the Bonds are redeemed at any time, the particular maturities of Bonds to be redeemed shall be selected by the Master District. If less than all of the Bonds of a particular maturity are redeemed, the Paying Agent/Registrar shall select the particular Bonds to be redeemed by such random method as it deems fair and appropriate.

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 Paying Agent/Registrar (hereinafter defined), 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 of the Bonds (the “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 are to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Master District believes the source of such information to be reliable but takes no responsibility for the accuracy or completeness thereof.

The Master 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 United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each 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 Issuer 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, Paying Agent/Registrar or the Master 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 Master 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 Master 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 Master 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 Master District believes to be reliable, but Issuer 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 BOKF, NA, Dallas, Texas, as the initial Paying Agent/Registrar for the Bonds. Provision is made in the Bond Order for removal of the Paying Agent/Registrar, provided that no such removal shall be effective until a successor paying agent/registrar shall have accepted the duties of the Paying Agent/Registrar under the provisions of the Bond Order. Any successor paying agent/registrar selected by the Master 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.

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 of principal amount 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 Master 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 Master District and the Paying Agent/Registrar of security or indemnity which they determine to be sufficient to hold them harmless. The Master District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Authority for Issuance

The Bonds are issued pursuant to (i) House Bill No. 3622, 78th Legislature of Texas, Regular Session, (ii) Article XVI, Section 59 of the Texas Constitution, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) an election held within the District on May 7, 2005, (iv) the Bond Order adopted by the Board, (v) an order of the TCEQ dated March 11, 2022, and (vi) the Indenture.

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, the sufficiency of the Pledged Contract Payments to pay principal and interest on the Bonds or upon the adequacy of the information contained in this Official Statement.

At separate elections held within the boundaries of each Participant, the voters of each Participant approved the Master District Contract, thereby authorizing the levy and collection of the Contract Tax (hereinafter defined) and the issuance of Unlimited Contract Tax Revenue Bonds sufficient to complete the acquisition and construction of the Master District wastewater collection system, the Master District water supply and distribution system, and the offsite wastewater transportation system (collectively, the “Master District Facilities”) necessary to serve the Service Area, such as the Bonds, and future Unlimited Contract Tax Revenue Bonds necessary to fund the Master District Facilities. See “Issuance of Additional Debt” below.

The TCEQ order has authorized the Master District to sell the Bonds subject to certain restrictions, including the use of Bond proceeds as summarized in “– Use and Distribution of Bond Proceeds” below.

Source of Payment

The Bonds are payable solely from and to the extent that certain payments required by the Master District Contract are made by the Participants for the purpose of paying the debt service on the Bonds. The Master District Contract provides that all Participants shall pay a pro rata share of debt service on the Master District Unlimited Contract Tax Revenue Bonds, including the Bonds, and any future Unlimited Contract Tax Revenue Bonds issued by the Master District, based upon each Participant’s certified assessed valuation as a percentage of the total assessed valuation of the Service Area. The debt service requirements shall be calculated to include the charges and expenses of paying agents, registrars and trustees utilized in connection with the Bonds and any Unlimited Contract Tax Revenue Bonds subsequently issued by the Master District, the principal, interest and redemption requirements of the Bonds and any Unlimited Contract Tax Revenue Bonds subsequently issued by the Master District, and all amounts required to establish and maintain funds established under the Bond Order or the Indenture. Each Participant is obligated to pay its pro rata share of the annual debt service on the Bonds from the proceeds of an annual ad valorem contract tax (the “Contract Tax”) which is not limited as to rate or amount, or from any other legally available funds of each Participant. Each Participant’s pro rata share of debt service requirements will be calculated annually by the Master District; however, the levy of a Contract Tax for the purpose of paying debt service on the Bonds and any Unlimited Contract Tax Revenue Bonds subsequently issued by the Master District is the sole responsibility of each Participant. See “SUMMARY OF CERTAIN DOCUMENTS.”

The Bonds are secured by the Indenture entered into by the Master District and the Trustee. Pursuant to the Indenture, the Master District has assigned to the Trustee all of the Master District’s right, title and interest in and to the Pledged Contract Payments required by the Master District Contract. See “SUMMARY OF CERTAIN DOCUMENTS – Indenture.”

Pledged Contract Payments by the Participants

Principal of and interest on the Bonds and any Unlimited Contract Tax Revenue Bonds of the Master District subsequently issued are payable from and secured by an unconditional obligation to make certain payments that are to be made severally by the Participants pursuant to the Master District Contract for the purpose of paying their pro rata shares of debt service requirements which includes principal of and interest on the Bonds and any additional Unlimited Contract Tax Revenue Bonds, and fees and charges due the Paying Agent/Registrar and the Trustee (the “Pledged Contract Payments”). By

execution of the Master District Contract, the Participants have each agreed to pay such pro rata share of debt service on the Bonds based upon the certified assessed valuation of each Participant as a percentage of the total assessed valuation of the Service Area. Participants are obligated to make such debt service requirement payments from the proceeds of the Contract Tax levied by such Participant or other monies legally available to the Participant. No Participant is liable for the payments due by any other Participant.

The Bonds are limited obligations of the Master District, payable solely from the Pledged Contract Payments and certain funds held by the Trustee pursuant to the Indenture (i.e., all monies paid into the Master District Debt Service Fund (hereinafter defined) for the Bonds, including capitalized interest), and are not obligations of the State of Texas; the County; the City; or any entity other than the Master District. See "SUMMARY OF CERTAIN DOCUMENTS – Master District Contract" and " – Indenture." The Master District shall calculate on or before September 1 of each year, or as soon thereafter as practical, the amount of Pledged Contract Payments due from each Participant in the following calendar year. The Pledged Contract Payments shall be billed to each Participant by the Master District on or before September 1 of the year prior to the year in which such Pledged Contract Payments become due, or as soon thereafter as practical. Such Pledged Contract Payments shall be due and payable from each Participant directly to the Master District semiannually on or before February 15 and August 15 of each year.

Unconditional Obligation to Pay

All charges imposed by the Master District to pay debt service on the Bonds will be made by the Participants without set-off, counterclaim, abatement, suspension, or diminution, nor will any Participant have any right to terminate the Master District Contract nor be entitled to the abatement of any such payment or any reduction thereof nor will the obligations of the Participants be otherwise affected for any reason, including without limitation acts or conditions of the Master District that might be considered failure of consideration, eviction or constructive eviction, destruction or damage to the Master District Facilities, failure of the Master District to perform and observe any agreement, whether expressed or implied, or any duty, liability or obligation arising out of or connected with the Master District Contract. All sums required to be paid by the Participants to the Master District for such purposes will continue to be payable in all events and the obligations of the Participants will continue unaffected, unless the requirement to pay is reduced or terminated pursuant to an express provision of the Master District Contract. If any Participant disputes the amount to be paid to the Master District, the Participant shall nonetheless promptly make payments as billed by the Master District, and if it is subsequently determined by agreement, arbitration, regulatory decision, or court decision that such disputed payment should have been less, the Master District will then make proper adjustments to all Participants so that the appropriate Participant will receive credit for its over payments. See "SUMMARY OF CERTAIN DOCUMENTS – Master District Contract."

Funds

Pursuant to the Bond Order and the Indenture, a debt service fund has been created as a trust fund and reserve fund for the benefit of the Registered Owners (the "Master District Debt Service Fund"). The proceeds from Pledged Contract Payments collected for and on account of the Bonds authorized by the Bond Order shall be deposited and collected, in the Master District Debt Service Fund. See "SUMMARY OF CERTAIN DOCUMENTS – Indenture."

Record Date for Interest Payment

Interest on the Bonds will be paid to the registered owner appearing on the registration and transfer books of the Paying Agent/Registrar at the close of business on the "Record Date" (the fifteenth calendar day of the month next preceding each interest payment date) and shall be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid, to the address of the registered owner recorded in the registration and transfer books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of non-payment of interest on a scheduled payment date and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Bond appearing in the registration and transfer books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing such notice.

Redemption Provisions

Optional Redemption

The Master District reserves the right, at its option, to redeem the Bonds maturing on and after September 1, 2028 prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2027, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the Master District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "Book-Entry-Only System" above. Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Mandatory Redemption

The Bonds maturing on September 1 in the years 2029, 2035, 2037, 2039, 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"), and in the principal amount set forth in the following schedule:

\$340,000 Term Bonds Maturing on September 1, 2029

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2028	\$ 165,000
September 1, 2029 (Maturity)	\$ 175,000

\$1,200,000 Term Bonds Maturing on September 1, 2035

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2030	\$ 180,000
September 1, 2031	\$ 190,000
September 1, 2032	\$ 195,000
September 1, 2033	\$ 205,000
September 1, 2034	\$ 210,000
September 1, 2035 (Maturity)	\$ 220,000

\$465,000 Term Bonds Maturing on September 1, 2037

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2036	\$ 230,000
September 1, 2037 (Maturity)	\$ 235,000

\$500,000 Term Bonds Maturing on September 1, 2039

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2038	\$ 245,000
September 1, 2039 (Maturity)	\$ 255,000

\$1,135,000 Term Bonds Maturing on September 1, 2043

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2040	\$ 265,000
September 1, 2041	\$ 280,000
September 1, 2042	\$ 290,000
September 1, 2043 (Maturity)	\$ 300,000

\$1,325,000 Term Bonds Maturing on September 1, 2047

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2044	\$ 310,000
September 1, 2045	\$ 325,000
September 1, 2046	\$ 340,000
September 1, 2047 (Maturity)	\$ 350,000

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

No Arbitrage

The Master 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 Master 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 Master 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 Master District are authorized to certify to the facts and circumstances and reasonable expectations of the Master District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the Master District covenants that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Defeasance

The Bond Order and the Indenture provide that the Master 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 the Paying Agent/Registrar or any place of payment (paying agent) of the Bonds or other obligations of the Master District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the 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, (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 Master 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 Master 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 which 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.

Upon such deposit as described above, such Bonds shall no longer be regarded as 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 Master 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 Master 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.

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

Annexation

Under existing law, since the Master District and each of the Participants lie wholly within the ETJ of the City, each Participant must conform to a City consent ordinance. The Master District may not be annexed until all Participants are annexed. The City may annex or dissolve a Participant only if (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the Participant to be annexed and (ii) if the registered voters in the Participant 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 Master District is annexed, the City must assume the Master District's assets and obligations (including the Bonds) and abolish the Master District within ninety (90) days of the date of annexation. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the Master District makes no representation that the City will ever annex the Master District and assume its debt. Moreover, no representation is made concerning the ability of the City 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

The Master District and each of the Participants 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 municipal utility 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.

Issuance of Additional Debt

The Master District may issue additional Unlimited Contract Tax Revenue Bonds necessary to provide those improvements and facilities pursuant to the terms of the Master District Contract, with the approval of the TCEQ, and upon the issuance of such bonds, each of the Participants would be responsible for the contract payments in an amount sufficient to pay their pro rata share of the debt service on such bonds. See "Source of Payment" above and "INVESTMENT CONSIDERATIONS - Future Debt." The Bond Order imposes no limitation on the amount of additional Unlimited Contract Tax Revenue Bonds which may be issued by the Master District. Any additional Unlimited Contract Tax Revenue Bonds issued by the Master District will be on a parity with the Bonds.

The issuance of additional obligations may increase the Master District's and the Participants' tax rate and adversely affect the security for, and the investment quality and value of, the Bonds. The Master District does not employ any formula with respect to assessed valuations, tax collections, or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds for the construction of additional Master District Facilities is subject to approval by the TCEQ pursuant to issuance guidelines established by it. See "INVESTMENT CONSIDERATIONS - Future Debt."

Following the issuance of the Bonds, the Master District will owe the Developers approximately \$3,600,000 for Master District Facilities and approximately \$800,000 for road improvements within the Service Area.

In addition, in its capacity as a Participant, the District intends to issue bonds from its voted authorization for its internal facilities. At an election held within the District on November 8, 2005, voters of the District authorized the issuance of the following: \$76,000,000 principal amount of unlimited tax bonds for the purpose of constructing and/or acquiring internal water, sewer, and drainage facilities to serve the District and \$114,000,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds, and \$49,000,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring, and maintaining internal roads to serve the District and \$73,500,000 unlimited tax bonds for the purpose of refunding such bonds.

Each of the Participants may issue additional unlimited tax bonds to finance facilities to serve the land within their respective boundaries. See "APPENDIX A" for a description of the authorized but unissued unlimited tax bonds of the Participants.

Specific Tax Covenants

The Master District has additionally covenanted and represented in the Bond Order that it:

- (1) will not use, permit the use of, or omit to use proceeds of the sale of the Bonds, amounts derived from the investment thereof, or funds held in the Debt Service Fund (the "Proceeds") or any other amounts (or any property acquired, constructed, or improved with the Proceeds) in a manner which, if made or omitted, respectively, would cause interest on any Bond to become includable in the gross income, as defined in Section 61 of the Internal Revenue Code of 1986, as amended (the "Code"), of the owners of the Bonds for federal income tax purposes;
- (2) will not, at any time prior to the maturity of the Bonds, either (a) use or permit the use of Proceeds or any property acquired, constructed or improved with the Proceeds in any trade or business carried on by any person or entity other than a state or local government (or in any activity of any person other than a natural person) or (b) directly or indirectly impose or accept any charge or other payment for the use of the Proceeds or any property acquired, constructed or improved with the Proceeds in any trade or business carried on by any person other than a state or local government (or any activity of any person other than a natural person), unless in each case such use is merely as a member of the general public or said charge or payment consists of taxes of general application within the Master District or interest earned on certain investments acquired with the Proceeds pending application for their intended purposes;
- (3) will not use the Proceeds to make or finance loans to any person or entity other than a state or local government, excluding loans consisting of temporary investment of the Proceeds pending application for their intended purposes but including any transaction which constructively transfers ownership of property financed with Proceeds for federal income tax purposes;
- (4) will not, except during certain temporary periods described in the Bond Order, at any time prior to the maturity of the Bonds, directly or indirectly invest the Proceeds in taxable investments (or use such proceeds to replace money if so invested), if as a result of such investment the yield of all such taxable investments acquired with the Proceeds (or with money replaced thereby), whether then held or previously disposed of, exceeds the yield of the Bonds;
- (5) will not (a) use any money to pay principal of or interest on the Bonds, or pledge (or permit to be pledged) or otherwise restrict any money, funds, or investments so as to give reasonable assurance of their availability for such purpose, except in each case amounts deposited to the Master District Debt Service Fund, or (b) apply any proceeds from the sale of the Bonds or income from the investment thereof, directly or indirectly, to pay principal of or interest on any other indebtedness of the Master District, any other governmental entity which is included within the Master District, or any corporate or other instrumentality of the Master District or any such governmental entity;
- (6) will not cause the Bonds to be treated as "federally guaranteed" obligations for purposes of Section 149(b) of the Code or "hedge bonds" within the meaning of Section 149(g) of the Code; and
- (7) will file with the Secretary of the Treasury of the United States, not later than the 15th date of the second calendar month after the close of the calendar quarter in which the Bonds were issued, an information report in compliance with the Code.

The Master District may omit to comply with any of the foregoing covenants if it obtains an opinion of nationally recognized bond counsel that such omission would not adversely affect the excludability from gross income for federal income tax purposes of interest on any Bond.

Amendments to the Bond Order

The Master 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 Master 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. See “SUMMARY OF CERTAIN DOCUMENTS – Indenture” for a discussion on amendments to the Indenture.

Registered Owners’ Remedies

If the Master 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 and the Indenture, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order and the Indenture, the Registered Owners have the right to seek of a writ of mandamus issued by a court of competent jurisdiction requiring the Master District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order and the Indenture. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of defaults and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

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

The construction costs below were compiled by the Master District Engineer (hereinafter defined) and were submitted to the TCEQ in the Master District's TCEQ Bond Application Report. Non-construction costs are based upon either contract amounts or estimates of various costs by the Master District Engineer and the Financial Advisor. The actual amounts to be reimbursed by the Master District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the Auditor. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ, where required.

<u>Construction Costs</u>	<u>District's Share</u>
1. Wastewater Treatment Plant/Lift Station	\$ 753,600
2. Pump Station Upgrade No. 1	489,000
3. Pump Station and Ground Storage Tank	1,401,860
4. Water Main Phases 1-3	3,680,508
5. Tract B, Phase 3A - Metering Station	169,324
6. Additional Metering Station Work	60,823
7. Lower East Fork Interceptor	2,959,931
8. Chlorine Storage Tank Concrete Pad	1,438
9. Temporary Wastewater Treatment Plant	61,600
10. CCN Transfer	475,000
11. Wastewater Line Easement	43,312
12. Water Line Easement	171,307
13. Heartland Lake (Detention Pond) Shoreline Extension	433,320
14. Contingency (Item No. 13)	43,332
15. Preliminary Engineering	215,954
16. Engineering and Testing (Items 1-5 and 13)	<u>830,934</u>
Total Construction Costs	\$ 11,791,243
Less: Amount Contributed by Developments Outside of Master District Service Area	<u>(7,761,056)</u>
Total Net Construction Costs	\$ 4,030,187
<u>Non-Construction Costs</u>	
1. Legal Fees	\$ 136,500
2. Fiscal Agent Fees	103,625
3. Interest	
a. Capitalized Interest (18 Months)	313,594
b. Developer Interest	522,535
4. Bond Discount	166,135
5. Bond Issuance Expenses	40,461
6. Bond Application Report Costs	51,438
7. Operating Expenses	189,897
8. Attorney General Fee	5,575
9. TCEQ Bond Issuance Fee	13,938
10. Contingency (a)	<u>1,115</u>
Total Non-Construction Costs	\$ 1,544,813
Total Bond Issue Requirement	\$ 5,575,000

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

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

SUMMARY OF CERTAIN DOCUMENTS

Master District Contract

On March 7, 2005, each of the Participants (including the Master District, in its capacity as a Participant) entered into a "Contract for Financing, Operation and Maintenance of Regional Water, Sanitary Sewer and Drainage Facilities" (collectively, the "Master District Contract") with the Master District relating to the Master District Facilities. The Master District Contract was approved by the voters of the Participants at elections held separately within the boundaries of each Participant.

The Master District is authorized to issue Unlimited Contract Tax Revenue Bonds sufficient to complete acquisition and construction of the Master District Facilities. The Master District Contract provides that all Participants shall pay a pro rata share of debt service on Unlimited Contract Tax Revenue Bonds, such as the Bonds, and any future Unlimited Contract Tax Revenue Bonds issued by the Master District, based upon each Participant's assessed valuation as a percentage of the total certified assessed valuation in the Service Area. Each Participant is obligated to pay its pro rata share of the annual debt service payments from the proceeds of an annual ad valorem Contract Tax, which is not limited as to rate or amount, which includes the Pledged Contract Payments. Each Participant's pro rata share of debt service requirements will be calculated annually by the Master District; however, the levy of a Contract Tax or other available means of payment is the sole responsibility of each Participant for the purpose of paying its pro rata share of debt service on Unlimited Contract Tax Revenue Bonds, such as the Bonds. The Master District Facilities have been, and are expected to be, constructed with funds provided by the Developers, the proceeds from the Bonds, and future Unlimited Contract Tax Revenue Bonds issued by the Master District. The Master District Contract also provides for duties of the parties; establishment and maintenance of funds; assignment; arbitration; amendments; force majeure; and other provisions. If a Participant fails to pay its share of these costs in a timely manner, the Master District Contract provides that the Master District shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in the Master District's Facilities by such Participant in addition to the Master District's other remedies. As a practical matter, the Participants have no alternative provider of these services rendered under the Master District Contract.

The Master District Facilities will be acquired or constructed in stages to meet the needs of a continually expanding population within the Service Area. In the event that the Master District fails to meet its obligations to provide Master District Facilities as required by the Master District Contract, each Participant has the right, pursuant to the Master District Contract, to design, acquire, construct, or expand the Master District Facilities needed to provide service to each Participant, and convey such Master District Facilities to the Master District in consideration of payment by the Master District of the actual reasonable necessary capital costs expended by each Participant for such Master District Facilities. See "APPENDIX A" for information concerning each Participant's authorized but unissued unlimited tax bond authority. Each Participant is responsible for constructing its internal water distribution, wastewater collection and storm drainage lines within its respective boundaries. The internal facilities are financed with unlimited ad valorem tax bonds sold by each district.

All sums payable by each Participant to the Master District pursuant to the Master District Contract are to be paid without set off, counterclaim, abatement, suspension, or diminution. See "THE BONDS – Source of Payment" and "– Unconditional Obligation to Pay." Under certain conditions, the Master District may extend the Service Area and provide services to other parties who will become Participants and agree to assume their pro rata share of the bonded indebtedness of the Master District Facilities in the same manner as the existing Participants. See "INVESTMENT CONSIDERATIONS – Overlapping Debt and Tax Rates" and "– Obligations to City of Mesquite."

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

Pursuant to the Master District Contract, each Participant is obligated to establish and maintain rates, fees and charges for services provided by the Master District's water distribution system and wastewater collection system, together with taxes levied and funds received from any other lawful sources, sufficient at all times to pay the Master District's operation and maintenance expenses, and the Master District's obligations pursuant to the Master District Contract, including the Master District's debt service requirements and monthly charges.

Service Agreements with the City of Mesquite

The Master District has entered into an “Agreement Regarding Wholesale Treated Water Service” and an “Agreement Regarding Wholesale Wastewater Treatment Service” with the City of Mesquite. Pursuant to such agreements, the City of Mesquite currently provides wholesale water supply and wastewater treatment services to the Master District. In turn, the City of Mesquite has entered into a contract with North Texas Municipal Water District (“NTMWD”), a regional provider of wholesale water and wastewater services for areas located southeast, east and northeast of the City of Dallas, pursuant to which NTMWD provides wholesale water and wastewater service to the City of Mesquite and its retail and wholesale customers.

In April 2006, NTMWD issued its NTMWD Bonds to construct a wastewater interceptor, within the vicinity of the Service Area, to serve the area within the Service Area. The City of Mesquite and the City of Seagoville are the entities entitled to utilize capacity in the interceptor and are responsible for paying debt service on the NTMWD Bonds. The City of Mesquite has contracted with the Master District to obtain payment of amounts sufficient to cover their portion of the debt service and operating costs of the interceptor. In turn, the Master District collects payment from each Participant for their portion of the debt service on the NTMWD Bonds. Currently, the Participants are obligated through the Master District’s contract with the City of Mesquite to pay 78.21% of the annual debt service on the NTMWD Bonds. The City of Seagoville is paying the remaining annual debt service payments. To the extent that the City of Mesquite serves other wholesale customers in the future, such customers will pay a portion of the debt service currently being paid by the Participants. For the fiscal year ending September 30, 2021, the payments allocable to the Participants were \$1,450,992, and the projected payments allocable to the Participants for the fiscal year ending September 30, 2022, are approximately \$1,571,905. Such payments are secured by the unlimited taxing authority of the Participants. Currently, such payments are being made from net revenues of the Participants.

Each of the Participants has been added as a party to such agreements. Pursuant to such agreements, the City of Mesquite agrees to provide water and wastewater treatment capacity necessary for the full development of the Service Area, contingent upon the City being able to purchase water and wastewater treatment capacity from NTMWD. Each of the Participants pay the bulk rate per 1,000 gallons that Mesquite is charged for purchasing treated water and wastewater treatment services from NTMWD plus 40% per 1,000 gallons. Based upon the City of Mesquite’s existing contracts, Mesquite has sufficient water supply and wastewater treatment capacity to serve all of the existing lots within the Service Area as well as the additional development underway.

Indenture

The Bonds are secured by the Indenture between the Master District and BOKF, NA, Dallas, Texas (or a successor to) as Trustee. Pursuant to the Indenture, the Master District has assigned to the Trustee all of the Master District’s right, title and interest in and to the Pledged Contract Payments under the Master District Contract. Such Pledged Contract Payments, together with all amounts from time to time on deposit in the Master District Debt Service Fund maintained by the Trustee pursuant to the Indenture, together with any other security from time to time thereafter granted to the Trustee shall constitute the “Pledged Revenues” held by the Trustee under the Indenture.

Pursuant to the Indenture, the Trustee is to maintain the Master District Debt Service Fund as a trust fund to be held in trust solely for the benefit of the Registered Owners of the Bonds. The Master District has covenanted in the Indenture that it will cause to be charged to each Participant, and collected and deposited into the Master District Debt Service Fund, Pledged Contract Payments in amounts sufficient, together with other Pledged Revenues, to provide for the payment of all interest due on the Bonds on or before each interest payment date and all principal payments on the Bonds on each principal payment date. The Master District Debt Service Fund are to be invested only in investments authorized by the laws of the State of Texas but must be invested in a manner such that the money required to be expended from any fund will be available at the proper time or times.

The Indenture provides that an “Event of Default” shall be either of the following occurrences:

- (a) Failure to pay when due the principal of or interest on any Bond; or
- (b) Failure to deposit to the Master District Debt Service Fund money sufficient to pay any principal of or interest on any Bond no later than the date when it becomes due and payable.

Upon the occurrence of an Event of Default, the Trustee is required to give notice thereof to the Registered Owners and, subject to the other provisions of the Indenture, may proceed to protect and enforce its rights and the rights of the Registered Owners of the Bonds by suit, action or proceeding at equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in the Indenture, Bond Order or Bonds or in aid of the execution of any power granted in the Indenture or for the enforcement of any of the legal, equitable or other remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of the rights of the Trustee or such Registered Owner, including, without limitation, requesting a writ of mandamus issued by a court of competent jurisdiction compelling the directors and other officers of the Master District and/or the Participants to make such payment (but only from and to the extent of the sources

provided in the Indenture) or to observe and perform its other covenants, obligations and agreements in the Indenture. The Indenture provides that the Trustee may seek the appointment of receivers, may act without possession of the Bonds, may act as attorney in fact for the Registered Owners, that no remedy is exclusive and that the delay or omission in the exercise of any right or remedy shall not constitute a waiver.

The Indenture does not provide for any acceleration of maturity of the Bonds or provide for the foreclosure upon any property or assets of the Master District or the Participants, other than applying the Pledged Revenues as defined in the Indenture in the manner provided in the Indenture.

The Indenture imposes certain limitations on Registered Owners of Bonds to institute suits, actions or proceedings at law or in equity for the appointment of a receiver or other remedy unless and until the Trustee shall have received the written request of the Registered Owners of not less than 25% of all Bonds and any additional bonds from time to time outstanding and secured by the Indenture and the Trustee shall have refused or neglected to institute such suit, action or proceeding for a period of 10 days after having been furnished reasonable indemnity.

Notwithstanding the foregoing, Registered Owners of more than 50% of the aggregate principal amount of the Bonds and any additional bonds from time to time issued and outstanding shall have the right, by written instrument delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture.

Without the consent of the Registered Owners, the Master District and the Trustee may from time to time enter into one or more indentures supplemental to the Indenture, which shall form a part of the Indenture, for any one or more of the following purposes:

- (1) to cure any ambiguity, inconsistency or formal defect or omission in the Indenture;
- (2) to grant to or confer upon the Trustee for the benefit of the Registered Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Registered Owners of the Bonds or the Trustee or either of them;
- (3) to subject to the lien of the Indenture additional revenues, properties or collateral;
- (4) to modify, amend or supplement the Indenture or any supplemental indenture in such manner as to provide further assurances that interest on the Bonds will, to the greatest extent legally possible, be excludable from gross income for federal income tax purposes;
- (5) to obtain bond insurance or a rating for the Bonds;
- (6) to permit any unlimited tax contract revenue bonds to be issued in book entry-only-form; and
- (7) to permit the assumption of the Master District's obligations under the Indenture by any other entity that may become the legal successor to the Master District;

provided, however, that no provision in such supplemental indenture shall be inconsistent with the Indenture or shall impair in any manner the rights of the Registered Owners.

Except as provided in the preceding paragraph, any modification, change or amendment of the Indenture may be made only by a supplemental indenture adopted and executed by the Master District and the Trustee with the consent of the owners of not less than a majority of the aggregate principal amount of the bonds then outstanding. However, without the consent of the holders of each outstanding Bond, no modification, change, or amendment to the Indenture shall:

- (1) extend the time of payment of the principal thereof or interest thereon, or reduce the principal amount thereof or premium, if any, thereon, or the rate of interest thereon, or make the principal thereof or premium, if any, or interest thereon payable in any coin or currency other than that provided in the Indenture, or deprive such Registered Owner of the lien on the revenues pledged under the Indenture; or
- (2) change or amend the Indenture to permit the creation of any lien on the revenues pledged therein equal or prior to the lien thereof, or reduce the aggregate principal amount of Bonds.

The Trustee may be removed at any time by an instrument or concurrent instruments in writing, signed by the owners of a majority in principal amount of the Bonds then outstanding and delivered to the Trustee, with notice thereof given to the Master District.

The Trustee may at any time resign and be discharged from the trusts created by giving written notice to the Master District and by providing written notice to the Registered Owners of its intended resignation at least sixty (60) days in advance thereof. Such notice shall specify the date on which such resignation shall take effect and shall be sent by first-class mail, postage prepaid to each Registered Owner. Resignation by the Trustee shall not take effect unless and until a successor to such Trustee shall have been appointed.

In case the Trustee shall resign, or shall be removed or dissolved, or shall be in the course of dissolution or liquidation, or shall otherwise become incapable of acting, or in case the Trustee shall be taken under control of any public officer or officers or a receiver appointed by a court, a successor may be appointed by the Registered Owners of a majority in principal amount of the Bonds then outstanding, by an instrument or concurrent instruments in writing, signed by such owners or their duly authorized representatives delivered to the Trustee, with notice thereof given to the Master District; provided however, that in any of the events above mentioned, the Master District may nevertheless appoint a temporary Trustee to fill such vacancy until a successor shall be appointed by the Registered Owners in the manner above provided, and any such temporary Trustee so appointed by the Master District shall immediately and without further act be automatically succeeded by the successor to the Trustee appointed by the Registered Owners. The Master District shall provide written notice to the Registered Owners of the appointment of any successor Trustee, whether temporary or permanent, in the manner provided in the Indenture for providing notice of the resignation of the Trustee. Any successor Trustee or temporary Trustee shall be a trust company or bank in good standing located in or incorporated under the laws of the State of Texas duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$100,000,000.

In the event that no appointment of a successor Trustee is made by the Registered Owners or by the Master District pursuant to the Indenture for a period of ninety (90) days from the receipt of notice of such resignation or removal, the Registered Owner of any Bond or the retiring Trustee may apply to any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice as it shall deem proper, if any, appoint a successor Trustee.

THE MASTER DISTRICT

General

The Master District, a political subdivision of the State of Texas, was created by Acts of the 78th Legislature of the State of Texas on June 21, 2003, Regular Session pursuant to House Bill 3622 codified as Chapter 1299 of the Texas Special District Local Laws Code, as Kingsborough Municipal Utility District No. 5. The Master District changed its name to Kaufman County Municipal Utility District No. 12 by an order issued by the TCEQ on February 3, 2006. The Master District is the coordinating district for provision of regional water, wastewater, and drainage facilities and service to customers within the Service Area (approximately 2,148.52 acres).

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 within its boundaries. The Master District is also empowered to construct, acquire, improve, maintain, or operate macadamized, gravel, or paved roads and turnpikes, or improvements in aid of those road and turnpikes, inside its boundaries. The Master District may also provide solid waste collection and disposal service and operate and maintain recreational facilities. The Master 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 Master District does not operate and/or maintain a fire department. The Master District is subject to the continuing supervision of the TCEQ and is located within the ETJ of the City.

Management of the Master District

The Master District is governed by the Board consisting of five (5) directors, who have control over and management supervision of all affairs of the Master District. All of the Directors own property in the Master District. None of the directors live in the Master District. The directors serve four-year staggered terms. Elections are held in odd-numbered years in May. The current members and officers of the Board are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires May</u>
Joey Guedea	President	2024
Scott Whitaker	Vice President	2026
Gene Miller	Secretary	2024
Kathrine Shelton Haiman	Assistant Secretary	2024
James Hitt	Assistant Secretary	2026

The Service Area

Pursuant to the Master District Contract, the Master District is obligated to provide certain regional water supply facilities and transmission lines, wastewater treatment facilities and conveyance lines and stormwater drainage and detention facilities to serve the land within the Service Area.

The Service Area is comprised of KC MUD 9, KC MUD 10, KC MUD 11, KC MUD 12 and KC MUD 14 (originally named Kingsborough Municipal Utility District Nos. 2 through 5 and 1, respectively), which includes a total of approximately 2,148.52 acres, and is located wholly within the County, approximately 2 miles north of the City, south of Interstate Highway 20, and north of Farm-to-Market ("FM") 2757. All of the land within the Service Area is within the extraterritorial jurisdiction ("ETJ") of the City.

The Participants

Creation, Authority, and Description: All Participants, including the Master District (in its capacity as a Participant), operate as municipal utility districts pursuant to Chapter 49 and Chapter 54 of the Texas Water Code and are located within the Service Area. To serve the property within their boundaries, the Participants are empowered to contract with the Master District for the joint construction, financing, ownership, and operation of any works, improvements, facilities, plants, equipment, and appliances necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water, among other things. The Participants were created by House Bill No. 3622 passed by the 78th Texas Legislature, Regular Session, 2003.

The Participants are empowered to exercise all the powers and functions which will permit accomplishment of the purposes for which they were created. Each Participant may also establish, operate, and maintain a fire department or contract for firefighting services, and the TCEQ and its voters have approved a plan for that purpose

Authorized Bonds and Debt Service Tax: The Participants have the statutory authority to issue unlimited tax bonds for the purpose of providing internal water distribution, wastewater collection, and storm drainage facilities and road improvements to serve the land within their boundaries. Such bonds are secured by a direct continuing annual ad valorem tax adequate to provide funds to pay the principal of and interest on such bonds. Such tax is in addition to the Contract Tax. See "THE MASTER DISTRICT - The Participants - *Contract Tax*" below.

The Master District (in its capacity as a Participant) and each of the other Participants have voter approved bonds for purposes of providing internal water, wastewater, and drainage facilities and road improvements within their respective boundaries. See "APPENDIX A - CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANTS" for a description of the voter authorized bonds, principal amount of bonds issued (if any) and principal amount of bonds outstanding for each Participant.

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

The Bonds are the first series of Unlimited Contract Tax Revenue Bonds issued by the Master District. It is further expected that the Master District will issue additional Unlimited Contract Tax Revenue Bonds to finance the Master District facilities and each Participant will levy a Contract Tax to pay its pro-rata portion of the debt service thereon based on such Participant's assessed value relative to the assessed value of the Service Area. Each of the Participants anticipate levying a Contract Tax beginning with the 2022 tax year.

Maintenance and Operations Tax: The Participants have the authority to levy and collect an annual ad valorem tax for the operation and maintenance of facilities. A maintenance and operations tax is in addition to taxes which the Participant is authorized to levy for paying principal of and interest on its unlimited tax bonds and the Contract Tax. See " - Contract Tax" above.

Management: Each Participant is governed by a board of directors, consisting of five (5) members, which has control and management of all affairs of such Participant. Directors of each Participant are elected by the voters within that Participant to serve four (4)-year staggered terms. All such directors reside or own property within the Participant on whose board they serve. None of the Participants have any employees. Each Participant contracts for all services required to maintain its operations. The TCEQ exercises continuing supervisory jurisdiction over each Participant, and, in addition, operation of each Participant's water, wastewater, and drainage facilities is subject to regulation by other agencies.

Financial Data: See “APPENDIX A – CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANTS” for financial information for each Participant.

Consultants

The Master District has contracted with the following companies and individuals for professional services and to operate its Master District Facilities as follows:

Tax Assessor/Collector: The tax assessor/collector for the Master District is the Kaufman County Tax Office.

Bookkeeper: The Master District’s bookkeeper is L&S District Services, LLC.

Auditor: As required by the Texas Water Code, the Master District retains an independent auditor to audit the Master District’s financial statements annually, which annual audit is filed with the TCEQ. A copy of the Master District’s audit prepared by McCall Gibson Swedlund Barfoot PLLC (“Auditor”) for the fiscal year ended September 30, 2021 is attached as “APPENDIX A” to this Official Statement.

Master District Facilities Operator: The Master District Facilities are operated by Inframark.

Master District Engineer: The consulting engineer retained by the Master District in connection with the design and construction of the Master District Facilities is Peloton Land Solutions (the “Master District Engineer”).

Attorney: The Master District has engaged Coats Rose, P.C., Dallas, Texas, as general counsel to the Master District and as bond counsel (“Bond Counsel”) in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds. See “LEGAL MATTERS.”

Disclosure Counsel: McCall, Parkhurst & Horton L.L.P., Houston, Texas, serves as Disclosure Counsel to the Master District. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

Financial Advisor: Robert W. Baird & Co. Incorporated is employed as Financial Advisor to the Master District in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance 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.

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DEVELOPMENT WITHIN THE SERVICE AREA

Land within the Service Area is being developed as the single-family subdivisions of "Heartland" and "Eastland." To date, approximately 1,063 acres (4,157 lots) have been developed as the single-family subdivision of Heartland, Phases 1A, 1B, 2A, 2B, 2C, 3A, 3B, 4A, 7B, 8, 9, 10A, 10B, 11, 12B, 13, 14, 15, 16A, 16B, 17, 18, 19, and 20, and Heartland, Parcels 5, 6A, 7A, 8, 9A, 9B, 10A, and 10B. Additionally, approximately 140 acres (565 lots) are currently under development within the Service Area as Heartland, Phases 21, 22, and 23 and approximately 149 acres (593 lots) are currently under development as Eastland, Phases 1A, 1B, 1C, and 2A. As of May 1, 2022, the Service Area consisted of 3,553 completed homes (3,489 occupied and 64 are unoccupied), 335 homes under construction, and 269 vacant developed lots.

The remaining land within the Service Area consists of approximately 671 undeveloped but developable acres and approximately 126 undevelopable acres.

The following is a status of construction of single-family housing within the Service Area as of May 1, 2022:

	Section Acreage	Platted Lots	Completed Homes	Homes Under Construction	Developed Vacant Lots
Heartland					
Phase 11	56	133	118	15	-
Phase 12B	20	58	58	-	-
Phase 15	32	102	97	5	-
Phase 17	24	150	16	68	66
Phase 18	15	52	35	17	-
Phase 19	30	143	-	99	44
Phase 20	64	160	-	12	148
Tract A, Phase 1A	53	238	238	-	-
Tract A, Phase 1B	36	102	102	-	-
Tract A, Phase 2A	41	212	212	-	-
Tract A, Phase 2B	43	91	91	-	-
Tract A, Phase 2C	7	41	41	-	-
Tract A, Phase 3A	77	372	362	8	2
Tract A, Phase 3B	20	111	111	-	-
Tract A, Phase 4A	14	79	79	-	-
Tract B, Phase 1A	35	153	152	-	1
Tract B, Phase 2A	8	45	45	-	-
Tract B, Phase 3A	20	126	126	-	-
Tract, Phase 7B	6	17	17	-	-
Tract B, Phase 8	67	294	294	-	-
Tract B, Phase 9	54	220	220	-	-
Tract B, Phase 10A	41	181	172	6	3
Tract B, Phase 10B	83	174	167	7	-
Tract B, Phase 13	14	63	55	3	5
Tract B, Phase 14	34	131	75	56	-
Tract B, Phase 15	3	10	7	3	-
Tract B, Phase 16A	14	104	102	2	-
Tract B, Phase 16B	9	39	5	34	-
Parcel 5	29	156	156	-	-
Parcel 6A	16	48	48	-	-
Parcel 7A	12	34	34	-	-
Parcel 8	25	48	48	-	-
Parcel 9A	20	92	92	-	-
Parcel 9B	20	69	69	-	-
Parcel 10A	10	61	61	-	-
Parcel 10B	<u>10</u>	<u>48</u>	<u>48</u>	<u>-</u>	<u>-</u>
Total Developed	1,063	4,157	3,553	335	269
Currently Under Development	289				
Undevelopable	126				
Remaining Developable	<u>671</u>				
Service Area Total	2,149				

Heartland

Land within KC MUD 10, KC MUD 11, and KC MUD 14 (approximately 1,539 acres) is being developed as the master-planned community of Heartland. To date, approximately 1,063 acres (4,157 lots) have been developed as Heartland, Phases 1A, 1B, 2A, 2B, 2C, 3A, 3B, 4A, 7B, 8, 9, 10A, 10B, 11, 12B, 13-15, 16A, 16B, and 17-20, and Heartland, Parcels 5, 6A, 7A, 8, 9A, 9B, 10A, and 10B. Additionally, approximately 140 acres (565 lots) are currently being developed as Heartland, Phases 20, 21, 22 and 23.

Heartland, Phases 11, 12B, 15, and 17-23 are located within KC MUD 10, Heartland, Tract A, Phases 1A, 1B, 2A, 2B, 2C, 3A, 3B, and 4A are located within KC MUD 11, and Heartland, Tract B, Phases 1A, 2A, 3A, 7B, 8, 9, 10A, 10B, 13-15, 16A, and 16B and Heartland, Parcels 5, 6A, 7A, 8, 9A, 9B, 10A, and 10B are located within KC MUD 14.

As of May 1, 2022, Heartland consisted of 3,553 completed homes, 335 homes under construction, and 269 vacant developed lots. In addition, Heartland consists of approximately 140 acres currently under development, approximately 226 undeveloped but developable acres, and approximately 110 undevelopable acres.

Eastland

Land within KC MUD 9 (approximately 292 acres) is currently being developed as the single-family residential subdivision of Eastland. To date, approximately 149 acres are under development as Eastland, Phases 1A, 1B, 1C, and 2A (593 lots), approximately 445 acres are undeveloped but developable, and approximately 16 acres are undevelopable.

Homebuilders within the Service Area

Homebuilders active in the Service Area include Lennar Homes, History Maker Homes, Impression Homes, Bloomfield Homes, and Highland Homes. Prices of new homes being constructed in the Service Area range in price from approximately \$240,000 – \$475,000 and in size from approximately 1,200 square feet to 3,500 square feet.

Future Development

Approximately 671 acres of land within the Service Area remain to be developed with water, sanitary sewer and drainage facilities and approximately 126 acres are undevelopable. The Master District can make no representation that any future development will occur within the Service Area. In the event that future development does occur within the Service Area, it is anticipated that the development costs will be financed through the sale of future bond issues.

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PHOTOGRAPHS TAKEN WITHIN THE SERVICE AREA
(KC MUD 10)



**PHOTOGRAPHS TAKEN WITHIN THE SERVICE AREA
(KC MUD 11)**



PHOTOGRAPHS TAKEN WITHIN THE SERVICE AREA
(KC MUD 14)



THE DEVELOPERS

Role of the Developer

In general, the activities of a developer in a municipal utility district such as each of the Participants include purchasing the land within the district, designing the subdivision, designing the utilities and streets to be constructed in the subdivision, designing 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 (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In most instances, the developer will be required to pay up to thirty percent of the cost of constructing certain of the water, wastewater, and drainage facilities in a utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of the property within a utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

Description of the Developers

Land within the Service Area is being developed by UST-Heartland, L.P., a Texas limited partnership ("UST") and Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership ("Lennar," and collectively with UST, the "Developers").

- UST -

UST initially purchased all of the land within the Service Area, approximately 2,148.52 acres. In July of 2021, UST sold approximately 325 acres to Lennar for the purpose of developing land within the Service Area. To-date, UST has developed approximately 1,063 acres as the master-planned community of Heartland within the Service Area and continues to own approximately 761 acres within the Service Area (including approximately 140 acres currently under development within the Service Area).

UST Heartland GP, LLC, a Texas limited liability company ("Heartland GP"), is the sole general partner of UST. UST Subpartnership II, L.P., a Delaware limited partnership ("UST II"), is the sole limited partner of UST. Each of UST II and Heartland GP are wholly owned by UST Joint Venture Opportunity I, L.P., a Delaware limited partnership ("UST JV"), formed to invest in industrial, commercial, residential, office, hotel, hospital, medical, sports arena, mixed use, condominium, timeshare, golf course, and recreation properties throughout the United States. UST is managed by UST Opportunity Corporation, a company owned by Lothar Estein who has over 40 years' experience in US real estate investments in the United States.

In July of 2013, UST engaged Huffines Management Partners, L.P. (d/b/a "Huffines Communities"), a third-party management company, to perform management services related to the development of property within Heartland. Huffines Communities is in the business of managing and developing real property, including residential communities. There is no assurance that Huffines Communities will continue to be the manager for the development of the property, as UST and Huffines Communities have the right, upon prior notice to the other and for certain other reasons, to terminate the management services agreement between them. Huffines Communities has no ownership in Heartland or UST.

- Lennar -

In July of 2021, Lennar purchased all of the land within KC MUD 9 (approximately 292 acres) and a portion of land within KC MUD 12 (approximately 233 acres) within the Service Area, of which it is currently of which it is currently developing approximately 149 acres (593 lots) as the single-family subdivision of Eastland. Additionally, Lennar is currently under contract to purchase the remaining land within KC MUD 12 (approximately 285 acres) from UST by July 2023.

The General Partner of Lennar is U.S. Home LLC, a Delaware limited liability company, that is wholly owned by Lennar Corporation. Lennar Corporation is a publicly traded corporation whose stock is listed on the New York Stock Exchange. Audited financial statements for Lennar Corporation can be found online at <http://phx.corporate-ir.net/phoenix.zhtml?c=65842&p=irol-irhome>. Lennar Corporation 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 United States Securities and Exchange Commission ("SEC"). Reports, proxy statements and other information filed by Lennar Corporation 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.

Lot Sales Contracts

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

According to UST, each of the homebuilders is in compliance, in all material respects, with their respective lot sales contracts.

Development Financing

UST is financing the current development of Heartland with a loan from Texas Capital Bank, National Association, originally dated May 18, 2018, in the amended amount of \$25,000,000 with an interest rate of prime plus 1%. Such loan matures on May 18, 2022 and is secured by the land and the reimbursements UST expects to receive from the bond sales of KC MUD 10, KC MUD 11, KC MUD 14, and the Master District. As of March 1, 2022, the balance on such loan was \$4,055,736. According to UST, it is in compliance with all material terms of such loan.

Lennar is financing the development of Eastland through cash on hand and/or internal operations.

MASTER DISTRICT FACILITIES

General

The Master District is responsible for providing the Master District Facilities within the Service Area. In addition, the Master District also provides service to the following developments outside of the boundaries of the Service Area but within the boundaries of the Master District's Certificate of Convenience and Necessity ("CCN"): Kaufman County Fresh Water Supply District No. 4A ("KC FWSD 4A"), Kaufman County Fresh Water Supply District No. 4B ("KC FWSD 4B"), and the Trailwind development ("Trailwind").

Regulation

According to the Master District Engineer, the Master District Facilities have been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the City, and the County. According to the Master District 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 Master District Facilities as it now exists or as it may be expanded from time to time 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.

Water Supply and Distribution

Effective August 27, 2004, the then developer of land within Heartland entered into an Agreement Regarding Wholesale Treated Water Service with the City of Mesquite (the "Wholesale Water Agreement"). Each of the Participants has been added as a party to such agreement. Pursuant to the Wholesale Water Agreement, the City of Mesquite is the wholesale water provider to the Service Area. The City of Mesquite, in turn, contracts with NTMWD for the provision of treated water to the City of Mesquite in the volume set forth in the Wholesale Water Agreement and to the extent such water is available. Pursuant to the Wholesale Water Agreement, the City of Mesquite will provide adequate water supply for full development of the Service Area, including approximately 12,500 residential units, schools, commercial, civic and other associated uses. Each of the Participants pay the bulk rate per 1,000 gallons that the City of Mesquite is charged for purchasing treated water from NTMWD plus 40% per 1,000 gallons. There is an existing 24-inch water line from the City of Mesquite to the Service Area pump station on the north side of I-20. This water line has the capacity to serve approximately 12,500 ESFCs.

In addition, the Master District is the provider of retail water service to KC FWSD 4A, KC FWSD 4B, and Trailwind. Effective January 24, 2018, the Master District entered into the First Amended and Restated Retail Water Service Agreement with KC FWSD 4A, pursuant to which KC FWSD 4A agrees to pay an initial deposit of \$650,000 and a connection fee of \$2,500 per equivalent single-family connection ("ESFC") for the first 807 ESFCs within KC FWSD 4A and cost sharing for water facilities in return for receiving retail water service from the Master District. Effective January 26, 2018, the Master District entered into the First Amended and Restated Retail Water Service Agreement with KC FWSD 4B, pursuant to which KC FWSD 4B agrees to pay an initial deposit of \$463,263 and a connection fee of \$2,500 per ESFC for the first 576 ESFCs within KC FWSD 4B in return for receiving retail water service from the Master District. Effective July 30, 2018, the Master District entered into the Transfer and Service Agreement with the developers of Trailwind, pursuant to which the developers of Trailwind agrees to pay an initial deposit of \$632,729 and a connection fee of \$1,498 per ESFC in return for receiving retail water service from the Master District.

The existing pump station has the current capacity to serve approximately 6,666 total ESFCs, which is sufficient to serve the existing 5,143 active ESFCs within the Service Area, KC FWSD 4A, KC FWSD 4B, and Trailwind. The current level of the Master District's remaining capacity limits the type and intensity of new development that can be served by the Master District Facilities unless the Master District Facilities are expanded. Consequently, the Master District is currently in the process of planning and designing additional facilities, including pump stations and an additional elevated storage tank, that will ultimately increase the overall capacity to approximately 16,666 ESFCs to provide adequate water supply to future phases within the Service Area, KC FWSD 4A, KC FWSD 4B, and Trailwind. It is anticipated that such additional pump stations will be completed within six (6) to nine (9) months and an additional elevated storage tank will be completed within eighteen (18) to twenty-four (24) months.

Wastewater Treatment and Conveyance System

Effective August 27, 2004, the then developer of land within Heartland entered into an Agreement Regarding Wholesale Wastewater Treatment Service with the City of Mesquite (the "Wholesale Wastewater Agreement"). Each of the Participants has been added as a party to such agreement. Pursuant to the Wholesale Wastewater Agreement, the City of Mesquite is the wholesale sewer provider to the Service Area. The City of Mesquite, in turn, has contracted with the NTMWD for service from NTMWD's regional wastewater treatment plant. NTMWD has completed construction of a regional sewer line called Lower East Fork Interceptor System ("LEFIS") along Mustang Creek southwest of the Service Area that will serve the Service Area as well as other future development in the Mustang Creek basin. Each of the Participants pay the bulk rate per 1,000 gallons that Mesquite is charged for purchasing wastewater treatment services from NTMWD plus 40% per 1,000 gallons.

In addition, the Master District is the provider of retail wastewater service to KC FWSD 4A and KC FWSD 4B. Effective January 24, 2018, the Master District entered into the "Assignment and Assumption of and Second Amended and Restated Retail Sewer Service Agreement" with KC FWSD 4A, pursuant to which KC FWSD 4A agrees to pay an initial deposit of \$250,000 plus a capacity fee of \$750,000 and a connection fee of \$3,000 per ESFC for the first 700 ESFCs within KC FWSD 4A and cost sharing wastewater facilities in return for receiving retail wastewater service from the Master District. Additionally, effective January 24, 2018, the Master District entered into the "First Amended and Restated Retail Sewer Service Agreement" with KC FWSD 4B, pursuant to which KC FWSD 4B agrees to pay an initial capacity fee of \$713,267 and a connection fee of \$3,000 per ESFC for the first 429 ESFCs within KC FWSD 4B and cost sharing wastewater facilities in return for receiving retail wastewater service from the Master District. Pursuant to the Transfer and Service Agreement with Trailwind, the Master District also provides retail wastewater service to Trailwind.

Currently, there are 5,143 active ESFCs within the Service Area, KC FWSD 4A, KC FWSD 4B and Trailwind. Based upon the City of Mesquite's existing contracts, there is sufficient wastewater treatment capacity to serve the existing 5,143 active ESFCs within the Service Area, KC FWSD 4A, KC FWSD 4B, and Trailwind.

Drainage

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

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

Master District Road Facilities

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

MASTER DISTRICT DEBT

General

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

Assessed Values of the Participants:

	<u>2021 Taxable Assessed Value (a)</u>	<u>Percent of Total</u>	<u>2022 Preliminary Value (b)</u>	<u>Percent of Total</u>
KC MUD 9	\$ 6,199,976	0.81%	\$ 5,853,498	0.56%
KC MUD 10	52,418,730	6.82	125,550,389	12.11
KC MUD 11	278,303,693	36.21	326,783,008	31.52
KC MUD 12	12,429,500	1.62	16,657,065	1.61
KC MUD 14	<u>419,255,541</u>	<u>54.55</u>	<u>562,024,635</u>	<u>54.20</u>
Total	\$ 768,607,440	100.00%	\$ 1,036,868,595	100.00%

Direct Debt:

The Bonds	\$ <u>5,575,000</u>
Total	\$ 5,575,000

Estimated Overlapping Debt	\$ <u>169,445,758 (c)</u>
Total Direct and Estimated Overlapping Debt	\$ 175,020,758

Direct Debt Ratios:

As a percentage of the 2021 Taxable Assessed Valuation of the Participants	0.73 %
As a percentage of the 2022 Preliminary Assessed Valuation of the Participants	0.54 %

Direct and Estimated Overlapping Debt Ratios:

As a percentage of the 2021 Taxable Assessed Valuation of the Participants	22.77 %
As a percentage of the 2022 Preliminary Assessed Valuation of the Participants	16.88 %

Master District Debt Service Fund Balance (as of Delivery of the Bonds)	\$ 313,594 (d)
Master District General Fund Balance (as of April 20, 2022)	\$ 108,354 (e)

<u>2021 Tax Rate per \$100 of Assessed Value of Participants (f)</u>	<u>KC MUD 10</u>	<u>KC MUD 11</u>	<u>KC MUD 14</u>
Utility System Debt Service	\$0.000	\$0.225	\$0.130
Road System Debt Service	0.685	0.365	0.480
Contract Tax (g)	0.000	0.000	0.000
Maintenance	<u>0.315</u>	<u>0.410</u>	<u>0.390</u>
Total	\$1.000	\$1.000	\$1.000

- (a) Represents the taxable assessed valuation of taxable property as of January 1, 2021, provided by the Kaufman County Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Kaufman County Appraisal District as the preliminary valuation of all taxable property within the District as of January 1, 2022. No taxes will be levied on such preliminary value, which is subject to protest by landowners. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "MASTER DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."
- (d) Neither Texas law, the Bond Order (as hereinafter defined) nor the Indenture (as hereinafter defined) require that the Master District maintain any particular sum in the Master District Debt Service Fund.
- (e) The Master District maintains a minimal balance in its operating fund and relies on the collection of monthly payments by the Participants to pay its monthly expenses.
- (f) KC MUD 9 and KC MUD 12 have not levied ad valorem taxes to-date.
- (g) The Participants have not levied a Contract Tax to-date; however, it is anticipated that each of the Participants will levy its initial Contract Tax in 2022.

Direct and Estimated Overlapping Debt Statement

Other governmental entities whose boundaries overlap the Service Area have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the Participants, the Master District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the Service Area are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt</u>	<u>Overlapping</u>	
	<u>April 30, 2022</u>	<u>Percent</u>	<u>Amount</u>
Kaufman County	\$ 183,213,357	5.25%	\$9,616,402
Crandall Independent School District	158,594,482	46.57	73,864,357
KC MUD 9	-0-	100.00	-0-
KC MUD 10	9,625,000	100.00	9,625,000
KC MUD 11	24,020,000	100.00	24,020,000
KC MUD 12	-0-	100.00	-0-
KC MUD 14 (a)	52,320,000	100.00	<u>52,320,000</u>
Total Estimated Overlapping Debt.....			\$ 169,445,758
The Master District (b).....			<u>\$ 5,575,000</u>
Total Direct & Estimated Overlapping Debt (c).....			\$ 175,020,758

(a) Includes KC MUD 14's pending \$7,670,000 Unlimited Tax Bonds, Series 2022.

(b) The Bonds.

(c) Includes the Bonds.

Debt Ratios

Direct Debt Ratios (a):

As a percentage of the 2021 Taxable Assessed Valuation of the Participants.....	0.73 %
As a percentage of the 2022 Preliminary Assessed Valuation of the Participants.....	0.54 %

Direct and Estimated Overlapping Debt Ratios (a):

As a percentage of the 2021 Taxable Assessed Valuation of the Participants.....	22.77 %
As a percentage of the 2022 Preliminary Assessed Valuation of the Participants.....	16.88 %

(a) Includes the Bonds.

Debt Service Requirement Schedule

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

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2022	-0-	\$50,374	\$50,374
2023	-0-	241,794	241,794
2024	\$145,000	241,794	386,794
2025	150,000	232,369	382,369
2026	155,000	222,619	377,619
2027	160,000	212,931	372,931
2028	165,000	203,331	368,331
2029	175,000	196,731	371,731
2030	180,000	189,731	369,731
2031	190,000	182,531	372,531
2032	195,000	174,931	369,931
2033	205,000	167,131	372,131
2034	210,000	158,931	368,931
2035	220,000	150,531	370,531
2036	230,000	141,731	371,731
2037	235,000	132,531	367,531
2038	245,000	123,131	368,131
2039	255,000	113,331	368,331
2040	265,000	103,131	368,131
2041	280,000	92,200	372,200
2042	290,000	80,650	370,650
2043	300,000	68,688	368,688
2044	310,000	56,313	366,313
2045	325,000	43,138	368,138
2046	340,000	29,325	369,325
2047	350,000	14,875	364,875
<u>Total</u>	<u>\$5,575,000</u>	<u>\$3,624,774</u>	<u>\$9,199,774</u>

Average Annual Debt Service Requirement (2022-2047)	\$353,837
Maximum Annual Debt Service Requirement (2024).....	\$386,794

TAXING PROCEDURES

Authority to Levy Taxes

Each Participant is authorized to levy a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within its boundaries in sufficient amount to pay the principal and interest on any bonds issued by such Participant, its pro rata share of interest on the Bonds, and any additional bonds payable from taxes which the Master District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. Voters within each Participant have also authorized the levy of a maintenance tax not to exceed \$1.00 per \$100 valuation.

Property Tax Code and County-Wide Appraisal District

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

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

Although each Participant has the responsibility for establishing tax rates and levying and collecting its taxes each year, under the Property Tax Code, neither the Master District nor any Participant establishes appraisal standards or determines the frequency of revaluation or reappraisal. The Appraisal District is governed by a board of directors elected by the governing bodies of the county and all cities, towns, school districts and, if entitled to vote, the conservation and reclamation districts that participate in the Appraisal District. The Property Tax Code requires each appraisal district to implement a plan for periodic reappraisal of property to update appraised values. Such plan must provide for reappraisal of all real property in the appraisal district at least once every three years. It is not known what frequency of future reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

Property Subject to Taxation by the Participants

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 Service Area are subject to taxation by the applicable Participant. 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 applicable Participant 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 applicable Participant. The applicable Participant may be required to offer such exemptions if a majority of voters approve same at an election. The Participant 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. Each Participant is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair its obligation to pay tax supported debt incurred prior to adoption of the exemption by such district. Furthermore, each Participant 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 for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. Surviving spouses of a deceased veteran who has 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. In addition, a partially disabled veteran or the surviving spouse of a partially disabled veteran is 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 at no cost by a charitable organization. This exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. The surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received. The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received. None of the Participants have ever granted an exemption for disabled persons and persons 65 and older.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by July 1. None of the Participants has ever adopted a homestead exemption. See "TAX DATA."

Freeport Goods and Goods-in-Transit Exemption: 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 Master 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 2013 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 Master District and the Participants 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. Each of the Participants has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

The County may designate all or part of the area within the Service Area as a reinvestment zone. Thereafter, the County and the applicable Participant, at the option and discretion of each entity, 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 a Participant, 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 jurisdictions. At this time, the County has not designated any of the area within the Service Area as a reinvestment zone.

Valuation of Property for Taxation

Generally, property in the Service Area 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 Participants 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 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 permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the Participant can collect taxes based on the new use, including taxes for the previous three years for agricultural use, open space land and timberland.

Disaster Exemption

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

Tax Payment Installments after Disaster

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

Participant and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the Participants, 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.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the Participants and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

Each Participant 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 each Participant based on valuation of property within the boundaries of the Participant 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 Participant. 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 Participant to pay such taxes in equal installments over a period of between 12 and 36 months (as determined by the Participant) when such person has not entered into another installment agreement with respect to delinquent taxes within the Participant in the preceding 24 months.

Rollback of Operation and Maintenance Tax Rate

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

Low Tax Rate Districts

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

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold 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 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing 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 Low Tax Rate District or a Developed District are classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If a rollback election is called

and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

The District

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. For the 2021 tax year, the Board of Directors for KC MUD 10, KC MUD 11, and KC MUD 14 designated each of their respective districts as a "Developing District." Additionally, the Board of Directors for KC MUD 9 and KC MUD 12 declared each district as neither a "Low Tax Rate District" nor a "Developing District". The Master District cannot give any assurances as to what its classification will be at any point in time or whether the Participants', including the Master District (in its capacity as a Participant), future tax rates will result in a total tax rate that will reclassify the Participant into a new classification and new election calculation.

Participant's Rights in the Event of Tax Delinquencies

Taxes levied by a Participant are a personal obligation of the owner of the property as of January 1 of the year in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the state and each taxing unit, including the Participant, having the power to tax the property. The Participant'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 Participant 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 Participant 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 Participant 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 months for commercial property and all other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

TAX DATA

General

Taxable property within the Service Area is subject to the assessment, levy and collection by the applicable Participant of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay its pro-rata share of the 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 each Participant each year against such Participant'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 Master District's Board covenants in the Bond Order to assess and levy an ad valorem tax sufficient to produce funds to pay its pro rata portion of the principal and interest on the Bonds. Pursuant to the requirements of the Master District Contract, each of the Participants are likewise required 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 its pro-rata portion of the principal of and interest on the Bonds. The actual rate of such taxes will be determined from year to year as a function of the Participant's tax base, its debt service requirements, and available funds. In addition, each Participant has the power and authority to assess, levy, and collect ad valorem taxes, not to exceed \$1.00 per \$100 of assessed valuation, for operation and maintenance purposes.

In 2021, the Participants levied the following tax rates: KC MUD 10 levied a total tax rate of \$1.00 per \$100 of assessed valuation composed a maintenance tax of \$0.315 and a debt service tax for the construction of road improvements \$0.685; KC MUD 11 levied a total tax rate of \$1.00 per \$100 of assessed valuation composed of a maintenance tax of \$0.410, a debt service tax for water, wastewater and drainage facilities of \$0.225 and a debt service tax for the construction of road improvements of \$0.365; and KC MUD 14 levied a total tax rate of \$1.00 per \$100 of assessed valuation composed of a maintenance tax of \$0.390, a debt service tax for water, wastewater and drainage facilities of \$0.130, and a debt service tax for the construction of road improvements of \$0.480. The Master District, in its capacity as a Participant, and KC MUD 9 have not yet levied tax rates. Additionally, none of the Participants have levied a Contract Tax but it is anticipated that each of the Participants will levy an initial Contract Tax in 2022.

Debt Service Tax

Each Participant, including the Master District, has the statutory authority to issue unlimited tax bonds for the purpose of providing water distribution, wastewater collection, and storm drainage facilities to the land within its boundaries. Such bonds, if issued, will be served by a continuing, annual ad valorem tax adequate to provide funds to pay the principal of and interest on such bonds. Such tax is in addition to the contract tax. See “APPENDIX A” for information related to each Participant’s historical tax data and authorized but unissued unlimited tax bonds.

Maintenance Tax

The board of directors of each Participant has the statutory authority to levy and collect an annual ad valorem tax for maintenance purposes, including, but not limited to, funds for planning, constructing, maintaining, repairing and operating all necessary land, plants, works, facilities, improvements, appliances and equipment, if such maintenance tax is authorized by a vote of the Participant’s electors. Such tax would be in addition to the contract tax and taxes levied for paying principal of and interest on any tax bonds which may be issued in the future by the Participant. Voters within each Participant have also authorized the levy of a maintenance tax not to exceed \$1.00 per \$100 valuation.

Tax Rate Limitations of Participants

Debt Service (Water, Wastewater & Drainage):Unlimited (no legal limit as to rate or amount).
 Debt Service (Roads):.....Unlimited (no legal limit as to rate or amount).
 Maintenance:.....\$1.00 per \$100 Assessed Taxable Valuation.
 Contract Tax:.....Unlimited (no legal limit as to rate or amount).

Assessed Taxable Valuation Summary

The following represents the type of property comprising the 2021 tax rolls as certified by the Appraisal District.

Type of Property	KC MUD 9 Taxable Assessed Valuation	KC MUD 10 Taxable Assessed Valuation	KC MUD 11 Taxable Assessed Valuation	KC MUD 12 Taxable Assessed Valuation	KC MUD 14 Taxable Assessed Valuation
Land	\$6,199,976	\$24,872,934	\$73,106,813	\$12,429,500	\$113,722,532
Improvements	-0-	28,454,272	223,779,386	-0-	326,786,332
Personal Property	-0-	16,792	885,855	-0-	279,135
Exemptions	-0-	(925,268)	(19,468,361)	-0-	(21,532,458)
Total	\$6,199,976	\$52,418,730	\$278,303,693	\$12,429,500	\$419,255,541

Principal Taxpayers

The following are the principal taxpayers within the Service Area as shown on the combined certified appraisal rolls as of certification of the Participants for the 2021 tax year. See “APPENDIX A” for the principal taxpayers within the boundaries of each Participant.

Taxpayer	Types of Property	Taxable Value 2021 Tax Roll
HW Heartland LP (a)	Land & Improvements	\$32,806,816
Lennar Homes of Texas Land & Construction Ltd (b)	Land & Improvements	7,854,290
Bloomfield Homes (b)	Land & Improvements	6,899,570
HMH Lifestyles LP (b)	Land & Improvements	2,607,627
Impression Homes LLC (b)	Land & Improvements	2,581,002
Kaufman1 Townhomes LLC	Land & Improvements	2,288,772
AMH 2015-1 Borrower LLC	Land & Improvements	1,993,000
Highland Homes Dallas LLC (b)	Land & Improvements	1,870,410
American Homes 4 Rent Properties Eight LLC	Land & Improvements	1,708,025
ARP 2014-1 Borrower LLC	Land & Improvements	<u>1,667,000</u>
Total of Principal Taxpayers		\$62,276,512
Principal Taxpayers Percent of Total of Service Area		8.10%

(a) See “THE DEVELOPERS.”

(b) See “DEVELOPMENT WITHIN THE SERVICE AREA – Homebuilders within the Service Area.”

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation that would be required to meet certain debt service requirements on the Bonds if no growth occurs in the tax base of the Service Area beyond the taxable assessed valuation as of January 1, 2021 (\$768,607,440) or the 2022 Preliminary Assessed Valuation (\$1,036,868,595). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds.

Average Annual Debt Service Requirement (2022-2047)	\$353,837
Contract Tax Rate of \$0.05 on the 2021 Taxable Assessed Valuation of the Participants	\$365,089
Contract Tax Rate of \$0.04 on the 2022 Preliminary Assessed Valuation of the Participants	\$394,010
Maximum Annual Debt Service Requirement (2024).....	\$386,794
Contract Tax Rate of \$0.06 on the 2021 Taxable Assessed Valuation of the Participants	\$438,106
Contract Tax Rate of \$0.04 on the 2022 Preliminary Assessed Valuation of the Participants	\$394,010

Estimated Overlapping Taxes

Property within the Service Area is subject to taxation by several taxing authorities in addition to the Participants. 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 a Participant is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonds of the Master District and of such other jurisdictions (see “MASTER 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 taxes per \$100 of assessed valuation levied by such jurisdictions. 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. The following chart includes the 2021 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

<u>Taxing Jurisdiction</u>	<u>2021 Tax Rate</u>
The Participants (a)	\$1.000000
Kaufman County	0.379985
Kaufman County Emergency Services District No. 7	0.074300
Crandall Independent School District	1.372000
Trinity Valley Community College District	0.136050
Kaufman County Road and Bridge Fund	<u>0.081186</u>
Total Tax Rate	\$3.043521

(b) Represents the highest total tax rate levied by a Participant. KC MUD 10, KC MUD 11 and KC MUD 14 each levied a total tax rate of \$1.00 per \$100 of assessed valuation. KC MUD 9 and KC MUD 12 have not levied tax rates to date.

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INVESTMENT CONSIDERATIONS

General

The Bonds are limited obligations of the Master District and are not obligations of the State of Texas; the County; the City; or any entity other than the Master District. The Master District is authorized to issue Unlimited Contract Tax Revenue Bonds, such as the Bonds, sufficient to complete the acquisition and construction of the Master District Facilities necessary to serve the Service Area.

The Bonds are payable solely from and to the extent of the Pledged Contract Payments (hereinafter defined). The obligations of the Participants to make the Pledged Contract Payments are several, not joint, obligations pro-rated among the Participants based upon the proportion of the assessed valuation of property within their respective boundaries to the total assessed valuation of the Service Area. No Participant is obligated to pay the Pledged Contract Payments allocated to any other Participant. The security for payment of the principal of and interest on the Bonds, therefore, depends on the ability of each Participant to collect annual ad valorem taxes (without legal limit as to rate or amount) levied on taxable property within its boundaries sufficient to pay its Pledged Contract Payments. Taxes collected by each Participant are allocated between Pledged Contract Payments which are the source of payment of the Bonds and other ad valorem taxes levied by such Participant without priority of taxes levied for one purpose over taxes levied for any other purpose.

The collection by each Participant of delinquent taxes owed to it and the enforcement by the Registered Owners of the Participant's obligation to collect sufficient taxes, if required, may be a costly and lengthy process. The Master District does not make any representations that continued development of taxable property within the Service Area will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property, if such property is foreclosed upon by a Participant for nonpayment of taxes. The Master District makes no representations that over the life of the Bonds the property within the Service Area will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of property in the Service Area is directly related to the economics of the commercial and residential industry, not only due to general economic conditions, but also due to the particular factors discussed below. See "Registered Owners' Remedies" and "- Bankruptcy Limitations to Registered Owners' Rights" below, "THE BONDS - Source of Payment," and "APPENDIX A - CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANTS."

Infectious Disease Outbreak - COVID-19

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

There are currently no COVID-19 related operating limits imposed by the executive order of the Governor for any business or other establishment in the State of Texas. 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.

The Participants, including the Master District (in its capacity as a Participant), have not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the Master 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.

Contract Tax

The Master District is responsible for constructing or otherwise obtaining the Master District Facilities. Pursuant to the Master District Contract, the Participants are obligated to pay a pro rata share of Unlimited Contract Tax Revenue Bonds issued by the Master District based upon the proportion of certified assessed valuation of property within their respective boundaries to the total assessed valuation of the Service Area. Each Participant is obligated to pay its pro rata share of debt service on Unlimited Contract Tax Revenue Bonds, such as the Bonds, from the proceeds of an ad valorem Contract Tax levied by such Participant for such purpose or from any other lawful source of income for such Participant.

The Bonds are the first series of Unlimited Contract Tax Revenue Bonds to be issued by the Master District. The Master District is authorized to issue Unlimited Contract Tax Revenue Bonds in an amount necessary to finance the Master District Facilities to serve the Service Area, without additional voter approval. The Master District cannot represent whether any of the development planned or occurring within the Service Area served by the Master District Facilities will be successful. The levy of a Contract Tax to substantially higher levels could have an adverse impact upon future development and upon

development and home sales within the Service Area, including the Master District (in its capacity as a Participant), and the ability of each Participant to collect, and the willingness of owners of property located within the Service Area to pay ad valorem taxes (including the Contract Tax). See “MASTER DISTRICT FACILITIES” and “SUMMARY OF CERTAIN DOCUMENTS.”

Following the issuance of the Bonds, the Master District will owe the Developers approximately \$3,600,000 for Master District Facilities and approximately \$800,000 for road improvements within the Service Area.

Bonds issued by the Master District for water, sewer and drainage facilities are subject to prior approval by the TCEQ. Such agency has in place certain “economic feasibility rules” which for districts located in the County limit the amount of bonds which can be issued to an amount that can be amortized with a tax rate not exceeding \$1.00 per \$100 valuation, including all other obligations of the issuer secured by ad valorem taxes. See “SELECTED FINANCIAL INFORMATION.”

No Reserve Fund

The Bonds will be issued pursuant to the Bond Order and the Indenture wherein the Pledged Contract Payments will be pledged to payment of debt service on the Bonds. The Bond Order and the Indenture confirm the Master District Debt Service Fund but does not create a designated reserve fund. Pursuant to the Master District Contract, each Participant’s pro rata share of the Pledged Contract Payments is calculated by the Master District. The Master District’s annual calculation of the debt service requirement to be paid by the Participants shall include no more than the sum of next year’s annual debt service requirements and, at the option of the Master District, up to 50% of the following year’s annual debt service requirements to establish a replenishment amount in the Master District Debt Service Fund, which when paid by the Participants, will be deposited into such debt service fund. Delay or failure of any Participant to pay its pro rata share of the debt service requirements may adversely affect payment of the Bonds. In the event of a default on a bond payment, the Master District will be obligated to charge the Participants the maximum amount allowed under the Bond Order (100% of the next year’s debt service and 50% of the following year’s debt service) until such time that both (a) the bond default is cured and (b) the Master District’s debt service fund balance is at least 50% of the maximum annual debt service remaining on the Master District’s Unlimited Contract Tax Revenue Bonds. See “INVESTMENT CONSIDERATIONS – Registered Owners’ Remedies” and “– Bankruptcy Limitations to Registered Owners’ Rights.”

Overlapping Debt and Tax Rates

The Master District may issue additional Unlimited Contract Tax Revenue Bonds and each Participant may each independently issue additional unlimited tax bonds that may change the Participants’ projected tax rates in the future. Owners of taxable property in the Service Area are responsible for the payment of ad valorem taxes levied by each Participant, as applicable, for payment of Pledged Contract Payments. In addition, owners of property located in the Service Area are responsible for the payment of ad valorem taxes levied by a Participant, as applicable, for the payment of debt service on unlimited tax bonds issued by the Participant and are also responsible for the payment of ad valorem taxes levied by a Participant, as applicable, for the purpose of paying the Participant’s operation and maintenance costs. See “APPENDIX A” attached hereto for information related to indebtedness and taxation requirements of each Participant.

In addition, property located within the Service Area is subject to taxation by various other governmental entities. See “TAX DATA – Estimated Overlapping Taxes.”

Obligations to City of Mesquite

The Master District has entered into an “Agreement Regarding Wholesale Treated Water Service” and an “Agreement Regarding Wholesale Wastewater Treatment Service” with the City of Mesquite. Pursuant to such agreements, the City of Mesquite currently provides wholesale water supply and wastewater treatment services to the Master District. See “MASTER DISTRICT FACILITIES.” In turn, the City of Mesquite has entered into a contract with NTMWD, a regional provider of wholesale water and wastewater services for areas located southeast, east and northeast of the City of Dallas, pursuant to which NTMWD provides wholesale water and wastewater service to the City of Mesquite and its retail and wholesale customers.

In April 2006, NTMWD issued bonds to construct a wastewater interceptor within the vicinity of the Service Area, to serve the Service Area (the “NTMWD Bonds”). The City of Mesquite and the City of Seagoville are the entities entitled to utilize capacity in the interceptor and are responsible for paying debt service on the NTMWD Bonds. The City of Mesquite has contracted with the Master District to obtain payment of amounts sufficient to cover their portion of the debt service and operating costs of the interceptor. In turn, the Master District collects payment from each Participant for their portion of debt service on the NTMWD Bonds. Currently, the Participants are obligated through the Master District’s contract with the City of Mesquite to pay 78.21% of the annual debt service on the NTMWD Bonds. The City of Seagoville is paying the remaining annual debt service payments. To the extent that the City of Mesquite serves other wholesale customers in the future, such customers will pay a portion of the debt service currently being paid by the Participants. The City of Seagoville is paying the remaining annual debt service payments. For the fiscal year ending September 30, 2021, the payments allocable to the Participants were \$1,450,992, and the projected payments allocable to the Participants for the fiscal year ending

September 30, 2022, are approximately \$1,571,905. Such payments are secured by the unlimited taxing authority of the Participants. Currently, such payments are being made from net revenues of each of the Participants.

Economic Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development within the Service Area is directly related to the vitality of the single-family housing in the Dallas metropolitan area. New single-family residential construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of single-family residential construction would restrict the growth of property values in the Service Area. Although 3,888 single-family homes are either completed or under construction within the Service Area as of May 1, 2022, the Master District cannot predict the pace or magnitude of any future development in the Service Area. See “DEVELOPMENT WITHIN THE SERVICE AREA.”

Developers' Obligations to the Master District: There is no commitment by or legal requirement of the Developers (as defined herein), or any other landowner in the Service Area to proceed at any particular rate or according to any specified plan with the development of land in the Service Area, or of any homebuilder to proceed at any particular pace with the construction of homes in the Service Area. Moreover, there is no restriction on any landowner's right to sell its land. Therefore, the Master District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the Service Area. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the Service Area and result in higher tax rates. See “DEVELOPMENT WITHIN THE SERVICE AREA.”

Maximum Impact on Participant Tax Rates: Assuming no further development or home construction, the value of the land, improvements, and other taxable property currently within the Service Area will be the major determinant of the ability or willingness of property owners to pay their taxes. The taxable assessed valuation as of January 1, 2021, of all taxable property located within the Service Area is \$768,607,440 and the 2022 Preliminary Assessed Valuation of all taxable property within the Service Area is \$1,036,868,595. After issuance of the Bonds, the maximum annual debt service requirement of the Bonds (2024) will be \$386,794 and the average annual debt service requirement of the Bonds (2022-2047) will be \$353,837. Assuming no increase to nor decrease from the taxable assessed valuation as of January 1, 2021, a Contract Tax rate of each Participant of \$0.06 and \$0.05 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no increase to nor decrease from the 2022 Preliminary Assessed Valuation, a Contract Tax rate of each Participant of \$0.04 and \$0.04 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.

In 2021, the Participants levied the following tax rates: KC MUD 10 levied a total tax rate of \$1.00 per \$100 of assessed valuation composed a maintenance tax of \$0.315 and a debt service tax for the construction of road improvements of \$0.685; KC MUD 11 levied a total tax rate of \$1.00 per \$100 of assessed valuation composed of a maintenance tax of \$0.410, a debt service tax for water, wastewater and drainage facilities of \$0.225 and a debt service tax for the construction of road improvements of \$0.365; and KC MUD 14 levied a total tax rate of \$1.00 per \$100 of assessed valuation composed of a maintenance tax of \$0.390, a debt service tax for water, wastewater and drainage facilities of \$0.130, and a debt service tax for the construction of road improvements of \$0.480. The Master District, in its capacity as a Participant, and KC MUD 9 have not yet levied tax rates. None of the Participants have levied a Contract Tax but it is anticipated that each of the Participants will levy its initial Contract Tax in 2022.

Tax Collections and Foreclosure Remedies

The Master District's ability to make debt service payments on the Bonds may be adversely affected by difficulties experienced by each Participant in collecting ad valorem taxes. Under Texas law, the levy of ad valorem taxes by a Participant constitutes a lien in favor of the Participant on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The Participant's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures; (b) a bankruptcy court's stay of tax collection proceedings against a taxpayer; or (c) market conditions affecting the marketability of taxable property within the Service Area and limiting the proceeds from a foreclosure sale of such property.

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

Registered Owners' Remedies

If the Master 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 Master District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of defaults and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

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

Bankruptcy Limitation to Registered Owners' Rights

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

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

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

The Master District may not be placed into bankruptcy involuntarily.

Future Debt

Pursuant to the Master District Contract, the Master District may sell additional Unlimited Contract Tax Revenue Bonds in an amount necessary to provide the facilities intended to be provided by the Master District on parity with the Bonds. The Master District anticipates that it will continue to issue Unlimited Contract Tax Revenue Bonds in installments over the next several years. Each future issue of bonds is intended to be sold at the earliest practicable date consistent with the maintenance of a reasonable tax rate in the Service Area (assuming projected increases in the value of taxable property made at the time of issuance of bonds are accurate). The Master District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. See "DEVELOPMENT WITHIN THE SERVICE AREA."

Following the issuance of the Bonds, the Master District will owe the Developers approximately \$3,600,000 for Master District Facilities and approximately \$800,000 for road improvements within the Service Area.

In addition, in its capacity as a Participant, the District intends to issue bonds from its voted authorization for its internal facilities. At an election held within the District on November 8, 2005, voters of the District authorized the issuance of the following: \$76,000,000 principal amount of unlimited tax bonds for the purpose of constructing and/or acquiring internal water, sewer, and drainage facilities to serve the District and \$114,000,000 principal amount of unlimited tax bonds for the purpose of refunding such bonds, and \$49,000,000 principal amount of unlimited tax bonds for the purpose of purchasing,

constructing, acquiring, and maintaining internal roads to serve the District and \$73,500,000 unlimited tax bonds for the purpose of refunding such bonds.

Each of the Participants may issue additional unlimited tax bonds to finance facilities to serve the land within their respective boundaries. See "APPENDIX A" for a description of the authorized but unissued unlimited tax bonds of the Participants.

Competitive Nature of Dallas Residential Housing Market

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

Marketability

The Master District has no understanding (other than the initial reoffering yields) with the initial purchaser of the Bonds (the "Initial Purchaser") regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold, or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

Continuing Compliance with Certain Covenants

The Bond Order contains covenants by the Master District intended to preserve the exclusion from gross income of interest on the Bonds. Failure of the Master 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."

Environmental Regulations

Wastewater treatment, water supply, storm sewer facilities and construction activities within the Service Area 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 Service Area. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the Service Area.

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

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

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water

Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

Operations of utility districts, including the Master 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 Master District must obtain a permit from the United States Army Corps of Engineers ("USACE") if operations of the Master 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.

On June 9, 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. On November 18, 2021, the EPA and USACE issued a Notice of Proposed Rulemaking to put back into place the pre-2015 definition of "waters of the United States." 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.

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

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

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

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.

Changes in 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. In addition, changes in Texas or federal law and regulations, whether currently proposed or proposed in the future, may directly or indirectly affect the ability of the Developers to complete the development of the Service Area, may alter the manner in which development in the Service Area occurs, may change the legal and regulatory requirements imposed upon development in the Service Area or may affect the ongoing operation of the Service Area. 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 tax legislation, and should also consult with their own advisors with respect to any proposed, pending, or future legislation that may affect the development or ongoing operation of the Service Area.

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 absence such prepayment by the Master 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 "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 Master 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 Master 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" 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.

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 Master District payable from the Pledged Contract Payments. 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 Master 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. 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 reviewed for the Master District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, Disclosure Counsel.

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

No-Litigation Certificate

The Master District and each of the Participants 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 such Board, to the effect that no litigation of any nature is then pending against or, to the best knowledge and belief of the certifying officers, threatened against such district contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority of proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of such District or the titles of the then present officers of the Board.

No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the Master 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 Master District subsequent to the date of sale from that set forth or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended through the date of sale.

TAX MATTERS

Opinion

Delivery of the Bonds is subject to an opinion of Coats Rose, P.C., Bond Counsel, to the effect that, assuming continuing compliance by the Master District with the provisions of the Bond Order subsequent to the issuance of the Bonds, interest on the Bonds (1) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes pursuant to section 103 of the Code as amended to the date of issuance of the Bonds, existing regulations, published rulings, and court decisions thereunder, and (2) will not be included in the alternative minimum taxable income of individuals. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering such opinion, Bond Counsel will rely upon representations and certifications of the Master District made in a certificate pertaining to the use, expenditure, and investment of the proceeds of the Bonds and certain other funds and will assume continuing compliance by the Master District with certain covenants in the Bond Order and the Indenture subsequent to the issuance of the Bonds. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of issuance of the Bonds.

Bond Counsel's opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law to the extent deemed relevant to render such opinions and the representations and covenants referenced above. The Service has an ongoing audit program to determine whether interest on selected state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to the likelihood that the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service is likely to treat the Master District as the "taxpayer," and the owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the Master District may have different or conflicting interests from the owners. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel will express no opinion with respect to any other federal, state or local tax consequences under present law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, "S" corporations with "subchapter C"

earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry (or who have paid or incurred certain expenses allocable to) tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Tax Accounting Treatment of Original Issue Discount Bonds

The issue price of certain of the Bonds (the “Original Issue Discount Bonds”) is less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) such initial owner 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 period that such Original Issue Discount Bond continues to be owned by such owner.

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 Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption “TAX MATTERS” generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

The foregoing is based on the assumptions that (a) the Initial Purchaser has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm’s-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the inside cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the Master District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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 Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner’s basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon 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 plus 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 Bond.

The federal income tax consequences of the purchase, ownership, and 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 interest accrued upon redemption, sale or other disposition of such Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership and redemption, sale or other disposition of such Bonds.

Collateral Federal Income Tax Consequences

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

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

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH

MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation. Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

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

Qualified Tax-Exempt Obligations

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

The Master District has, pursuant to the Bond Order, designated the Bonds as "qualified tax-exempt obligations" and certified its expectation that the above-described \$10,000,000 ceiling will not be exceeded for the year 2022. Accordingly, it is anticipated that financial institutions that purchase the Bonds will not be subject to the 100 percent disallowance of interest expense allocable to interest on the Bonds under Section 265(b) of the Code. However, 20 percent of the interest expense incurred by a financial institution which is allocable to the interest on the Bonds would not be deductible pursuant to Section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

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

The information to be updated and provided includes all quantitative financial information and operating data with respect to the Master District and the Participants of the general type included in this Official Statement included under the headings "MASTER DISTRICT DEBT," "TAX DATA," "APPENDIX A," and "APPENDIX B." In addition, the Master District has agreed to provide information with respect to the Developers, and any person or entity to whom such entities voluntarily assign (except as collateral) the right to receive a payment out of the proceeds from the sale of the bonds of the Master District, and each other person or entity, if any, to whom the Master District voluntarily makes or agrees or has agreed to make a payment out of such proceeds. The information provided with respect to the Developers will be of the general type included in this Official Statement under the heading "TAX DATA - Principal Taxpayers." The Master District will be obligated to provide information concerning the Developers, and any such other person or entity only if and so long as (1) such person owns more than 20% of the taxable property within the Master District by value, as reflected by the most recently certified tax rolls (and without effect to special valuation provisions), (2) such person has made tax or other payments to the Master District which were used or available to pay more than 20% of the Master District's debt service requirements in the applicable fiscal year, or (3) at the end of such fiscal year such person is obligated to the Master District to provide or pay for Master District Facilities or debt in an amount which exceeds 20% of the amount of the Master District's bonds then

outstanding. The Master District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2022.

Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the Master 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 Master District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six (6) month period, and audited financial statements when and if the audit report becomes available.

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

Event Notices

The Master District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The Master District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Master District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the Master District or other obligated person or the sale of all or substantially all of the assets of the Master District or other obligated person, 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 Master District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Master District or other obligated person, 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 Master District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order make any provision for debt service reserves or liquidity enhancement. In addition, the Master District will provide timely notice of any failure by the Master District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from EMMA

The Master District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

The Master District has agreed to update information and to provide notices of specified events only as described above. The Master 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 Master 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 Master District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement, or from any statement made pursuant to its agreement, although holders and beneficial owners of Bonds may seek a writ of mandamus to compel the Master District to comply with its agreement.

The Master District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the Master District but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the Master District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds.

The Master District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. If the Master District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

The Bonds are the first issuance of bonded indebtedness by the Master District, and, as such, the Master District has not previously entered into a continuing disclosure agreement pursuant to SEC Rule 15c2-12.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the Developers, the Master District's records, the Master District Engineer, the Tax Assessor/Collector 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 Master District's audited financial statements for the fiscal year ended September 30, 2021, has been provided by the Master District's auditor, McCall Gibson Swedlund Barfoot PLLC, and attached hereto as "APPENDIX B."

Experts

Bond Counsel has reviewed the information appearing in this Official Statement under the captions "THE BONDS," "SUMMARY OF CERTAIN DOCUMENTS," "TAXING PROCEDURES," "THE MASTER DISTRICT - General," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION." Bond Counsel has reviewed the information under the aforementioned sections solely to determine whether such information fairly summarizes the law or documents referred to in such sections. Bond Counsel has not independently verified other factual information contained in this Official Statement nor conducted an investigation of the affairs of the Master District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon the limited participation of such firm as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

The information contained in this Official Statement relating to engineering and to the description of the Master District Facilities generally and, in particular, the engineering information included in the sections captioned "MASTER DISTRICT FACILITIES" has been provided by the Master District Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

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

Certification as to Official Statement

The Master 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 Master 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 Master District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the Master District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

If, subsequent to the date of the Official Statement, the Master 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 Master 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 Master District to so amend or supplement the Official Statement will terminate when the Master District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the Master 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 Master District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the Master 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 Master 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 the provisions of such statutes, documents, and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Kaufman County Municipal Utility District No. 12 as of the date shown on the first page hereof.

/s/ Joey Guedea
President, Board of Directors
Kaufman County Municipal Utility District No. 12

ATTEST:

/s/ Gene Miller
Secretary, Board of Directors
Kaufman County Municipal Utility District No. 12

APPENDIX A

CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANTS

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 12

(In its Capacity as a Participant)

Voter Authorized Unlimited Tax Water, Sewer and Drainage Bonds.....	\$ 76,000,000
Voter Authorized Unlimited Tax Road Bonds	\$ 49,000,000
Total Principal Amount of Unlimited Tax Bonds Issued to Date.....	\$-0-
Debt Service Tax Limitation (per \$100 of assessed valuation).....	Unlimited
Maintenance Tax Limitation (per \$100 of assessed valuation).....	\$1.00
Contract Tax Limitation.....	Unlimited
Gross Outstanding Direct Debt.....	\$ -0-
2021 Taxable Assessed Valuation	\$ 12,429,500
2022 Preliminary Assessed Valuation.....	\$ 16,657,065
2021 Taxable Assessed Valuation as a Percentage of 2021 Taxable Assessed Valuation of all Participants.....	1.62 %
2022 Preliminary Assessed Valuation as a Percentage of 2022 Preliminary Assessed Valuation of all Participants.....	1.61 %
Average Annual Debt Service on the Bonds (\$353,837):	
Pro rata Share of the Bonds based on 2021 Taxable Assessed Valuation.....	\$5,722
Pro rata Share of the Bonds based on 2022 Preliminary Assessed Valuation	\$5,684
Maximum Annual Debt Service on the Bonds (\$386,794):	
Pro rata Share of the Bonds based on 2021 Taxable Assessed Valuation.....	\$6,255
Pro rata Share of the Bonds based on 2022 Preliminary Assessed Valuation	\$6,214
Tax Rate Required to Pay Pro rata Share of the Bonds based upon the 2021 Certified Taxable Assessed Value at 95% collections:	
Average Annual Debt Service	\$0.05
Maximum Annual Debt Service.....	\$0.04
Tax Rate Required to Pay Pro rata Share of the Bonds based upon the 2022 Preliminary Assessed Valuation at 95% collections:	
Average Annual Debt Service	\$0.06
Maximum Annual Debt Service.....	\$0.04
Status of Development as of May 1, 2022:	
Acreage	318
Total Completed Homes.....	-0-
Total Developed Lots	-0-

Principal Taxpayers

The following are the principal taxpayers in the District as shown on the District's certified appraisal rolls for the 2021 tax year.

<u>Taxpayer</u>	<u>Types of Property</u>	<u>Taxable Value 2021 Tax Roll</u>	<u>Percent of District Value</u>
HW Heartland LP	Land	\$12,361,000	99.45%
Directors' Lots	Land	68,500	0.55%
Total of Principal Taxpayers		\$12,429,500	100.00%

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 9

Voter Authorized Unlimited Tax Water, Sewer and Drainage Bonds.....	\$ 78,000,000
Voter Authorized Unlimited Tax Road Bonds	\$ 42,000,000
Total Principal Amount of Unlimited Tax Bonds Issued to Date.....	\$ -0-
Debt Service Tax Limitation (per \$100 of assessed valuation).....	Unlimited
Maintenance Tax Limitation (per \$100 of assessed valuation).....	\$ 1.00
Contract Tax Limitation	Unlimited
Gross Outstanding Direct Debt.....	\$ -0-
2021 Taxable Assessed Valuation	\$ 6,199,976
2022 Preliminary Assessed Valuation.....	\$ 5,853,498
2021 Taxable Assessed Valuation as a Percentage of	
2021 Taxable Assessed Valuation of all Participants.....	0.81 %
2022 Preliminary Assessed Valuation as a Percentage of	
2022 Preliminary Assessed Valuation of all Participants.....	0.56 %
Average Annual Debt Service on the Bonds (\$353,837):	
Pro rata Share of the Bonds based on 2021 Taxable Assessed Valuation.....	\$2,854
Pro rata Share of the Bonds based on 2022 Preliminary Assessed Valuation	\$1,998
Maximum Annual Debt Service on the Bonds (\$386,794):	
Pro rata Share of the Bonds based on 2021 Taxable Assessed Valuation.....	\$3,120
Pro rata Share of the Bonds based on 2022 Preliminary Assessed Valuation	\$2,184
Tax Rate Required to Pay Pro rata Share of the Bonds based upon the	
2021 Certified Taxable Assessed Value at 95% collections:	
Average Annual Debt Service	\$0.05
Maximum Annual Debt Service.....	\$0.04
Tax Rate Required to Pay Pro rata Share of the Bonds based upon the	
2022 Preliminary Assessed Valuation at 95% collections:	
Average Annual Debt Service	\$0.06
Maximum Annual Debt Service.....	\$0.04
<u>Status of Development as of May 1, 2022:</u>	
Acreage	292
Total Completed Homes.....	-0-
Total Developed Lots.....	-0-
Total Lots Currently Under Development	593

Principal Taxpayers

The following are the principal taxpayers in KC MUD 9 as shown on its certified appraisal rolls for the 2021 tax year.

<u>Taxpayer</u>	<u>Types of Property</u>	<u>Taxable Value 2021 Tax Roll</u>	<u>Percent of District Value</u>
HW Heartland LP	Land	\$6,168,476	99.49%
Directors' Lots	Land	<u>31,500</u>	<u>0.51%</u>
Total of Principal Taxpayers		\$6,199,976	100.00%

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10

Voter Authorized Unlimited Tax Water, Sewer and Drainage Bonds.....	\$ 75,000,000
Voter Authorized Unlimited Tax Road Bonds	\$ 47,000,000
Total Principal Amount of Unlimited Tax Bonds Issued to Date.....	\$ 9,625,000
Debt Service Tax Limitation (per \$100 of assessed valuation).....	Unlimited
Maintenance Tax Limitation (per \$100 of assessed valuation).....	\$ 1.00
Contract Tax Limitation	Unlimited
Gross Outstanding Direct Debt.....	\$ 9,625,000
2021 Taxable Assessed Valuation	\$ 52,418,730
2022 Preliminary Assessed Valuation.....	\$ 125,550,389
2021 Taxable Assessed Valuation as a Percentage of	
2021 Taxable Assessed Valuation of all Participants.....	6.82 %
2022 Preliminary Assessed Valuation as a Percentage of	
2022 Preliminary Assessed Valuation of all Participants.....	12.11 %
Average Annual Debt Service on the Bonds (\$353,837):	
Pro rata Share of the Bonds based on 2021 Taxable Assessed Valuation.....	\$24,132
Pro rata Share of the Bonds based on 2022 Preliminary Assessed Valuation	\$42,845
Maximum Annual Debt Service on the Bonds (\$386,794):	
Pro rata Share of the Bonds based on 2021 Taxable Assessed Valuation.....	\$26,379
Pro rata Share of the Bonds based on 2022 Preliminary Assessed Valuation	\$46,835
Tax Rate Required to Pay Pro rata Share of the Bonds based upon the	
2021 Certified Taxable Assessed Value at 95% collections:	
Average Annual Debt Service	\$0.05
Maximum Annual Debt Service.....	\$0.04
Tax Rate Required to Pay Pro rata Share of the Bonds based upon the	
2022 Preliminary Assessed Valuation at 95% collections:	
Average Annual Debt Service	\$0.06
Maximum Annual Debt Service.....	\$0.04
Status of Development as of May 1, 2022:	
Acreage	532
Total Completed Homes.....	324
Total Developed Lots.....	798
Total Lots Currently Under Development.....	149

Principal Taxpayers

The following are the principal taxpayers in KC MUD 10 as shown on its certified appraisal rolls for the 2021 tax year.

<u>Taxpayer</u>	<u>Types of Property</u>	<u>Taxable Value 2021 Tax Roll</u>	<u>Percent of District Value</u>
HW Heartland LP	Land & Improvements	\$11,793,625	22.50%
Lennar Homes of Texas Land & Construction Ltd.	Land & Improvements	3,204,965	6.11%
Highland Homes Dallas LLC	Land & Improvements	1,870,410	3.57%
Homeowner	Land & Improvements	317,567	0.61%
Homeowner	Land & Improvements	314,917	0.60%
Homeowner	Land & Improvements	305,000	0.58%
Homeowner	Land & Improvements	297,694	0.57%
Homeowner	Land & Improvements	293,678	0.56%
Homeowner	Land & Improvements	289,491	0.55%
Homeowner	Land & Improvements	<u>289,491</u>	<u>0.55%</u>
Total		\$18,976,838	36.20%

Historical Tax Collections

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Percent of Collections Current Year	Current Year Ended 9/30	Percent of Collections 3/31/2022
2018	\$8,102,350	\$1.00	\$81,024	100.00%	2019	100.00%
2019	11,823,650	1.00	118,237	100.00%	2020	100.00%
2020	20,037,263	1.00	200,373	100.00%	2021	100.00%
2021	52,418,730	1.00	524,187	96.84%(b)	2022	96.84%

(a) Total tax rate per \$100 of assessed valuation for each respective tax year. See "Tax Rate Distribution" below.

(b) Collections through March 31, 2022.

Tax Rate Distribution

	2021	2020	2019	2018
Road System Debt Service	\$0.685	\$0.000	\$0.000	\$0.000
Utility System Debt Service	0.000	0.000	0.000	0.000
Maintenance & Operation	0.315	1.000	1.000	1.000
Contract	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>
	\$1.000	\$1.000	\$1.000	\$1.000

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11

Voter Authorized Unlimited Tax Water, Sewer and Drainage Bonds.....	\$ 86,000,000
Voter Authorized Unlimited Tax Road Bonds	\$ 52,000,000
Total Principal Amount of Unlimited Tax Bonds Issued to Date.....	\$ 29,110,000
Debt Service Tax Limitation (per \$100 of assessed valuation).....	Unlimited
Maintenance Tax Limitation (per \$100 of assessed valuation).....	\$ 1.00
Contract Tax Limitation	Unlimited
Gross Outstanding Direct Debt.....	\$ 24,020,000
2021 Taxable Assessed Valuation	\$ 278,303,693
2022 Preliminary Assessed Valuation.....	\$ 326,783,008
2021 Taxable Assessed Valuation as a Percentage of	
2021 Taxable Assessed Valuation of all Participants.....	36.21 %
2022 Preliminary Assessed Valuation as a Percentage of	
2022 Preliminary Assessed Valuation of all Participants.....	31.52 %
Average Annual Debt Service on the Bonds (\$353,837):	
Pro rata Share of the Bonds based on 2021 Taxable Assessed Valuation.....	\$128,120
Pro rata Share of the Bonds based on 2022 Preliminary Assessed Valuation	\$111,517
Maximum Annual Debt Service on the Bonds (\$386,794):	
Pro rata Share of the Bonds based on 2021 Taxable Assessed Valuation.....	\$140,053
Pro rata Share of the Bonds based on 2022 Preliminary Assessed Valuation	\$121,903
Tax Rate Required to Pay Pro rata Share of the Bonds based upon the	
2021 Certified Taxable Assessed Value at 95% collections:	
Average Annual Debt Service	\$0.05
Maximum Annual Debt Service.....	\$0.04
Tax Rate Required to Pay Pro rata Share of the Bonds based upon the	
2022 Preliminary Assessed Valuation at 95% collections:	
Average Annual Debt Service	\$0.06
Maximum Annual Debt Service.....	\$0.04
Status of Development as of May 1, 2022:	
Acreage	454
Total Completed Homes.....	1,236
Total Developed Lots.....	1,246

Principal Taxpayers

The following are the principal taxpayers in KC MUD 11 as shown on its certified appraisal rolls for the 2021 tax year.

<u>Taxpayer</u>	<u>Types of Property</u>	<u>Taxable Value 2021 Tax Roll</u>	<u>Percent of District Value</u>
HW Heartland LP	Land & Improvements	\$2,414,575	0.87%
ARP 2014-1 Borrower LLC	Land & Improvements	1,667,000	0.60%
AMH 2014-2 Borrower LLC	Land & Improvements	1,462,000	0.53%
ABKMRS Forney Real Estate LLC	Land & Improvements	1,400,000	0.50%
AMH 2015-2 Borrower LLC	Land & Improvements	1,262,000	0.45%
Ermina Real Estate LLC	Land & Improvements	1,175,842	0.42%
American Homes 4 Rent Properties Eight LLC	Land & Improvements	956,000	0.34%
AMH 2014-3 Borrower LLC	Land & Improvements	857,000	0.31%
AMH 2015-1 Borrower LLC	Land & Improvements	829,000	0.30%
Homeowner	Land & Improvements	<u>686,853</u>	<u>0.25%</u>
		\$12,710,270	4.57%

Historical Tax Collections

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate (a)</u>	<u>Adjusted Levy</u>	<u>Percent of Collections Current Year</u>	<u>Current Year Ended 9/30</u>	<u>Percent of Collections 3/31/2022</u>
2017	\$201,574,792	\$1.00	\$2,015,748	99.89%	2018	100.00%
2018	232,671,510	1.00	2,326,715	99.86%	2019	100.00%
2019	240,244,264	1.00	2,402,443	99.88%	2020	99.99%
2020	254,950,928	1.00	2,549,509	99.99%	2021	99.99%
2021	278,303,693	1.00	2,783,037	98.84%(b)	2022	98.84%

(a) Total tax rate per \$100 of assessed valuation for each respective tax year. See "Tax Rate Distribution" below.

(b) In process of collections. Collections through March 31, 2022.

Tax Rate Distribution

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Road System Debt Service	\$0.365	\$0.400	\$0.415	\$0.440	\$0.370
Utility System Debt Service	0.225	0.100	0.190	0.000	0.000
Maintenance & Operation	0.410	0.500	0.395	0.560	0.630
Contract	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>
	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14

Voter Authorized Unlimited Tax Water, Sewer and Drainage Bonds.....	\$ 88,000,000
Voter Authorized Unlimited Tax Road Bonds	\$ 72,000,000
Total Principal Amount of Unlimited Tax Bonds Issued to Date.....	\$ 56,430,000 (a)
Debt Service Tax Limitation (per \$100 of assessed valuation).....	Unlimited
Maintenance Tax Limitation (per \$100 of assessed valuation).....	\$ 1.00
Contract Tax Limitation	Unlimited
Gross Outstanding Direct Debt.....	\$ 52,320,000 (a)
2021 Taxable Assessed Valuation	\$ 419,255,541
2022 Preliminary Assessed Valuation.....	\$ 562,024,635
2021 Taxable Assessed Valuation as a Percentage of	
2021 Taxable Assessed Valuation of all Participants.....	54.55 %
2022 Preliminary Assessed Valuation as a Percentage of	
2022 Preliminary Assessed Valuation of all Participants.....	54.20 %
Average Annual Debt Service on the Bonds (\$353,837):	
Pro rata Share of the Bonds based on 2021 Taxable Assessed Valuation.....	\$193,009
Pro rata Share of the Bonds based on 2022 Preliminary Assessed Valuation	\$191,794
Maximum Annual Debt Service on the Bonds (\$386,794):	
Pro rata Share of the Bonds based on 2021 Taxable Assessed Valuation.....	\$210,986
Pro rata Share of the Bonds based on 2022 Preliminary Assessed Valuation	\$209,658
Tax Rate Required to Pay Pro rata Share of the Bonds based upon the	
2021 Certified Taxable Assessed Value at 95% collections:	
Average Annual Debt Service	\$0.05
Maximum Annual Debt Service.....	\$0.04
Tax Rate Required to Pay Pro rata Share of the Bonds based upon the	
2022 Preliminary Assessed Valuation at 95% collections:	
Average Annual Debt Service	\$0.06
Maximum Annual Debt Service.....	\$0.04
Status of Development as of May 1, 2022:	
Acreage	554
Total Completed Homes.....	1,993
Total Developed Lots.....	2,113

(a) Includes \$7,670,000 principal amount in unlimited tax bonds for utility purposes that KC MUD 14 anticipates issuing in the second quarter of 2022.

Principal Taxpayers

The following are the principal taxpayers in KC MUD 14 as shown on its certified appraisal rolls for the 2021 tax year.

<u>Taxpayer</u>	<u>Types of Property</u>	<u>Taxable Value 2021 Tax Roll</u>	<u>Percent of District Value</u>
Bloomdfield Homes	Land & Improvements	\$6,899,570	1.65%
HW Heartland LP	Land & Improvements	6,087,616	1.45%
Lennar Homes of Texas Land & Construction Ltd	Land & Improvements	4,649,325	1.11%
HMH Lifestyles LP	Land & Improvements	2,607,627	0.62%
Impression Homes LLC	Land & Improvements	2,581,002	0.62%
Kaufman1 Townhomes LLC	Land & Improvements	2,288,772	0.55%
Heartland Lakes Dental	Land & Improvements	1,299,251	0.31%
AMH 2015-1 Borrower LLC	Land & Improvements	1,164,000	0.28%
M Nazir Raja Inc.	Land & Improvements	930,000	0.22%
American Homes 4 Rent Properties Eight LLC	Land & Improvements	<u>752,025</u>	<u>0.18%</u>
Total		\$29,259,188	6.98%

Historical Tax Collections

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate (a)</u>	<u>Adjusted Levy</u>	<u>Percent of Collections Current Year</u>	<u>Current Year Ended 9/30</u>	<u>Percent of Collections 3/31/2022</u>
2017	\$122,125,664	\$1.00	\$1,221,257	100.00%	2018	100.00%
2018	195,524,720	1.00	1,955,247	100.00%	2019	100.00%
2019	271,986,996	1.00	2,747,069	99.82	2020	98.84%
2020	345,576,617	1.00	3,455,766	99.81%	2021	99.81%
2021	419,255,541	1.00	4,192,555	99.27%(b)	2022	99.27%

(a) Total tax rate per \$100 of assessed valuation for each respective tax year. See "Tax Rate Distribution" below.

(b) Collections through March 31, 2022.

Tax Rate Distribution

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Road System Debt Service	\$0.480	\$0.510	\$0.635	\$0.640	\$0.650
Utility System Debt Service	0.130	0.100	0.000	0.000	0.000
Maintenance & Operation	0.390	0.390	0.365	0.360	0.350
Contract	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>
	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000

APPENDIX B
FINANCIAL STATEMENTS OF THE PARTICIPANTS

**KAUFMAN COUNTY MUNICIPAL
UTILITY DISTRICT NO. 10**

KAUFMAN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2021

**KAUFMAN COUNTY MUNICIPAL
UTILITY DISTRICT NO. 10**

KAUFMAN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kaufman County Municipal Utility District No. 10
Kaufman County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Kaufman County Municipal Utility District No. 10 (the "District"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

January 19, 2022

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Management's discussion and analysis of the financial performance of Kaufman County Municipal Utility District No. 10 provides an overview of the District's financial activities for the fiscal year ended September 30, 2021. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for maintenance tax revenues, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information. A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$926,246 as of September 30, 2021. A portion of the District's net position reflects its net investment in capital assets (land and roads as well as the water, wastewater and drainage facilities, less any debt used to acquire those assets that is still outstanding).

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following is a comparative analysis of government-wide changes in the Statement of Net Position as of September 30, 2021, and September 30, 2020.

	Summary of Changes in the Statement of Net Position		
	2021	2020	Change Positive (Negative)
Current Assets	\$ 1,654,239	\$ 775,135	\$ 879,104
Capital Assets (Net of Depreciation)	11,276,219	5,106,332	6,169,887
Total Assets	\$ 12,930,458	\$ 5,881,467	\$ 7,048,991
Due to Developer	\$ 3,881,504	\$ 2,765,062	\$ (1,116,442)
Bonds Payable	9,741,544	3,236,728	(6,504,816)
Other Liabilities	233,656	86,174	(147,482)
Total Liabilities	\$ 13,856,704	\$ 6,087,964	\$ (7,768,740)
Net Position:			
Net Investment in Capital Assets	\$ (2,056,289)	\$ (792,483)	\$ (1,263,806)
Restricted	217,493	130,158	87,335
Unrestricted	912,550	455,828	456,722
Total Net Position	\$ (926,246)	\$ (206,497)	\$ (719,749)

The following table provides a summary of the District's operations for the years ended September 30, 2021, and September 30, 2020.

	Summary of Changes in the Statement of Activities		
	2021	2020	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 197,190	\$ 118,237	\$ 78,953
Service Revenues	1,155,990	508,231	647,759
Miscellaneous Revenues	6,772	4,025	2,747
Total Revenues	\$ 1,359,952	\$ 630,493	\$ 729,459
Expenses for Services	2,079,701	924,484	(1,155,217)
Change in Net Position	\$ (719,749)	\$ (293,991)	\$ (425,758)
Net Position, Beginning of Year	(206,497)	87,494	(293,991)
Net Position, End of Year	\$ (926,246)	\$ (206,497)	\$ (719,749)

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of September 30, 2021, were \$1,428,095, an increase of \$735,670 from the prior year.

The General Fund fund balance increased by \$456,722, primarily due to property tax revenues and service revenues that exceeded operating expenditures.

The Debt Service Fund fund balance increased by \$91,383, due to the receipt of capitalized interest from the sale of Series 2021 Road Bonds and the payment of interest on previously issued bonds.

The Capital Projects Fund fund balance increased by \$187,565. The District sold its Series 2021 Road Bonds and used proceeds to reimburse its developer (see Note 12).

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors amended the budget during the current fiscal year to decrease anticipated purchased Master District services. Actual revenues were \$27,812 more than budgeted revenues and actual expenditures were \$84,512 less than budgeted expenditures which resulted in a positive variance of \$112,324. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of September 30, 2021, total \$11,276,219 (net of accumulated depreciation) and include land, landscaping and roads as well as the water, wastewater and drainage systems. Current year capital asset additions included the purchase and/or construction of land, landscaping, roads and utility infrastructure which serves District customers.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2021	2020	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 755,725	\$ 386,036	\$ 369,689
Capital Assets, Net of Accumulated Depreciation:			
Water System	1,698,172	729,899	968,273
Wastewater System	1,562,804	599,365	963,439
Drainage System	1,411,750	954,358	457,392
Roads	5,370,318	2,436,674	2,933,644
Irrigation and Landscaping	477,450		477,450
Total Net Capital Assets	\$ 11,276,219	\$ 5,106,332	\$ 6,169,887

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

LONG-TERM DEBT ACTIVITY

At fiscal year end, the District had total bond debt payable of \$9,625,000. The changes in the debt position of the District during the fiscal year ended September 30, 2021, are summarized as follows:

Bond Debt Payable, October 1, 2020	\$ 3,265,000
Add: Bond Sale - Series 2021	<u>6,360,000</u>
Bond Debt Payable, September 30, 2021	<u>\$ 9,625,000</u>

The Series 2020 Road Bonds do not carry underlying nor insured ratings. The Series 2021 Road Bonds carry an insured rating of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company. These ratings are as of year end and include changes during the year, if any.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Kaufman County Municipal Utility District No. 10, c/o Coats Rose, P.C., 14755 Preston Road, Suite 600, Dallas, TX 75254.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2021

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 1,135,881	\$ 232,360
Service Accounts Receivable	36,065	
Due from Other Funds	21,510	
Master District Facilities Operating Advance	28,833	
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 1,222,289	\$ 232,360
LIABILITIES		
Accounts Payable	\$ 192,529	\$
Accrued Interest Payable		
Due to Developer		
Due to Other Funds		
Security Deposits	26,260	
Accrued Interest at Time of Sale		7,355
Long-Term Liabilities:		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 218,789	\$ 7,355
FUND BALANCES/NET POSITION		
FUND BALANCES		
Master District Facilities Operating Advance	\$ 28,833	\$
Restricted for Authorized Construction		
Restricted for Debt Service		225,005
Unrestricted	974,667	
TOTAL FUND BALANCES	\$ 1,003,500	\$ 225,005
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,222,289	\$ 232,360
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 221,100	\$ 1,589,341	\$	\$ 1,589,341
	36,065		36,065
	21,510	(21,510)	
	28,833		28,833
		755,725	755,725
		10,520,494	10,520,494
<u>\$ 221,100</u>	<u>\$ 1,675,749</u>	<u>\$ 11,254,709</u>	<u>\$ 12,930,458</u>
\$	\$ 192,529	\$	\$ 192,529
		14,867	14,867
		3,881,504	3,881,504
21,510	21,510	(21,510)	
	26,260		26,260
	7,355	(7,355)	
		9,741,544	9,741,544
<u>\$ 21,510</u>	<u>\$ 247,654</u>	<u>\$ 13,609,050</u>	<u>\$ 13,856,704</u>
\$	\$ 28,833	\$ (28,833)	\$
199,590	199,590	(199,590)	
	225,005	(225,005)	
	974,667	(974,667)	
<u>\$ 199,590</u>	<u>\$ 1,428,095</u>	<u>\$ (1,428,095)</u>	<u>\$ - 0 -</u>
<u>\$ 221,100</u>	<u>\$ 1,675,749</u>		
		\$ (2,056,289)	\$ (2,056,289)
		217,493	217,493
		912,550	912,550
		<u>\$ (926,246)</u>	<u>\$ (926,246)</u>

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

Total Fund Balances - Governmental Funds	\$	1,428,095
--	----	-----------

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		11,276,219
--	--	------------

Payments made by the developer on behalf of the District for infrastructure or operating advances are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Due to Developer	\$ (3,881,504)		
Accrued Interest Payable	(7,512)		
Bonds Payable	<u>(9,741,544)</u>		<u>(13,630,560)</u>

Total Net Position - Governmental Activities	\$	<u>(926,246)</u>
--	----	------------------

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

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KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 197,190	\$
Water Service	183,490	
Wastewater Service	95,755	
Garbage Service	19,969	
Connection and Inspection Fees	856,776	
Investment and Miscellaneous Revenues	6,772	
TOTAL REVENUES	\$ 1,359,952	\$ - 0 -
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 159,674	\$
Contracted Services	69,731	
Purchased Master District Services	310,687	
Utilities	9,314	
Repairs and Maintenance	123,552	
Depreciation		
Other	159,070	20
Developer Interest		
Capital Outlay	71,202	
Debt Service:		
Bond Issuance Costs		
Bond Interest		85,122
TOTAL EXPENDITURES/EXPENSES	\$ 903,230	\$ 85,142
EXCESS (DEFICIENCY) OF REVENUES OVER		
EXPENDITURES/EXPENSES	\$ 456,722	\$ (85,142)
OTHER FINANCING SOURCES (USES)		
Proceeds From Issuance of Long-Term Debt	\$	\$ 176,525
Bond Premium		
TOTAL OTHER FINANCING SOURCES (USES)	\$ -0-	\$ 176,525
NET CHANGE IN FUND BALANCES	\$ 456,722	\$ 91,383
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION -		
OCTOBER 1, 2020	546,778	133,622
FUND BALANCES/NET POSITION -		
SEPTEMBER 30, 2021	\$ 1,003,500	\$ 225,005

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 197,190	\$	\$ 197,190
	183,490		183,490
	95,755		95,755
	19,969		19,969
	856,776		856,776
	6,772		6,772
<u>\$ - 0 -</u>	<u>\$ 1,359,952</u>	<u>\$ - 0 -</u>	<u>\$ 1,359,952</u>
\$	\$ 159,674	\$	\$ 159,674
	69,731		69,731
	310,687		310,687
	9,314		9,314
	123,552		123,552
		215,617	215,617
21	159,111		159,111
297,521	297,521		297,521
5,197,861	5,269,063	(5,269,063)	
644,373	644,373		644,373
	85,122	4,999	90,121
<u>\$ 6,139,776</u>	<u>\$ 7,128,148</u>	<u>\$ (5,048,447)</u>	<u>\$ 2,079,701</u>
<u>\$ (6,139,776)</u>	<u>\$ (5,768,196)</u>	<u>\$ 5,048,447</u>	<u>\$ (719,749)</u>
\$ 6,183,475	\$ 6,360,000	\$ (6,360,000)	\$
143,866	143,866	(143,866)	
<u>\$ 6,327,341</u>	<u>\$ 6,503,866</u>	<u>\$ (6,503,866)</u>	<u>\$ -0-</u>
\$ 187,565	\$ 735,670	\$ (735,670)	\$
		(719,749)	(719,749)
<u>12,025</u>	<u>692,425</u>	<u>(898,922)</u>	<u>(206,497)</u>
<u>\$ 199,590</u>	<u>\$ 1,428,095</u>	<u>\$ (2,354,341)</u>	<u>\$ (926,246)</u>

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Net Change in Fund Balances - Governmental Funds	\$	735,670
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.</p>		(215,617)
<p>Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.</p>		5,269,063
<p>Governmental funds report bond premiums as other financing sources in the year received. However, in the Statement of Net Position, bond premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.</p>		(143,866)
<p>Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.</p>		(4,999)
<p>Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.</p>		<u>(6,360,000)</u>
Change in Net Position - Governmental Activities	\$	<u>(719,749)</u>

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1. CREATION OF DISTRICT

Kaufman County Municipal Utility District No. 10, formerly known as Kingsborough Municipal Utility District No. 3 of Kaufman County, Texas, was created in 2003, by H.B. No. 3622, 78th Legislature of Texas, Regular Session, as a conservation and reclamation district created under and essential to accomplishing the purposes of Section 59, Article XVI and Section 52, Article III of the Texas Constitution. The District is under the oversight of the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants, and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, roads, solid waste collection and disposal, and operation and maintenance of recreational facilities. The District may operate and maintain a fire department if approved by voters and the Commission. The Board of Directors held its organizational meeting on March 1, 2005.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

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

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

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of net position that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District’s policy to use restricted resources first.

Government-Wide Financial Statements

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

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

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

General Fund – To account for maintenance tax revenues, customer service revenues, operating costs and general expenditures.

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

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

Basis of Accounting

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

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. The Capital Projects Fund recorded a payable to the General Fund of \$21,510 related to Series 2021 Road Bond issuance costs.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

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

	Years
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
Roads	10-50
Irrigation and Landscaping	3-20

Budgeting

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

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

Measurement Focus

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

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

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

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

Unassigned: all other spendable amounts in the General Fund.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	<u>Road Series 2020</u>	<u>Road Series 2021</u>
Amount Outstanding – September 30, 2021	\$3,265,000	\$6,360,000
Interest Rates	1.75%-3.10%	2.00%-4.50%
Maturity Dates - Serially Beginning/Ending	March 1, 2023/2045	March 1, 2023/2046
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2025 *	March 1, 2026 *

* Or on any date thereafter, callable at par plus unpaid accrued interest in whole or in part at the option of the District. Series 2020 Road term bonds due March 1, 2035, 2037, 2039, 2041, 2043, and 2045, are subjected to mandatory redemption by lot or other customary method at a price of par plus accrued interest beginning March 1, 2034, 2036, 2038, 2040, 2042, and 2044, respectively. Series 2021 Road term bonds due March 1, 2029, 2043, and 2046, are subjected to mandatory redemption by lot or other customary method at a price of par plus accrued interest beginning March 1, 2027, 2041, and 2044, respectively.

As of September 30, 2021, the District had authorized but unissued bonds in the amount of \$37,375,000 for roads, \$75,000,000 for water, sewer and drainage facilities, \$112,500,000 for refunding water, sewer and drainage facilities bonds, and \$70,500,000 for refunding road bonds. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2021:

	October 1, 2020	Additions	Retirements	September 30, 2021
Bonds Payable	\$ 3,265,000	\$ 6,360,000	\$	\$ 9,625,000
Unamortized Discounts	(28,272)		(1,180)	(27,092)
Unamortized Premiums		143,866	230	143,636
Bonds Payable, Net	\$ 3,236,728	\$ 6,503,866	\$ (950)	\$ 9,741,544
			Amount Due Within One Year	\$ -0-
			Amount Due After One Year	9,741,544
			Bonds Payable, Net	\$ 9,741,544

As of September 30, 2021, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2022	\$	\$ 258,252	\$ 258,252
2023	275,000	260,656	535,656
2024	285,000	250,540	535,540
2025	295,000	239,987	534,987
2026	300,000	229,100	529,100
2027-2031	1,680,000	974,343	2,654,343
2032-2036	1,975,000	743,756	2,718,756
2037-2041	2,310,000	484,658	2,794,658
2042-2046	2,505,000	158,928	2,663,928
	\$ 9,625,000	\$ 3,600,220	\$ 13,225,220

During the year ended September 30, 2021, the District did not levy an ad valorem debt service tax. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

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

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

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$1,589,341 and the bank balance was \$1,592,157. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2021, as listed below:

	Cash
GENERAL FUND	\$ 1,135,881
DEBT SERVICE FUND	232,360
CAPITAL PROJECTS FUND	221,100
TOTAL DEPOSITS	\$ 1,589,341

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

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

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

As of September 30, 2021, the District did not have any investments.

Restrictions

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ending September 30, 2021 is as follows:

	October 1, 2020	Increases	Decreases	September 30, 2021
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 386,036	\$ 369,689	\$ - 0 -	\$ 755,725
Capital Assets Subject to Depreciation				
Water System	\$ 753,099	\$ 999,917	\$ -	\$ 1,753,016
Wastewater System	618,406	991,756	-	1,610,162
Drainage System	984,820	483,297	-	1,468,117
Roads	2,510,062	3,032,793	-	5,542,855
Irrigation and Landscaping	-	508,052	-	508,052
Total Capital Assets Subject to Depreciation	\$ 4,866,387	\$ 6,015,815	\$ - 0 -	\$ 10,882,202
Less Accumulated Depreciation				
Water System	\$ 23,200	\$ 31,644	\$ -	\$ 54,844
Wastewater System	19,041	28,317	-	47,358
Drainage System	30,462	25,905	-	56,367
Roads	73,388	99,149	-	172,537
Irrigation and Landscaping	-	30,602	-	30,602
Total Accumulated Depreciation	\$ 146,091	\$ 215,617	\$ - 0 -	\$ 361,708
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 4,720,296	\$ 5,800,198	\$ - 0 -	\$ 10,520,494
Total Capital Assets, Net of Accumulated Depreciation	\$ 5,106,332	\$ 6,169,887	\$ - 0 -	\$ 11,276,219

NOTE 7. MAINTENANCE TAX

On May 7, 2005, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed \$1.00 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's systems and other operating and maintenance expenses. During the current fiscal year, the District levied an ad valorem maintenance tax rate of \$1.00 per \$100 of assessed valuation, which resulted in a tax levy of \$199,956 on the adjusted taxable valuation of \$19,995,570 for the 2020 tax year.

NOTE 8. CONTRACT WITH THE MASTER DISTRICT

On February 28, 2005, the District executed a 50-year contract with Kaufman County Municipal Utility District No. 12 ("Master District") for the financing, operation and maintenance of the Master District's regional water, sanitary sewer, and drainage facilities. The Master District administers the contract for the Participants, one of which is the Master District itself. The District, Kaufman County Municipal District No. 9, Kaufman County Municipal Utility District No. 11, Kaufman County Municipal Utility District No. 12, and Kaufman County Municipal Utility District No. 14 (formerly known as Kaufman County Municipal Utility District No. 8) are the Participants at this time.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8. CONTRACT WITH THE MASTER DISTRICT (Continued)

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

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

The Master District prepares an operating budget annually. The Master District bills each Participant its share of the monthly charges incurred by the Master District. Each Participant’s share of the monthly charges is determined by dividing the total number of equivalent single family residential connections for all Participants by the number of equivalent single-family connections for each Participant. During the year ended September 30, 2021, the District recorded expenditures of \$310,687 in relation to the purchased Master District services, operating and maintenance costs, and capital improvements. The District also funded its share of the operating reserve in the amount of \$28,833.

The following summary financial data of the Master District is presented for the fiscal year ending September 30, 2021. Copies of financial statements on the Master District can be obtained by contacting the Master District’s attorney.

	Enterprise Fund
Total Assets	\$ 22,735,135
Total Liabilities	<u>11,300,804</u>
Total Net Position	<u>\$ 11,434,331</u>
Total Operating and Nonoperating Revenues	\$ 15,757,408
Total Operating Expenses	<u>7,774,033</u>
Change in Net Position	\$ 7,983,375
Net Position – October 1, 2020	<u>3,450,956</u>
Net Position – September 30, 2021	<u>\$ 11,434,331</u>

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 9. UNREIMBURSED DEVELOPER COSTS

The District and the Developer have entered into development agreements which provide for the Developer to fund road and utilities infrastructure construction costs as well as make operating advances, if needed. Reimbursement to the Developer is contingent upon approval from the Commission and the future sale of bonds.

Due to Developer, October 1, 2020	\$ 2,765,062
Add: Current Year Additions	5,197,861
Less: Current Year Reimbursements	<u>(4,081,419)</u>
Due to Developer, September 30, 2021	<u>\$ 3,881,504</u>

NOTE 10. RISK MANAGEMENT

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

NOTE 11. CONTRACT TAX

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

NOTE 12. BOND SALE

On September 16, 2021, the District closed on the sale of its \$6,360,000 Series 2021 Unlimited Tax Road Bonds. The net proceeds were used to reimburse the Developer for road improvements and related engineering and land costs associated with Heartland, Phases 11, 12B, 15, 17, and 18. Additional proceeds funded capitalized interest, developer interest and bond issuance costs.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 13. ECONOMIC UNCERTAINTIES

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

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KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2021

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 196,365	\$ 196,365	\$ 197,190	\$ 825
Water Service	65,000	65,000	183,490	118,490
Wastewater Service	40,000	40,000	95,755	55,755
Garbage Service	12,000	12,000	19,969	7,969
Connection and Inspection Fees	984,375	984,375	856,776	(127,599)
Investment and Miscellaneous Revenues	4,500	34,400	6,772	(27,628)
TOTAL REVENUES	\$ 1,302,240	\$ 1,332,140	\$ 1,359,952	\$ 27,812
EXPENDITURES				
Service Operations:				
Professional Fees	\$ 76,500	\$ 76,500	\$ 159,674	\$ (83,174)
Contracted Services	37,600	37,600	69,731	(32,131)
Purchased Master District Services	497,902	300,085	310,687	(10,602)
Repairs and Maintenance/Capital Outlay	330,667	330,667	194,754	135,913
Other	242,890	242,890	168,384	74,506
TOTAL EXPENDITURES	\$ 1,185,559	\$ 987,742	\$ 903,230	\$ 84,512
NET CHANGE IN FUND BALANCE	\$ 116,681	\$ 344,398	\$ 456,722	\$ 112,324
FUND BALANCE - OCTOBER 1, 2020	546,778	546,778	546,778	
FUND BALANCE - SEPTEMBER 30, 2021	\$ 663,459	\$ 891,176	\$ 1,003,500	\$ 112,324

See accompanying independent auditor's report.

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KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

SEPTEMBER 30, 2021

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved May 20, 2020

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 38.81	-0-	N	\$ 3.57 \$ 4.31 \$ 5.40 \$ 6.48	0,001 to 8,000 8,001 to 12,000 12,001 to 15,000 15,001 and up
WASTEWATER:	\$ 23.11	-0-	N	\$ 2.121 \$ 3.00 \$ 4.00 \$ 5.00	0,001 to 8,000 8,001 to 12,000 12,001 to 15,000 15,001 and up
SURCHARGE:					
Garbage Fee	\$ 12.00		Y		

District employs winter averaging for wastewater usage? X
Yes No

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

See accompanying independent auditor's report.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>341</u>	<u>339</u>	x 1.0	<u>339</u>
1"	<u>10</u>	<u>10</u>	x 2.5	<u>25</u>
1½"			x 5.0	
2"	<u>3</u>	<u>3</u>	x 8.0	<u>24</u>
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u><u>354</u></u>	<u><u>352</u></u>		<u><u>388</u></u>
Total Wastewater Connections	<u><u>336</u></u>	<u><u>335</u></u>	x 1.0	<u><u>335</u></u>

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

Gallons billed to customers: 18,992,000*

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

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Kaufman County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ in which District is located:

City of Crandall, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

PROFESSIONAL FEES:	
Auditing	\$ 12,000
Engineering	126,305
Legal	<u>21,369</u>
TOTAL PROFESSIONAL FEES	<u>\$ 159,674</u>
PURCHASED MASTER DISTRICT SERVICES	<u>\$ 310,687</u>
CONTRACTED SERVICES:	
Appraisal District	\$
Bookkeeping	11,419
Operations and Billing	26,801
Solid Waste Disposal	19,673
Management Fees	<u>11,838</u>
TOTAL CONTRACTED SERVICES	<u>\$ 69,731</u>
UTILITIES	<u>\$ 9,314</u>
REPAIRS AND MAINTENANCE	<u>\$ 123,552</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 6,897
Insurance	3,151
Other	<u>1,711</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 11,759</u>
CAPITAL OUTLAY	<u>\$ 71,202</u>
OTHER EXPENDITURES:	
Connection and Inspection Fees	<u>\$ 147,311</u>
TOTAL EXPENDITURES	<u>\$ 903,230</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Maintenance Taxes	
TAXES RECEIVABLE -		
OCTOBER 1, 2020	\$ -0-	
Adjustments to Beginning		
Balance	\$ -0-	
Original 2020 Tax Levy	\$ 200,373	
Adjustment to 2020 Tax Levy	(417)	199,956
TOTAL TO BE		
ACCOUNTED FOR		\$ 199,956
 TAX COLLECTIONS:		
Prior Years	\$	
Current Year	199,956	199,956
 TAXES RECEIVABLE -		
SEPTEMBER 30, 2021		\$ -0-

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	2020	2019	2018
PROPERTY VALUATIONS:			
Land	\$ 13,995,158	\$ 11,822,700	\$ 8,101,400
Improvements	6,157,430	950	950
Exemptions	(157,018)		
TOTAL PROPERTY VALUATIONS	\$ 19,995,570	\$ 11,823,650	\$ 8,102,350
TAX RATES PER \$100 VALUATION:			
Debt Service	\$ 0.00	\$ 0.00	\$ 0.00
Maintenance	1.00	1.00	1.00
TOTAL TAX RATES PER \$100 VALUATION	\$ 1.00	\$ 1.00	\$ 1.00
ADJUSTED TAX LEVY*	\$ 199,956	\$ 118,237	\$ 81,024
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	100.00 %	100.00 %	100.00 %

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

Maintenance Tax – Maximum tax rate of \$1.00 per \$100 assessed valuation approved by voters on May 7, 2005.

See accompanying independent auditor’s report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2021

SERIES - 2020 ROAD

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2022	\$	\$ 89,082	\$ 89,082
2023	90,000	88,294	178,294
2024	95,000	86,615	181,615
2025	100,000	84,725	184,725
2026	100,000	82,725	182,725
2027	105,000	80,622	185,622
2028	110,000	78,310	188,310
2029	115,000	75,777	190,777
2030	120,000	73,015	193,015
2031	125,000	70,013	195,013
2032	130,000	66,760	196,760
2033	130,000	63,315	193,315
2034	140,000	59,600	199,600
2035	145,000	55,610	200,610
2036	150,000	51,330	201,330
2037	155,000	46,755	201,755
2038	160,000	42,030	202,030
2039	165,000	37,155	202,155
2040	170,000	32,130	202,130
2041	180,000	26,880	206,880
2042	185,000	21,312	206,312
2043	190,000	15,500	205,500
2044	200,000	9,455	209,455
2045	205,000	3,177	208,177
2046			
	<u>\$ 3,265,000</u>	<u>\$ 1,340,187</u>	<u>\$ 4,605,187</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2021

SERIES - 2021 ROAD

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2022	\$	\$ 169,170	\$ 169,170
2023	185,000	172,362	357,362
2024	190,000	163,925	353,925
2025	195,000	155,262	350,262
2026	200,000	146,375	346,375
2027	210,000	137,150	347,150
2028	215,000	127,588	342,588
2029	220,000	117,800	337,800
2030	225,000	109,756	334,756
2031	235,000	104,312	339,312
2032	240,000	99,562	339,562
2033	250,000	94,662	344,662
2034	255,000	89,612	344,612
2035	265,000	84,412	349,412
2036	270,000	78,893	348,893
2037	280,000	73,051	353,051
2038	285,000	66,868	351,868
2039	295,000	60,344	355,344
2040	305,000	53,404	358,404
2041	315,000	46,041	361,041
2042	325,000	38,441	363,441
2043	335,000	30,604	365,604
2044	345,000	22,313	367,313
2045	355,000	13,563	368,563
2046	365,000	4,563	369,563
	<u>\$ 6,360,000</u>	<u>\$ 2,260,033</u>	<u>\$ 8,620,033</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2021

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2022	\$	\$ 258,252	\$ 258,252
2023	275,000	260,656	535,656
2024	285,000	250,540	535,540
2025	295,000	239,987	534,987
2026	300,000	229,100	529,100
2027	315,000	217,772	532,772
2028	325,000	205,898	530,898
2029	335,000	193,577	528,577
2030	345,000	182,771	527,771
2031	360,000	174,325	534,325
2032	370,000	166,322	536,322
2033	380,000	157,977	537,977
2034	395,000	149,212	544,212
2035	410,000	140,022	550,022
2036	420,000	130,223	550,223
2037	435,000	119,806	554,806
2038	445,000	108,898	553,898
2039	460,000	97,499	557,499
2040	475,000	85,534	560,534
2041	495,000	72,921	567,921
2042	510,000	59,753	569,753
2043	525,000	46,104	571,104
2044	545,000	31,768	576,768
2045	560,000	16,740	576,740
2046	365,000	4,563	369,563
	<u>\$ 9,625,000</u>	<u>\$ 3,600,220</u>	<u>\$ 13,225,220</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Description	Original Bonds Issued	Bonds Outstanding October 1, 2020
Kaufman County Municipal Utility District No. 10 Unlimited Tax Road Bonds - Series 2020	\$ 3,265,000	\$ 3,265,000
Kaufman County Municipal Utility District No. 10 Unlimited Tax Road Bonds - Series 2021	<u>6,360,000</u>	<u> </u>
TOTAL	<u>\$ 9,625,000</u>	<u>\$ 3,265,000</u>

Bond Authority:	Utility Refunding Bonds	Road Refunding Bonds	Utility Bonds	Road Bonds
Amount Authorized by Voters	\$ 112,500,000	\$ 70,500,000	\$ 75,000,000	\$ 47,000,000
Amount Issued	<u> </u>	<u> </u>	<u> </u>	<u>9,625,000</u>
Remaining to be Issued	<u>\$ 112,500,000</u>	<u>\$ 70,500,000</u>	<u>\$ 75,000,000</u>	<u>\$ 37,375,000</u>

Debt Service Fund cash balance as of September 30, 2021: \$ 232,360

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 529,009

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding September 30, 2021</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$	\$ 85,122	\$ 3,265,000	Zions Bancorporation, NA Houston, Texas
<u>6,360,000</u>			<u>6,360,000</u>	Zions Bancorporation, NA Houston, Texas
<u>\$ 6,360,000</u>	<u>\$ - 0 -</u>	<u>\$ 85,122</u>	<u>\$ 9,625,000</u>	

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - THREE YEARS

	Amounts		
	2021	2020	2019
REVENUES			
Property Taxes	\$ 197,190	\$ 118,237	\$ 81,024
Water Service	183,490	63,203	2,219
Wastewater Service	95,755	38,383	1,803
Garbage Service	19,969	2,845	
Connection and Inspection Fees	856,776	403,800	188,237
Investment and Miscellaneous Revenues	6,772	4,025	
TOTAL REVENUES	\$ 1,359,952	\$ 630,493	\$ 273,283
EXPENDITURES			
Professional Fees	\$ 159,674	\$ 72,553	\$ 24,635
Contracted Services	69,731	19,162	4,362
Purchased Master District Services	310,687	100,985	
Utilities	9,314	4,481	968
Repairs and Maintenance	123,552	19,627	11,937
Other	159,070	82,357	38,839
Capital Outlay	71,202		
TOTAL EXPENDITURES	\$ 903,230	\$ 299,165	\$ 80,741
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 456,722	\$ 331,328	\$ 192,542
OTHER FINANCING SOURCES (USES)			
Developer Advances	\$ - 0 -	\$ - 0 -	15,000
NET CHANGE IN FUND BALANCE	\$ 456,722	\$ 331,328	\$ 207,542
BEGINNING FUND BALANCE	546,778	215,450	7,908
ENDING FUND BALANCE	\$ 1,003,500	\$ 546,778	\$ 215,450

See accompanying independent auditor's report.

Percentage of Total Revenues		
2021	2020	2019
14.5 %	18.8 %	29.6 %
13.5	10.0	0.8
7.0	6.1	0.7
1.5	0.5	
63.0	64.0	68.9
<u>0.5</u>	<u>0.6</u>	
<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
11.7 %	11.5 %	9.0 %
5.1	3.0	1.6
22.8	16.0	
0.7	0.7	0.4
9.1	3.1	4.4
11.7	13.1	14.2
<u>5.2</u>		
<u>66.3 %</u>	<u>47.4 %</u>	<u>29.6 %</u>
<u>33.7 %</u>	<u>52.6 %</u>	<u>70.4 %</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND – THREE YEARS

	Amounts		
	2021	2020	2019
TOTAL REVENUES	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
EXPENDITURES			
Tax Collection and Other Costs	\$ 20	\$	\$
Debt Service Interest	85,122		
TOTAL EXPENDITURES	<u>\$ 85,142</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (85,142)</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
OTHER FINANCING SOURCES (USES)			
Proceeds From Issuance of Long-term Debt	\$ 176,525	\$ 133,622	\$ - 0 -
NET CHANGE IN FUND BALANCE	<u>\$ 91,383</u>	<u>\$ 133,622</u>	<u>\$ - 0 -</u>
BEGINNING FUND BALANCE	<u>133,622</u>	<u></u>	<u></u>
ENDING FUND BALANCE	<u>\$ 225,005</u>	<u>\$ 133,622</u>	<u>\$ - 0 -</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>352</u>	<u>136</u>	<u>36</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>335</u>	<u>136</u>	<u>36</u>

See accompanying independent auditor's report.

Percentage of
Total Revenues

2021	2020	2019
<u>N/A</u> %	<u>N/A</u> %	<u>N/A</u> %
%	%	%
<u>N/A</u> %	<u>N/A</u> %	<u>N/A</u> %
<u>N/A</u> %	<u>N/A</u> %	<u>N/A</u> %

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2021

District Mailing Address - Kaufman County Municipal Utility District No. 10
c/o Coats Rose, P.C.
14755 Preston Road, Suite 600
Dallas, TX 75254

District Telephone Number - (972) 982-8455

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>September 30, 2021</u>	Expense Reimbursements for the year ended <u>September 30, 2021</u>	<u>Title</u>
John F. Giesler	05/20 05/24 (Elected)	\$ 1,350	\$ 47	President
Kathy Granzberg	05/20 05/24 (Elected)	\$ 1,050	\$ 9	Vice President
Kathy Bowen	05/18 05/22 (Elected)	\$ 1,200	\$ 18	Secretary
Gail Combs	05/20 05/24 (Elected)	\$ 1,200	\$ 114	Assistant Secretary
Paul Blight	05/18 05/22 (Appointed)	\$ 1,350	\$ 39	Assistant Secretary

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

Submission date of most recent District Registration Form: May 23, 2019

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200. Fees of Office are the amounts actually paid to a Director during the District’s current fiscal year.

See accompanying independent auditor’s report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2021

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2021</u>	<u>Title</u>
Coats Rose, P.C.	03/01/05	\$ 21,369 \$ 155,846	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	01/15/20	\$ 12,000 \$ 14,250	Auditor Bond Related
L & S District Services, LLC Debra Loggins	03/01/05	\$ 12,319 \$ -0-	Bookkeeper/ Investment Officer
Peloton Land Solutions, Inc.	11/20/19	\$ 126,305	Engineer
Robert W. Baird	05/16/18	\$ 118,118	Financial Advisor
Inframark, LLC	11/14/18	\$ 157,001	Operator
Capital Consultants Management Corporation	11/20/19	\$ 22,396	Management Services

See accompanying independent auditor's report.

**KAUFMAN COUNTY MUNICIPAL
UTILITY DISTRICT NO. 11**

KAUFMAN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2021

**KAUFMAN COUNTY MUNICIPAL
UTILITY DISTRICT NO. 11**

KAUFMAN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kaufman County Municipal Utility District No. 11
Kaufman County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Kaufman County Municipal Utility District No. 11 (the "District"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

January 19, 2022

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Management's discussion and analysis of the financial performance of Kaufman County Municipal Utility District No. 11 provides an overview of the District's financial activities for the fiscal year ended September 30, 2021. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information. A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets and deferred outflows of resources by \$6,283,313 as of September 30, 2021. A portion of the district's net position reflects its net investment in capital assets (land, landscaping, roads and the water, wastewater and drainage facilities, less any debt used to acquire those assets that is still outstanding).

The following is a comparative analysis of government-wide changes in the Statement of Net Position as of September 30, 2021 and September 30, 2020. See Note 15 for a discussion of the prior period adjustment to the fiscal year ending 2020 balances.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2021	2020	Change Positive (Negative)
Current and Other Assets	\$ 2,902,078	\$ 2,550,627	\$ 351,451
Capital Assets (Net of Accumulated Depreciation)	15,900,741	16,346,065	(445,324)
Total Assets	\$ 18,802,819	\$ 18,896,692	\$ (93,873)
Deferred Outflows of Resources	\$ 285,017	\$ 311,687	\$ (26,670)
Due to Developer	\$ 113,002	\$ 1,609,165	\$ 1,496,163
Bonds Payable	24,716,273	23,277,456	(1,438,817)
Other Liabilities	541,874	554,730	12,856
Total Liabilities	\$ 25,371,149	\$ 25,441,351	\$ 70,202
Net Position:			
Net Investment in Capital Assets	\$ (8,160,043)	\$ (7,819,895)	\$ (340,148)
Restricted	746,235	973,867	(227,632)
Unrestricted	1,130,495	613,056	517,439
Total Net Position	\$ (6,283,313)	\$ (6,232,972)	\$ (50,341)

The following table provides a summary of the District's operations for the years ended September 30, 2021, and September 30, 2020.

	Summary of Changes in the Statement of Activities		
	2021	2020	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,543,090	\$ 2,482,079	\$ 61,011
Charges for Services	1,697,201	1,728,802	(31,601)
Other Revenues	4,030	21,891	(17,861)
Total Revenues	\$ 4,244,321	\$ 4,232,772	\$ 11,549
Expenses for Services	4,294,662	3,815,316	(479,346)
Change in Net Position	\$ (50,341)	\$ 417,456	\$ (467,797)
Net Position, Beginning of Year	(6,232,972)	(6,650,428)	417,456
Net Position, End of Year	\$ (6,283,313)	\$ (6,232,972)	\$ (50,341)

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of September 30, 2021, were \$2,410,538, an increase of \$364,273 from the prior year. The General Fund fund balance increased by \$518,424, primarily due to tax and service revenues exceeding operating costs. The Debt Service Fund fund balance decreased by \$228,651, primarily due to the structure of the District's outstanding debt. The Capital Projects Fund fund balance increased by \$74,500. The District sold its Series 2021 bonds and used the proceeds to reimburse a developer.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year and amended the budget to increase anticipated water services revenue. Actual revenues were \$69,368 less than budgeted revenues and actual expenditures were \$326,408 less than budgeted expenditures which resulted in a positive variance of \$257,040. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of September 30, 2021, total \$15,900,741 (net of accumulated depreciation) and include land, roads, landscaping, and the water, wastewater and drainage systems. See Note 13 for information on infrastructure acquired using Series 2021 bond proceeds and Note 6 for additional information on capital assets.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2021	2020	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,961,435	\$ 1,961,435	\$
Construction in Progress		70,522	(70,522)
Capital Assets, Net of Accumulated Depreciation:			
Water System	743,555	768,224	(24,669)
Wastewater System	675,829	698,583	(22,754)
Drainage System	5,008,272	5,060,467	(52,195)
Roads	7,419,052	7,684,528	(265,476)
Irrigation and Landscaping	92,598	102,306	(9,708)
Total Net Capital Assets	\$ 15,900,741	\$ 16,346,065	\$ (445,324)

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

LONG-TERM DEBT ACTIVITY

At year-end, the District had total bond debt payable of \$24,845,000. The changes in the debt position of the District during the fiscal year ended September 30, 2021, are summarized as follows:

Bond Debt Payable, October 1, 2020	\$ 23,410,000
Add: Bond Sale	2,135,000
Less: Bond Principal Paid	<u>700,000</u>
Bond Debt Payable, September 30, 2021	<u>\$ 24,845,000</u>

The District has an underlying rating by S&P of “BBB”. The District’s bonds carry insured ratings of “AA” by virtue of bond insurance issued by Assured Guaranty Municipal Corp. or Build America Mutual Assurance Company.

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Kaufman County Municipal Utility District No. 11, c/o Coats Rose, P.C., 14755 Preston Road, Suite 600, Dallas, TX 75254.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2021

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 880,682	\$ 42,239
Investments		885,000
Receivables:		
Property Taxes	1,317	1,315
Service Accounts	173,087	
Accrued Interest		84
Other	685	
Due from Other Funds	176,679	
Prepaid Costs	6,722	
Advance for Operations of Master District Facilities	356,376	
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 1,595,548	\$ 928,638
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ - 0 -	\$ - 0 -
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,595,548	\$ 928,638

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 543,573	\$ 1,466,494 885,000	\$	\$ 1,466,494 885,000
	2,632		2,632
	173,087		173,087
	84		84
	685		685
	176,679	(176,679)	
	6,722	10,998	17,720
	356,376		356,376
		1,961,435	1,961,435
		13,939,306	13,939,306
<u>\$ 543,573</u>	<u>\$ 3,067,759</u>	<u>\$ 15,735,060</u>	<u>\$ 18,802,819</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 285,017</u>	<u>\$ 285,017</u>
<u>\$ 543,573</u>	<u>\$ 3,067,759</u>	<u>\$ 16,020,077</u>	<u>\$ 19,087,836</u>

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2021

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 311,485	\$
Accrued Interest Payable		
Due to Developer		
Due to Other Funds		116,580
Security Deposits	164,566	
Accrued Interest at Time of Sale		1,859
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 476,051	\$ 118,439
 DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 1,317	\$ 1,315
 FUND BALANCES/NET POSITION		
FUND BALANCES		
Nonspendable - Prepaid Costs	\$ 6,722	\$
Master District Facilities Operating Advance	356,376	
Restricted for Authorized Construction		
Restricted for Debt Service		808,884
Unrestricted	755,082	
TOTAL FUND BALANCES	\$ 1,118,180	\$ 808,884
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,595,548	\$ 928,638
 NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$	\$ 311,485	\$	\$ 311,485
		65,823	65,823
		113,002	113,002
60,099	176,679	(176,679)	
	164,566		164,566
	1,859	(1,859)	
		825,000	825,000
		23,891,273	23,891,273
\$ 60,099	\$ 654,589	\$ 24,716,560	\$ 25,371,149
\$ - 0 -	\$ 2,632	\$ (2,632)	\$ - 0 -
\$	\$ 6,722	\$ (6,722)	\$
	356,376	(356,376)	
483,474	483,474	(483,474)	
	808,884	(808,884)	
	755,082	(755,082)	
\$ 483,474	\$ 2,410,538	\$ (2,410,538)	\$ - 0 -
\$ 543,573	\$ 3,067,759		
		\$ (8,160,043)	\$ (8,160,043)
		746,235	746,235
		1,130,495	1,130,495
		\$ (6,283,313)	\$ (6,283,313)

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

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

Total Fund Balances - Governmental Funds \$ 2,410,538

Amounts reported for governmental activities in the Statement of Net Position are different because:

Interest paid in advance as part of a refunding bond sale is recorded as deferred outflows of resources in the governmental activities and amortized over the remaining life of the new debt or the old debt, whichever is shorter. 285,017

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 15,900,741

Deferred inflows of resources related to property taxes receivable for the 2020 and prior tax levies became part of recognized revenue in the governmental activities of the District. 2,632

Prepaid bond insurance in governmental activities is not a current financial resource and, therefore, is not reported as an asset in the governmental funds. 10,998

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (113,002)	
Accrued Interest Payable	(63,964)	
Bonds Payable	<u>(24,716,273)</u>	<u>(24,893,239)</u>
Total Net Position - Governmental Activities		<u>\$ (6,283,313)</u>

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

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KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,272,874	\$ 1,270,662
Water Service	902,507	
Wastewater Service	536,305	
Garbage Service	176,633	
Penalty and Interest	31,485	3,863
Connection and Inspection Fees	46,408	
Investment and Miscellaneous Revenues	840	2,961
TOTAL REVENUES	\$ 2,967,052	\$ 1,277,486
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 47,993	\$ 730
Contracted Services	308,463	28,589
Purchased Master District Services	1,744,811	
Repairs and Maintenance	284,210	
Depreciation		
Other	63,151	47
Developer Interest		
Capital Outlay		
Debt Service:		
Bond Issuance Costs		
Bond Principal		700,000
Bond Interest		776,771
TOTAL EXPENDITURES/EXPENSES	\$ 2,448,628	\$ 1,506,137
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ 518,424	\$ (228,651)
OTHER FINANCING SOURCES (USES)		
Proceeds From Issuance of Long-Term Debt	\$ -0-	\$ -0-
NET CHANGE IN FUND BALANCES	\$ 518,424	\$ (228,651)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - OCTOBER 1, 2020, AS ADJUSTED	599,756	1,037,535
FUND BALANCES/NET POSITION - SEPTEMBER 30, 2021	\$ 1,118,180	\$ 808,884

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$	\$ 2,543,536	\$ (446)	\$ 2,543,090
	902,507		902,507
	536,305		536,305
	176,633		176,633
	35,348		35,348
	46,408		46,408
229	4,030		4,030
<u>\$ 229</u>	<u>\$ 4,244,767</u>	<u>\$ (446)</u>	<u>\$ 4,244,321</u>
\$	\$ 48,723	\$	\$ 48,723
	337,052		337,052
	1,744,811		1,744,811
	284,210	70,522	354,732
		493,351	493,351
127	63,325		63,325
194,824	194,824		194,824
1,614,712	1,614,712	(1,614,712)	
251,066	251,066		251,066
	700,000	(700,000)	
	776,771	30,007	806,778
<u>\$ 2,060,729</u>	<u>\$ 6,015,494</u>	<u>\$ (1,720,832)</u>	<u>\$ 4,294,662</u>
<u>\$ (2,060,500)</u>	<u>\$ (1,770,727)</u>	<u>\$ 1,720,386</u>	<u>\$ (50,341)</u>
<u>\$ 2,135,000</u>	<u>\$ 2,135,000</u>	<u>\$ (2,135,000)</u>	<u>\$ -0-</u>
\$ 74,500	\$ 364,273	\$ (364,273)	\$
		(50,341)	(50,341)
408,974	2,046,265	(8,279,237)	(6,232,972)
<u>\$ 483,474</u>	<u>\$ 2,410,538</u>	<u>\$ (8,693,851)</u>	<u>\$ (6,283,313)</u>

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

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Net Change in Fund Balances - Governmental Funds	\$	364,273
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		(446)
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Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(493,351)
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Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		1,544,190
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Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		700,000
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Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		(30,007)
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Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.		<u>(2,135,000)</u>
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Change in Net Position - Governmental Activities	\$	<u>(50,341)</u>
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The accompanying notes to the financial statements are an integral part of this report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1. CREATION OF DISTRICT

Kaufman County Municipal Utility District No. 11, formerly known as Kingsborough Municipal Utility District No. 4 of Kaufman County, Texas, was created in 2003, by H.B. No. 3622, 78th Legislature of Texas, Regular Session, as a conservation and reclamation district created under and essential to accomplishing the purposes of Section 59, Article XVI and Section 52, Article II of the Texas Constitution. The District is under the oversight of the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants, and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, roads, solid waste collection and disposal, including recycling. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its organizational meeting on November 12, 2004, and sold its first bonds on September 20, 2007.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

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

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

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of net position that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District’s policy to use restricted resources first.

Government-Wide Financial Statements

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

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Basis of Accounting

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

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. The Debt Service Fund owed the General Fund \$116,580 for maintenance taxes and the Capital Projects Fund owed the General Fund \$60,099 for Series 2021 bond issuance costs.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$10,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Water, Wastewater and Drainage Systems	10-45
Roads	10-50
Irrigation and Landscaping	3-20

Budgeting

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

Pensions

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

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

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

Unassigned: all other spendable amounts in the General Fund.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2021:

	October 1, 2020	Additions	Retirements	September 30, 2021
Bonds Payable	\$ 23,410,000	\$ 2,135,000	\$ 700,000	\$ 24,845,000
Unamortized Discounts	(202,754)		(10,079)	(192,675)
Unamortized Premiums	70,210		6,262	63,948
Bonds Payable, Net	<u>\$ 23,277,456</u>	<u>\$ 2,135,000</u>	<u>\$ 696,183</u>	<u>\$ 24,716,273</u>
			Amount Due Within One Year	\$ 825,000
			Amount Due After One Year	<u>23,891,273</u>
			Bonds Payable, Net	<u>\$ 24,716,273</u>

As of September 30, 2021, the District had authorized but unissued bonds in the amount of \$33,050,000 for roads, \$75,840,000 for water, sewer, and drainage facilities, \$77,472,190 for refunding road bonds, and \$129,000,000 for refunding water, sewer, and drainage facilities bonds. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2014 Road	Series 2014 Road Refunding	Series 2017 Road
Amount Outstanding – September 30, 2021	\$1,880,000	\$5,090,000	\$5,900,000
Interest Rates	3.625% - 4.000%	3.00% – 4.00%	3.125% – 4.500%
Maturity Dates – Serially Beginning/Ending	March 1 2033/2039	March 1, 2022/2032	March 1, 2032/2043
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2023*	March 1, 2023*	March 1, 2025*
	Series 2018 Road Refunding	Series 2019 Utility	Series 2021 Utility
Amount Outstanding – September 30, 2021	\$2,015,000	\$7,825,000	\$2,135,000
Interest Rates	2.00% – 4.00%	2.50% – 3.75%	2.00% – 2.375%
Maturity Dates – Serially Beginning/Ending	March 1, 2022/2035	March 1, 2022/2044	March 1, 2022/2045
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2024*	March 1, 2024*	March 1, 2026*

* Or any date thereafter at a price of par plus unpaid accrued interest to the date fixed for redemption. Series 2014 Refunding Road term bonds maturing on March 1, 2027 are subject to mandatory redemption beginning March 1, 2026. Series 2014 Road term bonds maturing on March 1, 2034, 2037, and 2039 are subject to mandatory redemption beginning March 1, 2033, 2035, and 2038, respectively. Series 2017 Road term bonds maturing on March 1, 2033, 2041, and 2043 are subject to mandatory redemption beginning March 1, 2032, 2040, and 2042, respectively. Series 2021 Utility term bonds maturing on March 1, 2034, 2037, 2040, and 2045 are subject to mandatory redemption beginning March 1, 2032, 2035, 2038, and 2041, respectively.

During the year ended September 30, 2021, the District levied an ad valorem debt service tax rate of \$0.50 per \$100 of assessed valuation, which resulted in a tax levy of \$1,273,012 on the adjusted taxable valuation of \$254,595,067 for the 2020 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 3. LONG-TERM DEBT (Continued)

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

As of September 30, 2021, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2022	\$ 825,000	\$ 799,237	\$ 1,624,237
2023	855,000	779,058	1,634,058
2024	885,000	755,032	1,640,032
2025	905,000	730,098	1,635,098
2026	935,000	702,924	1,637,924
2027-2031	5,195,000	3,034,152	8,229,152
2032-2036	5,290,000	2,172,095	7,462,095
2037-2041	6,355,000	1,185,350	7,540,350
2042-2045	3,600,000	165,470	3,765,470
	<u>\$ 24,845,000</u>	<u>\$ 10,323,416</u>	<u>\$ 35,168,416</u>

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

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

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds be rebated to the federal government, within the meaning of Section 148(f) of the Internal Revenue Code.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$2,351,494 and the bank balance was \$2,371,531. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2021, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 880,682	\$	\$ 880,682
DEBT SERVICE FUND	42,239	885,000	927,239
CAPITAL PROJECTS FUND	543,573		543,573
TOTAL DEPOSITS	\$ 1,466,494	\$ 885,000	\$ 2,351,494

Investments

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

Certificates of deposit are recorded at acquisition cost. As of September 30, 2021, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>DEBT SERVICE FUND</u>		
Certificates of Deposit	<u>\$ 885,000</u>	<u>\$ 885,000</u>

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

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

Restrictions

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021 is as follows:

	October 1, 2020	Increases	Decreases	September 30, 2021
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 1,961,435	\$	\$	\$ 1,961,435
Construction in Progress	<u>70,522</u>	<u>48,027</u>	<u>118,549</u>	<u></u>
Total Capital Assets Not Being Depreciated	<u>\$ 2,031,957</u>	<u>\$ 48,027</u>	<u>\$ 118,549</u>	<u>\$ 1,961,435</u>
Capital Assets Subject to Depreciation				
Water System	\$ 1,110,124	\$	\$	\$ 1,110,124
Wastewater System	1,023,943			1,023,943
Drainage System	6,446,721	118,549		6,565,270
Roads	11,142,592			11,142,592
Irrigation and Landscaping	<u>1,378,876</u>	<u></u>	<u></u>	<u>1,378,876</u>
Total Capital Assets Subject to Depreciation	<u>\$ 21,102,256</u>	<u>\$ 118,549</u>	<u>\$ - 0 -</u>	<u>\$ 21,220,805</u>
Less Accumulated Depreciation				
Water System	\$ 341,900	\$ 24,669	\$	\$ 366,569
Wastewater System	325,360	22,754		348,114
Drainage System	1,386,254	170,744		1,556,998
Roads	3,458,064	265,476		3,723,540
Irrigation and Landscaping	<u>1,276,570</u>	<u>9,708</u>	<u></u>	<u>1,286,278</u>
Total Accumulated Depreciation	<u>\$ 6,788,148</u>	<u>\$ 493,351</u>	<u>\$ - 0 -</u>	<u>\$ 7,281,499</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 14,314,108</u>	<u>\$ (374,802)</u>	<u>\$ - 0 -</u>	<u>\$ 13,939,306</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 16,346,065</u>	<u>\$ (326,775)</u>	<u>\$ 118,549</u>	<u>\$ 15,900,741</u>

NOTE 7. MAINTENANCE TAX

On February 5, 2005, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed \$1.00 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's systems and other operating and maintenance expenses. During the current fiscal year, the District levied an ad valorem maintenance tax rate of \$0.50 per \$100 of assessed valuation, which resulted in a tax levy of \$1,273,011 on the adjusted taxable valuation of \$254,595,067 for the 2020 tax year.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8. MASTER DISTRICT CONTRACT

On February 28, 2005, the District executed a 50-year contract with Kaufman County Municipal Utility District No. 12 (“Master District”) for the financing, operation and maintenance of the Master District’s regional water, sanitary sewer, and drainage facilities. The Master District administers the contract for the Participants, one of which is the Master District itself. The District, Kaufman County Municipal District No. 9, Kaufman County Municipal Utility District No. 10, Kaufman County Municipal Utility District No. 12, and Kaufman County Municipal Utility District No. 14 (formerly known as Kaufman County Municipal Utility District No. 8) are the Participants at this time.

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

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

The Master District prepares an operating budget annually. The Master District bills each Participant its share of the monthly charges incurred by the Master District. Each Participant’s share of the monthly charges is determined by dividing the total number of equivalent single family residential connections for all Participants by the number of equivalent single-family connections for each Participant. During the year ended September 30, 2021, the District recorded expenditures of \$1,744,811 for its pro rata share of purchased water and wastewater services, operating and maintenance costs, and capital improvements. The District funded its share of the operating reserve in the amount of \$356,376.

The following summary financial data of the Master District is presented for the fiscal year ending September 30, 2021. Copies of financial statements may be obtained from the Master District’s attorney.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8. MASTER DISTRICT CONTRACT (Continued)

	<u>Enterprise Fund</u>
Total Assets	\$ 22,735,135
Total Liabilities	<u>11,300,804</u>
Total Net Position	<u>\$ 11,434,331</u>
Total Operating and Nonoperating Revenues	\$ 15,757,408
Total Operating Expenses	<u>7,774,033</u>
Change in Net Position	\$ 7,983,375
Net Position – October 1, 2020	<u>3,450,956</u>
Net Position – September 30, 2021	<u>\$ 11,434,331</u>

NOTE 9. UNREIMBURSED DEVELOPER COSTS

The Developer has funded costs associated with water, sanitary sewer and drainage facilities, roads and operating advances. The remaining balance due to the Developer consists of operating advances. The summary of transactions for the current fiscal year is as follows:

Due to Developer, October 1, 2020	\$ 1,609,165
Current Year Reimbursements	<u>1,496,163</u>
Due to Developer, September 30, 2021	<u>\$ 113,002</u>

NOTE 10. CONTRACT TAX

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 11. RISK MANAGEMENT

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

NOTE 12. ECONOMIC UNCERTAINTIES

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

NOTE 13. BOND SALE

On September 16, 2021, the District closed on the sale of its \$2,135,000 Series 2021 Unlimited Tax Bonds. The net proceeds were used to reimburse the Developer for water, sewer, and drainage improvements and related engineering associated with Tract A, Phases 2B, 3A, 3B, and 4A. Additional proceeds funded construction management costs, operating costs, developer interest and bond issuance costs.

NOTE 14. USE OF SURPLUS FUNDS

On September 16, 2021, the Commission approved the use of surplus funds in the amount of \$53,515 from the Series 2019 Bonds to reimburse the developer for certain operating expenses and developer interest.

NOTE 15. PRIOR PERIOD ADJUSTMENT

The District sold bonds in the current fiscal year and used a portion of the proceeds to reimburse its Developer (see Note 13) and also made an additional reimbursement from surplus funds (see Note 14). It was determined during the course of this work, that the prior period due to Developer balance was overstated resulting in a prior period adjustment that increased its beginning net position balance by \$455,206.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2021

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 1,245,770	\$ 1,245,770	\$ 1,272,874	\$ 27,104
Water Service	890,000	971,550	902,507	(69,043)
Wastewater Service	530,000	530,000	536,305	6,305
Garbage Service	180,000	180,000	176,633	(3,367)
Penalty and Interest	51,000	51,000	31,485	(19,515)
Connection and Inspection Fees	57,000	57,000	46,408	(10,592)
Investment and Miscellaneous Revenues	1,100	1,100	840	(260)
TOTAL REVENUES	<u>\$ 2,954,870</u>	<u>\$ 3,036,420</u>	<u>\$ 2,967,052</u>	<u>\$ (69,368)</u>
EXPENDITURES				
Service Operations:				
Professional Fees	\$ 40,500	\$ 40,500	\$ 47,993	\$ (7,493)
Contracted Services	290,900	290,900	308,463	(17,563)
Purchased Master District Services	1,979,001	1,979,001	1,744,811	234,190
Repairs and Maintenance/Capital Outlay	429,500	429,500	284,210	145,290
Other	35,135	35,135	63,151	(28,016)
TOTAL EXPENDITURES	<u>\$ 2,775,036</u>	<u>\$ 2,775,036</u>	<u>\$ 2,448,628</u>	<u>\$ 326,408</u>
NET CHANGE IN FUND BALANCE	\$ 179,834	\$ 261,384	\$ 518,424	\$ 257,040
FUND BALANCE - OCTOBER 1, 2020	<u>599,756</u>	<u>599,756</u>	<u>599,756</u>	<u> </u>
FUND BALANCE - SEPTEMBER 30, 2021	<u>\$ 779,590</u>	<u>\$ 861,140</u>	<u>\$ 1,118,180</u>	<u>\$ 257,040</u>

See accompanying independent auditor's report.

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KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
SEPTEMBER 30, 2021

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved May 20, 2020.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 38.81	-0-	N	\$ 3.57 \$ 4.31 \$ 5.40 \$ 6.48	0,001 to 8,000 8,001 to 12,000 12,001 to 15,000 15,001 and up
WASTEWATER:	\$ 23.11	-0-	N	\$ 2.121 \$ 3.00 \$ 4.00 \$ 5.00	0,001 to 8,000 8,001 to 12,000 12,001 to 15,000 15,001 and up
SURCHARGE:					
Garbage Fee	\$ 12.00		Y		

District employs winter averaging for wastewater usage? X
Yes No

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

See accompanying independent auditor's report.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	1,236	1,225	x 1.0	1,225
1"	1	1	x 2.5	3
1½"			x 5.0	
2"	18	17	x 8.0	136
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>1,255</u>	<u>1,243</u>		<u>1,364</u>
Total Wastewater Connections	<u>1,239</u>	<u>1,228</u>	x 1.0	<u>1,228</u>

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

Gallons billed to customers: 101,551,000*

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

See accompanying independent auditor's report.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

4. STANDBY FEES (authorized only under TWC Section 49.231):

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

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No _____

County in which District is located:

Kaufman County, Texas

Is the District located within a city?

Entirely _____ Partly _____ Not at all X

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

Entirely X Partly _____ Not at all _____

ETJ in which District is located:

City of Crandall, Texas

Are Board Members appointed by an office outside the District?

Yes _____ No X

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

PROFESSIONAL FEES:	
Auditing	\$ 14,750
Engineering	9,951
Legal	<u>23,292</u>
TOTAL PROFESSIONAL FEES	<u>\$ 47,993</u>
PURCHASED MASTER DISTRICT SERVICES	<u>\$ 1,744,811</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 11,760
Operations and Billing	118,808
Management Fees	11,628
Solid Waste Disposal	<u>166,267</u>
TOTAL CONTRACTED SERVICES	<u>\$ 308,463</u>
UTILITIES	<u>\$ 24,082</u>
REPAIRS AND MAINTENANCE	<u>\$ 284,210</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 6,136
Insurance	6,520
Other	<u>2,287</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 14,943</u>
OTHER EXPENDITURES:	
Laboratory Fees	\$ 13,933
Permit Fees	3,011
Regulatory Assessment	<u>7,182</u>
TOTAL OTHER EXPENDITURES	<u>\$ 24,126</u>
TOTAL EXPENDITURES	<u>\$ 2,448,628</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
INVESTMENTS
SEPTEMBER 30, 2021

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>DEBT SERVICE FUND</u>					
Certificate of Deposit	XXXX0989	0.04%	02/22/22	\$ 200,000	\$ 9
Certificate of Deposit	XXXX1591	0.20%	02/22/22	245,000	55
Certificate of Deposit	XXXX0874	0.04%	02/22/22	<u>440,000</u>	<u>20</u>
TOTAL DEBT SERVICE FUND				<u>\$ 885,000</u>	<u>\$ 84</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
OCTOBER 1, 2020	\$	1,225	\$	1,853
Adjustments to Beginning				
Balance		<u>(45)</u>	\$	<u>1,180</u>
			<u>(2,888)</u>	\$
				<u>(1,035)</u>
Original 2020 Tax Levy	\$	1,256,991	\$	1,256,991
Adjustment to 2020 Tax Levy		<u>16,020</u>	<u>1,273,011</u>	<u>16,021</u>
			<u>1,273,012</u>	
TOTAL TO BE				
ACCOUNTED FOR		\$	1,274,191	\$
				1,271,977
TAX COLLECTIONS:				
Prior Years	\$	1,139	\$	(1,074)
Current Year		<u>1,271,735</u>	<u>1,272,874</u>	<u>1,271,736</u>
			<u>1,270,662</u>	
TAXES RECEIVABLE -				
SEPTEMBER 30, 2021		<u>\$</u>	<u>1,317</u>	<u>\$</u>
				<u>1,315</u>
TAXES RECEIVABLE BY				
YEAR:				
2020	\$	1,276	\$	1,276
2019 and prior		<u>41</u>	<u>39</u>	<u>39</u>
TOTAL	\$	<u><u>1,317</u></u>	\$	<u><u>1,315</u></u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	2020	2019	2018	2017
PROPERTY VALUATIONS:				
Land	\$ 73,118,008	\$ 59,120,913	\$ 41,349,702	\$ 41,344,702
Improvements	198,192,650	205,795,558	207,196,650	177,819,657
Personal Property	885,000	676,890	334,340	216,520
Exemptions	<u>(17,600,591)</u>	<u>(17,376,570)</u>	<u>(16,354,895)</u>	<u>(18,221,187)</u>
TOTAL PROPERTY VALUATIONS	<u><u>\$ 254,595,067</u></u>	<u><u>\$ 248,216,791</u></u>	<u><u>\$ 232,525,797</u></u>	<u><u>\$ 201,159,692</u></u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.50	\$ 0.605	\$ 0.44	\$ 0.49
Maintenance	<u>0.50</u>	<u>0.395</u>	<u>0.56</u>	<u>0.51</u>
TOTAL TAX RATES PER \$100 VALUATION	<u><u>\$ 1.00</u></u>	<u><u>\$ 1.00</u></u>	<u><u>\$ 1.00</u></u>	<u><u>\$ 1.00</u></u>
ADJUSTED TAX LEVY*	<u><u>\$ 2,546,023</u></u>	<u><u>\$ 2,482,335</u></u>	<u><u>\$ 2,325,258</u></u>	<u><u>\$ 2,011,597</u></u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u><u>99.90 %</u></u>	<u><u>99.99 %</u></u>	<u><u>99.99 %</u></u>	<u><u>99.99 %</u></u>

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

Maintenance Tax – Maximum tax rate of \$1.00 per \$100 assessed valuation approved by voters on February 5, 2005.

See accompanying independent auditor’s report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2021

SERIES - 2014 ROAD

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2022	\$	\$ 72,131	\$ 72,131
2023		72,131	72,131
2024		72,131	72,131
2025		72,131	72,131
2026		72,131	72,131
2027		72,131	72,131
2028		72,131	72,131
2029		72,131	72,131
2030		72,131	72,131
2031		72,132	72,132
2032		72,132	72,132
2033	125,000	69,866	194,866
2034	130,000	65,244	195,244
2035	135,000	60,357	195,357
2036	345,000	51,357	396,357
2037	365,000	38,044	403,044
2038	380,000	23,600	403,600
2039	400,000	8,000	408,000
2040			
2041			
2042			
2043			
2044			
2045			
	<u>\$ 1,880,000</u>	<u>\$ 1,109,911</u>	<u>\$ 2,989,911</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2021

SERIES - 2014 ROAD REFUNDING

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2022	\$ 410,000	\$ 167,752	\$ 577,752
2023	425,000	155,227	580,227
2024	440,000	142,252	582,252
2025	450,000	128,902	578,902
2026	470,000	112,752	582,752
2027	490,000	93,552	583,552
2028	505,000	75,420	580,420
2029	525,000	58,163	583,163
2030	540,000	39,788	579,788
2031	560,000	20,188	580,188
2032	275,000	5,019	280,019
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
	<u>\$ 5,090,000</u>	<u>\$ 999,015</u>	<u>\$ 6,089,015</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2021

SERIES - 2017 ROAD

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2022	\$	\$ 206,725	\$ 206,725
2023		206,725	206,725
2024		206,725	206,725
2025		206,725	206,725
2026		206,725	206,725
2027		206,725	206,725
2028		206,725	206,725
2029		206,725	206,725
2030		206,725	206,725
2031		206,725	206,725
2032	145,000	203,462	348,462
2033	310,000	193,225	503,225
2034	315,000	179,950	494,950
2035	330,000	168,494	498,494
2036	340,000	157,813	497,813
2037	345,000	146,682	491,682
2038	360,000	135,001	495,001
2039	370,000	122,681	492,681
2040	800,000	102,938	902,938
2041	830,000	75,431	905,431
2042	860,000	46,375	906,375
2043	895,000	15,663	910,663
2044			
2045			
	<u>\$ 5,900,000</u>	<u>\$ 3,614,965</u>	<u>\$ 9,514,965</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2021

SERIES - 2018 ROAD REFUNDING

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2022	\$ 105,000	\$ 59,656	\$ 164,656
2023	115,000	57,456	172,456
2024	120,000	53,906	173,906
2025	125,000	50,022	175,022
2026	125,000	46,897	171,897
2027	135,000	43,400	178,400
2028	140,000	39,444	179,444
2029	145,000	35,169	180,169
2030	150,000	30,744	180,744
2031	155,000	26,072	181,072
2032	165,000	20,969	185,969
2033	170,000	15,419	185,419
2034	180,000	9,513	189,513
2035	185,000	3,238	188,238
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
	<u>\$ 2,015,000</u>	<u>\$ 491,905</u>	<u>\$ 2,506,905</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2021

SERIES - 2019 UTILITY

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2022	\$ 210,000	\$ 251,207	\$ 461,207
2023	215,000	245,894	460,894
2024	225,000	240,394	465,394
2025	235,000	234,644	469,644
2026	245,000	228,644	473,644
2027	255,000	221,756	476,756
2028	265,000	213,956	478,956
2029	280,000	205,781	485,781
2030	290,000	197,231	487,231
2031	300,000	188,382	488,382
2032	315,000	179,157	494,157
2033	330,000	169,275	499,275
2034	340,000	158,593	498,593
2035	355,000	147,300	502,300
2036	370,000	135,287	505,287
2037	385,000	122,546	507,546
2038	405,000	108,963	513,963
2039	420,000	94,525	514,525
2040	440,000	79,475	519,475
2041	455,000	63,528	518,528
2042	475,000	46,672	521,672
2043	495,000	28,781	523,781
2044	520,000	9,750	529,750
2045			
	<u>\$ 7,825,000</u>	<u>\$ 3,571,741</u>	<u>\$ 11,396,741</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2021

SERIES - 2021 UTILITY

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2022	\$ 100,000	\$ 41,766	\$ 141,766
2023	100,000	41,625	141,625
2024	100,000	39,624	139,624
2025	95,000	37,674	132,674
2026	95,000	35,775	130,775
2027	95,000	33,875	128,875
2028	95,000	31,975	126,975
2029	90,000	30,125	120,125
2030	90,000	28,325	118,325
2031	90,000	26,525	116,525
2032	90,000	24,725	114,725
2033	85,000	22,975	107,975
2034	85,000	21,275	106,275
2035	85,000	19,575	104,575
2036	85,000	17,875	102,875
2037	85,000	16,175	101,175
2038	80,000	14,475	94,475
2039	80,000	12,775	92,775
2040	75,000	11,129	86,129
2041	80,000	9,382	89,382
2042	80,000	7,481	87,481
2043	80,000	5,582	85,582
2044	75,000	3,741	78,741
2045	120,000	1,425	121,425
	<u>\$ 2,135,000</u>	<u>\$ 535,879</u>	<u>\$ 2,670,879</u>

See accompanying independent auditor's report.

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KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2021

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2022	\$ 825,000	\$ 799,237	\$ 1,624,237
2023	855,000	779,058	1,634,058
2024	885,000	755,032	1,640,032
2025	905,000	730,098	1,635,098
2026	935,000	702,924	1,637,924
2027	975,000	671,439	1,646,439
2028	1,005,000	639,651	1,644,651
2029	1,040,000	608,094	1,648,094
2030	1,070,000	574,944	1,644,944
2031	1,105,000	540,024	1,645,024
2032	990,000	505,464	1,495,464
2033	1,020,000	470,760	1,490,760
2034	1,050,000	434,575	1,484,575
2035	1,090,000	398,964	1,488,964
2036	1,140,000	362,332	1,502,332
2037	1,180,000	323,447	1,503,447
2038	1,225,000	282,039	1,507,039
2039	1,270,000	237,981	1,507,981
2040	1,315,000	193,542	1,508,542
2041	1,365,000	148,341	1,513,341
2042	1,415,000	100,528	1,515,528
2043	1,470,000	50,026	1,520,026
2044	595,000	13,491	608,491
2045	120,000	1,425	121,425
	<u>\$ 24,845,000</u>	<u>\$ 10,323,416</u>	<u>\$ 35,168,416</u>

See accompanying independent auditor's report.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Description	Original Bonds Issued	Bonds Outstanding October 1, 2020
Kaufman County Municipal Utility District No. 11 Unlimited Tax Road Bonds - Series 2014	\$ 1,880,000	\$ 1,880,000
Kaufman County Municipal Utility District No. 11 Unlimited Tax Road Refunding Bonds - Series 2014	7,355,000	5,485,000
Kaufman County Municipal Utility District No. 11 Unlimited Tax Road Bonds - Series 2017	5,900,000	5,900,000
Kaufman County Municipal Utility District No. 11 Unlimited Tax Road Refunding Bonds - Series 2018	2,245,000	2,120,000
Kaufman County Municipal Utility District No. 11 Unlimited Tax Bonds - Series 2019	8,025,000	8,025,000
Kaufman County Municipal Utility District No. 11 Unlimited Tax Bonds - Series 2021	<u>2,135,000</u>	<u> </u>
TOTAL	<u><u>\$ 27,540,000</u></u>	<u><u>\$ 23,410,000</u></u>

Bond Authority:	Water, Sewer and Drainage Refunding Bonds	Road Refunding Bonds	Water, Sewer Drainage Bonds	Road Bonds
Amount Authorized by Voters	\$ 129,000,000	\$ 78,000,000	\$ 86,000,000	\$ 52,000,000
Amount Issued	<u> </u>	<u>527,810</u>	<u>10,160,000</u>	<u>18,950,000</u>
Remaining to be Issued	<u><u>\$ 129,000,000</u></u>	<u><u>\$ 77,472,190</u></u>	<u><u>\$ 75,840,000</u></u>	<u><u>\$ 33,050,000</u></u>

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding September 30, 2021</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$		\$ 72,131	\$ 1,880,000	Zions Bancorporation, N.A. Houston, TX
	395,000	179,828	5,090,000	Zions Bancorporation, N.A. Houston, TX
		206,725	5,900,000	Zions Bancorporation, N.A. Houston, TX
	105,000	61,756	2,015,000	Zions Bancorporation, N.A. Houston, TX
	200,000	256,331	7,825,000	Zions Bancorporation, N.A. Houston, TX
<u>2,135,000</u>			<u>2,135,000</u>	Zions Bancorporation, N.A. Houston, TX
<u>\$ 2,135,000</u>	<u>\$ 700,000</u>	<u>\$ 776,771</u>	<u>\$ 24,845,000</u>	

Debt Service Fund cash and investment balances as of September 30, 2021: \$ 927,239

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,465,351

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

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2021	2020	2019
REVENUES			
Property Taxes	\$ 1,272,874	\$ 980,074	\$ 1,301,413
Water Service	902,507	904,997	886,530
Wastewater Service	536,305	539,129	522,710
Garbage Service	176,633	177,831	176,684
Penalty and Interest	31,485	45,545	49,903
Connection and Inspection Fees	46,408	56,761	66,932
Investment and Miscellaneous Revenues	840	3,910	16,861
TOTAL REVENUES	\$ 2,967,052	\$ 2,708,247	\$ 3,021,033
EXPENDITURES			
Professional Fees	\$ 47,993	\$ 39,084	\$ 35,735
Contracted Services	308,463	283,627	309,116
Purchased Master District Services	1,744,811	1,881,895	2,029,717
Repairs and Maintenance	284,210	229,922	371,611
Other	63,151	56,694	56,015
Capital Outlay	_____	70,522	145,737
TOTAL EXPENDITURES	\$ 2,448,628	\$ 2,561,744	\$ 2,947,931
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 518,424	\$ 146,503	\$ 73,102
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ - 0 -	\$ - 0 -	\$ 30,630
NET CHANGE IN FUND BALANCE	\$ 518,424	\$ 146,503	\$ 103,732
BEGINNING FUND BALANCE	599,756	453,253	349,521
ENDING FUND BALANCE	\$ 1,118,180	\$ 599,756	\$ 453,253

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2018	2017	2021	2020	2019	2018	2017
\$ 1,026,199	\$ 966,883	42.8 %	36.2 %	43.1 %	36.6 %	33.8 %
933,681	837,245	30.4	33.4	29.3	33.2	29.3
551,363	489,122	18.1	19.9	17.3	19.6	17.1
172,569	163,823	6.0	6.6	5.8	6.1	5.7
50,340	50,599	1.1	1.7	1.7	1.8	1.8
74,380	352,338	1.6	2.1	2.2	2.6	9.8
1,746	1,224		0.1	0.6	0.1	2.5
<u>\$ 2,810,278</u>	<u>\$ 2,861,234</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 37,499	\$ 30,212	1.6 %	1.4 %	1.2 %	1.3 %	1.1 %
261,509	243,529	10.4	10.5	10.2	9.3	8.5
2,142,450	1,989,097	58.8	69.5	67.2	76.2	69.5
234,977	393,879	9.6	8.5	12.3	8.4	13.8
105,249	123,256	2.1	2.1	1.9	3.7	4.3
41,553			2.6	4.8	1.5	
<u>\$ 2,823,237</u>	<u>\$ 2,779,973</u>	<u>82.5 %</u>	<u>94.6 %</u>	<u>97.6 %</u>	<u>100.4 %</u>	<u>97.2 %</u>
\$ (12,959)	\$ 81,261	<u>17.5 %</u>	<u>5.4 %</u>	<u>2.4 %</u>	<u>(0.4) %</u>	<u>2.8 %</u>
\$ 5,900	\$ - 0 -					
\$ (7,059)	\$ 81,261					
<u>356,580</u>	<u>275,319</u>					
<u>\$ 349,521</u>	<u>\$ 356,580</u>					

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2021	2020	2019
REVENUES			
Property Taxes	\$ 1,270,662	\$ 1,502,244	\$ 1,022,711
Penalty and Interest	3,863	4,539	4,592
Investment and Miscellaneous Revenues	<u>2,961</u>	<u>17,422</u>	<u>11,424</u>
TOTAL REVENUES	<u>\$ 1,277,486</u>	<u>\$ 1,524,205</u>	<u>\$ 1,038,727</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 27,366	\$ 30,682	\$ 26,335
Debt Service Principal	700,000	490,000	470,000
Debt Service Interest and Fees	<u>778,771</u>	<u>795,626</u>	<u>665,887</u>
TOTAL EXPENDITURES	<u>\$ 1,506,137</u>	<u>\$ 1,316,308</u>	<u>\$ 1,162,222</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (228,651)</u>	<u>\$ 207,897</u>	<u>\$ (123,495)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds From Issuance of Long-Term Debt	\$	\$	\$ 388,247
Payment to Refunded Bond Escrow Agent			
Bond Discount			
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 388,247</u>
NET CHANGE IN FUND BALANCE	\$ (228,651)	\$ 207,897	\$ 264,752
BEGINNING FUND BALANCE	<u>1,037,535</u>	<u>829,638</u>	<u>564,886</u>
ENDING FUND BALANCE	<u>\$ 808,884</u>	<u>\$ 1,037,535</u>	<u>\$ 829,638</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,243</u>	<u>1,248</u>	<u>1,246</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,228</u>	<u>1,232</u>	<u>1,231</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2018	2017	2021	2020	2019	2018	2017
\$ 985,801	\$ 823,642	99.5 %	98.6 %	98.5 %	99.1 %	99.2 %
4,342	3,469	0.3	0.3	0.4	0.4	0.4
<u>5,140</u>	<u>2,941</u>	<u>0.2</u>	<u>1.1</u>	<u>1.1</u>	<u>0.5</u>	<u>0.4</u>
\$ <u>995,283</u>	\$ <u>830,052</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 156,328	\$ 23,988	2.1 %	2.0 %	2.5 %	15.7 %	2.9 %
440,000	425,000	54.8	32.1	45.2	44.2	51.2
<u>544,795</u>	<u>400,449</u>	<u>61.0</u>	<u>52.2</u>	<u>64.1</u>	<u>54.7</u>	<u>48.2</u>
\$ <u>1,141,123</u>	\$ <u>849,437</u>	<u>117.9 %</u>	<u>86.3 %</u>	<u>111.8 %</u>	<u>114.6 %</u>	<u>102.3 %</u>
\$ <u>(145,840)</u>	\$ <u>(19,385)</u>	<u>(17.9) %</u>	<u>13.7 %</u>	<u>(11.8) %</u>	<u>(14.6) %</u>	<u>(2.3) %</u>
\$ 2,348,362	\$					
(2,095,813)						
<u>(34,986)</u>						
\$ <u>217,563</u>	\$ <u>- 0 -</u>					
\$ 71,723	\$ (19,385)					
<u>493,163</u>	<u>512,548</u>					
\$ <u>564,886</u>	\$ <u>493,163</u>					
<u>1,248</u>	<u>1,235</u>					
<u>1,233</u>	<u>1,222</u>					

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2021

District Mailing Address - Kaufman County Municipal Utility District No. 11
c/o Coats Rose, P.C.
14755 Preston Road, Suite 600
Dallas, TX 75254

District Telephone Number - (972) 982-8455

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>September 30, 2021</u>	Expense Reimbursements for the year ended <u>September 30, 2021</u>	<u>Title</u>
Gregg E. Gibb	05/18 05/22 (Elected)	\$ 600	\$ 11	President
Joe Tucker	05/20 05/24 (Elected)	\$ 1,200	\$ 20	Vice President
Jan Echard	05/18 05/22 (Elected)	\$ 1,350	\$ 6	Secretary
Joseph Radecki	05/20 05/24 (Elected)	\$ 1,050	\$ 8	Assistant Secretary
Melissa Cromwell	05/20 05/24 (Elected)	\$ 1,500	\$ 118	Assistant Secretary

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

Submission date of most recent District Registration Form: March 21, 2018

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on November 12, 2004. Fees of Office are the amounts actually paid to a Director during the District’s current fiscal year.

See accompanying independent auditor’s report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2021

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2021</u>	<u>Title</u>
Coats Rose, P.C.	11/12/04	\$ 23,292 \$ 66,923	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	09/20/06	\$ 14,750 \$ 12,750	Auditor Bond Related
L & S District Services, LLC Debra Loggins	12/08/04	\$ 12,660 \$ -0-	Bookkeeper/ Investment Officer
Capital Consultants Management Corporation	12/01/12	\$ 78,467	District Manager
Peloton Land Services	11/20/19	\$ 9,951	Engineer
Robert W. Baird	03/18/15	\$ 45,418	Financial Advisor
Inframark, LLC	02/21/06	\$ 284,346	Operator
Jones-Heroy & Associates		\$ 44,314	Engineer - Bond Services

See accompanying independent auditor's report.

**KAUFMAN COUNTY MUNICIPAL UTILITY
DISTRICT NO. 12 MASTER DISTRICT**

**KAUFMAN COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2021**

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

KAUFMAN COUNTY MUNICIPAL UTILITY

DISTRICT NO. 12 MASTER DISTRICT

KAUFMAN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2021

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McCALL GIBSON SWEDLUND BARFOOT PLLC

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kaufman County Municipal Utility
District No. 12 Master District
Kaufman County, Texas

We have audited the accompanying Statement of Net Position of Kaufman County Municipal Utility District No. 12 Master District (the "District"), as of September 30, 2021, and the related Statements of Revenues, Expenses and Changes in Net Position and Cash Flows for the year then ended. These financial statements are the responsibility of the District's management.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Directors
Kaufman County Municipal Utility
District No. 12 Master District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of September 30, 2021, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. We have included the Schedule of Revenues, Expenses and Changes in Net Position as supplementary information as well as other supplementary information which is generally in the format required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide*. This information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

January 19, 2022

**KAUFMAN COUNTY MUNICIPAL UTILITY
DISTRICT NO. 12 – MASTER DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Our discussion and analysis of the financial performance of Kaufman County Municipal Utility District No. 12 Master District (the “District”) provides an overview of the District’s financial activities for the fiscal year ended September 30, 2021. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The financial statements include: (1) Statement of Net Position, (2) Statement of Revenues, Expenses and Changes in Net Position, (3) Statement of Cash Flows, and (4) notes to the financial statements. This report also includes required and other supplementary information in addition to the financial statements.

FINANCIAL STATEMENTS

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

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

The Statement of Revenues, Expenses and Changes in Net Position reports how the District’s net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

The Statement of Cash Flows shows the inflows and outflows of cash that occurred during the current fiscal year.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements.

**KAUFMAN COUNTY MUNICIPAL UTILITY
DISTRICT NO. 12 – MASTER DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, assets exceeded liabilities by \$11,434,331, as of September 30, 2021.

A portion of the District’s net position reflects its net investment in capital assets (land, water and wastewater facilities, less any debt used to acquire those assets that is still outstanding). To date, the District has not issued any debt for the acquisition of capital assets. However, the District’s Developer has incurred costs related to the construction of certain facilities necessary to provide water and wastewater service to the participating districts.

A comparative analysis of government-wide changes in net position is presented below:

	Summary of Changes in the Statement of Net Position		
	2021	2020	Change Positive (Negative)
Current and Other Assets	\$ 3,068,648	\$ 1,599,263	\$ 1,469,385
Capital Assets (Net of Accumulated Depreciation)	19,666,487	12,932,961	6,733,526
Total Assets	\$ 22,735,135	\$ 14,532,224	\$ 8,202,911
Current Liabilities	\$ 749,027	\$ 578,904	\$ (170,123)
Noncurrent Liabilities	974,313	924,900	(49,413)
Due to Developer	9,577,464	9,577,464	
Total Liabilities	\$ 11,300,804	\$ 11,081,268	\$ (219,536)
Net Position:			
Net Investment in Capital Assets	\$ 10,089,023	\$ 3,355,497	\$ 6,733,526
Unrestricted	1,345,308	95,459	1,249,849
Total Net Position	\$ 11,434,331	\$ 3,450,956	\$ 7,983,375

The following table provides a summary of the District’s operations for the years ended September 30, 2021, and September 30, 2020. The net position of the District increased by \$7,983,375 during the current fiscal year.

**KAUFMAN COUNTY MUNICIPAL UTILITY
DISTRICT NO. 12 – MASTER DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Activities		
	2021	2020	Change Positive (Negative)
Operating Revenues:			
Charges for Services	\$ 6,348,307	\$ 4,563,206	\$ 1,785,101
Contributions from Others	7,604,815	6,535,653	1,069,162
Out of District Services	1,804,286	509,604	1,294,682
Total Revenues	\$ 15,757,408	\$ 11,608,463	\$ 4,148,945
Total Operating Expenses	7,774,033	5,400,049	(2,373,984)
Change in Net Position	\$ 7,983,375	\$ 6,208,414	\$ 1,774,961
Net Position, Beginning of Year	3,450,956	(2,757,458)	6,208,414
Net Position, End of Year	\$ 11,434,331	\$ 3,450,956	\$ 7,983,375

CAPITAL ASSETS

Capital assets as of September 30, 2021, total \$19,666,487 (net of accumulated depreciation) and include land as well as the water and wastewater infrastructure.

	Capital Assets At Year-End, Net of Accumulated Depreciation		
	2021	2020	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 423,364	\$ 423,364	\$
Construction in Progress	57,636	107,481	(49,845)
Capital Assets, Net of Accumulated Depreciation:			
Water System	11,769,902	8,221,607	3,548,295
Wastewater System	7,415,585	4,180,509	3,235,076
Total Net Capital Assets	\$ 19,666,487	\$ 12,932,961	\$ 6,733,526

**KAUFMAN COUNTY MUNICIPAL UTILITY
DISTRICT NO. 12 – MASTER DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year and amended the budget to increase out of District service revenues and to increase purchased services expense. Actual revenues were \$578,616 more than budgeted revenues and actual expenses were \$222,158 more than budgeted expenses. The District also recorded nonoperating revenues totaling \$7,604,815 which was unbudgeted for and consisted of infrastructure conveyed to the District as well as developer advances. The result was a positive budget to actual variance of \$7,961,273. More detailed information about the District’s budgetary comparison is presented in the Supplementary Information section of this report.

LONG-TERM DEBT

The District and the Developer have entered into agreements whereby the Developer will fund costs related to the construction of the District’s infrastructure as well as make operating advances. Reimbursement to the Developer is contingent upon approval from the Commission and the future sale of bonds.

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Kaufman County Municipal Utility District No. 12 – Master District, c/o Coats Rose, P.C., 14755 Preston Road, Suite 600, Dallas, Texas 75254.

**KAUFMAN COUNTY MUNICIPAL UTILITY
DISTRICT NO. 12 – MASTER DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND TYPE
SEPTEMBER 30, 2021**

	Enterprise Fund
<u>ASSETS</u>	
CURRENT ASSETS	
Cash	\$ 1,716,544
Due From Participants	1,171,266
Service Accounts Receivable	163,570
Prepaid Expenses	17,268
TOTAL CURRENT ASSETS	\$ 3,068,648
NONCURRENT ASSETS	
CAPITAL ASSETS	
Land and Land Improvements	\$ 423,364
Construction in Progress	57,636
Water System	11,769,902
Wastewater System	7,415,585
TOTAL CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	\$ 19,666,487
TOTAL ASSETS	\$ 22,735,135
<u>LIABILITIES</u>	
CURRENT LIABILITIES	
Accounts Payable	\$ 749,027
NONCURRENT LIABILITIES	
Due to Developer	\$ 9,577,464
Participant Operating Reserves	911,700
Customer Deposits	62,613
TOTAL NONCURRENT LIABILITIES	\$ 10,551,777
TOTAL LIABILITIES	\$ 11,300,804
NET POSITION	
Net Investment in Capital Assets	\$ 10,089,023
Unrestricted	1,345,308
TOTAL NET POSITION	\$ 11,434,331

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

**KAUFMAN COUNTY MUNICIPAL UTILITY
DISTRICT NO. 12 – MASTER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Enterprise Fund
OPERATING REVENUES	
Service Revenues	\$ 6,348,307
Out of District Service Revenues	1,804,286
TOTAL OPERATING REVENUES	\$ 8,152,593
 OPERATING EXPENSES	
Professional Fees	\$ 249,706
Purchased Services	4,167,853
Contracted Services	762,209
Repair and Maintenance	748,686
Utilities	60,693
Depreciation	592,184
Out of District Service Costs	1,133,773
Other	58,929
TOTAL OPERATING EXPENSES	\$ 7,774,033
 OPERATING INCOME (LOSS)	 \$ 378,560
 NONOPERATING REVENUES	
Assets Conveyed from Other Governments	\$ 7,203,315
Developer Contributions	401,500
TOTAL NONOPERATING REVENUES	\$ 7,604,815
 CHANGE IN NET POSITION	 \$ 7,983,375
 NET POSITION - OCTOBER 1, 2020	 3,450,956
 NET POSITION - SEPTEMBER 30, 2021	 \$ 11,434,331

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

**KAUFMAN COUNTY MUNICIPAL UTILITY
DISTRICT NO. 12 – MASTER DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Participants and Retail Customers	\$ 8,257,301
Cash Payments for Goods and Services	<u>(7,011,726)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,245,575</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of Capital Assets	<u>\$ (122,395)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 \$ 1,123,180
 CASH AND CASH EQUIVALENTS - OCTOBER 1, 2020	 <u>593,364</u>
 CASH AND CASH EQUIVALENTS - SEPTEMBER 30, 2021	 <u>\$ 1,716,544</u>
 RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Change in Net Position	\$ 7,983,375
Depreciation	592,184
Assets Conveyed by Other Governmental Entity	(7,203,315)
(Increase)Decrease in Receivables and Prepaids	(346,205)
Increase (Decrease) in Accounts Payable	170,123
Increase (Decrease) in Customer Deposits	<u>49,413</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 1,245,575</u>

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

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**KAUFMAN COUNTY MUNICIPAL UTILITY
DISTRICT NO. 12 – MASTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 1. CREATION OF DISTRICT

Kaufman County Municipal Utility District No. 12 Master District (the “District”), formerly known as Kingsborough Municipal Utility District No. 5 of Kaufman County, Texas, was created in 2003, by H.B. No. 3622, 78th Legislature of Texas, Regular Session, as a conservation and reclamation district created under and essential to accomplishing the purposes of Section 59, Article XVI and Section 52, Article II of the Texas Constitution. The District is under the oversight of the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants, and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, roads, solid waste collection and disposal, including recycling. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its organizational meeting on February 28, 2005.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

The District has contracted with Kaufman County Municipal Utility District No. 9 (District No. 9), Kaufman County Municipal Utility District No. 10 (District No. 10), Kaufman County Municipal Utility District No. 11 (District No. 11), Kaufman County Municipal Utility District No. 12 (District No. 12), and Kaufman County Municipal Utility District No. 14 (District No. 14), to serve as the coordinating district for the financing, operation, and maintenance of regional water, sanitary sewer, and drainage facilities.

**KAUFMAN COUNTY MUNICIPAL UTILITY
DISTRICT NO. 12 – MASTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The transactions of the District are being accounted for in the following fund type:

Proprietary Fund Type – Proprietary Funds are used to account for the District’s on-going activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and changes in cash flows. The following is the District’s Proprietary Fund Type:

Enterprise Fund - To account for the District’s cost for providing services, including capital costs (such as depreciation) which are recovered with fees and charges rather than taxes or similar revenues.

Basis of Accounting

The Enterprise Fund is accounted for on an economic resources measurement focus using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets are reported in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at cost which approximates the fair market value on the date donated. Repair and maintenance is recorded as an expense in the Statement of Revenues, Expenses and Changes in Net Position. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$10,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation over periods ranging from 10 to 45 years.

Budgeting

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

**KAUFMAN COUNTY MUNICIPAL UTILITY
DISTRICT NO. 12 – MASTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

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

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in financial position, and cash flows. All assets and liabilities associated with the activities are reported. Equity is classified as net position. GASB requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District’s policy to use restricted resources first.

The District considers all amounts in checking accounts, money market accounts, savings accounts, and all highly liquid investments with a maturity of 90 days or less when purchased to be cash and cash equivalents.

**KAUFMAN COUNTY MUNICIPAL UTILITY
DISTRICT NO. 12 – MASTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$1,716,544 and the bank balance was \$2,790,182. The District was not exposed to custodial credit risk at year-end.

Investments

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

**KAUFMAN COUNTY MUNICIPAL UTILITY
DISTRICT NO. 12 – MASTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021 is as follows:

	October 1, 2020	Increases	Decreases	September 30, 2021
Capital Assets Not Subject to Depreciation				
Land and Land Improvements	\$ 423,364	\$	\$	\$ 423,364
Construction in Progress	107,481	7,325,710	7,375,555	57,636
Total Capital Assets Not Subject to Depreciation	<u>\$ 530,845</u>	<u>\$ 7,325,710</u>	<u>\$ 7,375,555</u>	<u>\$ 481,000</u>
Capital Assets Subject to Depreciation				
Water System	\$ 11,019,206	\$ 3,950,362	\$	\$ 14,969,568
Wastewater System	5,084,303	3,425,193		8,509,496
Total Capital Assets Subject to Depreciation	<u>\$ 16,103,509</u>	<u>\$ 7,375,555</u>	<u>\$ - 0 -</u>	<u>\$ 23,479,064</u>
Less Accumulated Depreciation				
Water System	\$ 2,797,599	\$ 402,067	\$	\$ 3,199,666
Wastewater System	903,794	190,117		1,093,911
Total Accumulated Depreciation	<u>\$ 3,701,393</u>	<u>\$ 592,184</u>	<u>\$ - 0 -</u>	<u>\$ 4,293,577</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 12,402,116</u>	<u>\$ 6,783,371</u>	<u>\$ - 0 -</u>	<u>\$ 19,185,487</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 12,932,961</u>	<u>\$ 14,109,081</u>	<u>\$ 7,375,555</u>	<u>\$ 19,666,487</u>

**KAUFMAN COUNTY MUNICIPAL UTILITY
DISTRICT NO. 12 – MASTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 5. CONTRACT WITH OTHER DISTRICTS

On February 28, 2005, the District executed a 50-year contract with Kaufman County Municipal Utility District No. 9, Kaufman County Municipal Utility District No. 10, Kaufman County Municipal Utility District No. 11, Kaufman County Municipal Utility District No. 12, and Kaufman County Municipal Utility District No. 14 (previously known as Kaufman County Municipal Utility District No. 8), (the “Participants”) for the financing, operation and maintenance of the District’s regional water, sanitary sewer, and drainage facilities. Upon the execution of the contract, the Master District was created. The District has assumed the responsibility of becoming the coordinating district and administers the contract for the Participants.

Each Participant has entered into the Agreement Regarding Wholesale Treated Water Service and the Agreement Regarding Wholesale Wastewater Treatment Service with the City of Mesquite, Texas for the purpose of providing both water and wastewater treatment services, (see Notes 8 and 9). Each Participant has contracted with the District to provide, receive, and transport its water supply, sanitary waste, and storm waters through the Master District facilities. The District will finance the Master District facilities through the issuance of Master District bonds. Each Participant will be responsible for its pro rata share of the debt service requirements on the Master District bonds. Pro rata shares will be calculated by dividing each Participant’s certified appraised value by the cumulative total of the certified values of all the Participants.

The District owns and operates the Master District facilities. The District prepares an operating budget annually. The District bills each Participant its share of the monthly charges. Each Participant’s share of the monthly charges is determined by dividing the total number of equivalent single family residential connections for all Participants by the number of equivalent single-family connections for each Participant. As of September 30, 2021, the District has established an operating reserve in the amount of \$911,700.

NOTE 6. RISK MANAGEMENT

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

NOTE 7. UNREIMBURSED DEVELOPER COSTS

The District and the Developer have entered into agreements whereby the Developer will fund costs related to the construction of the District’s infrastructure as well as make operating advances. Reimbursement to the Developer is contingent upon approval from the Commission and the future sale of bonds.

**KAUFMAN COUNTY MUNICIPAL UTILITY
DISTRICT NO. 12 – MASTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 8. WHOLESALE TREATED WATER SERVICE AGREEMENT

Effective August 27, 2004, the Developer and the City of Mesquite, Texas (Mesquite) entered into the Agreement Regarding Wholesale Treated Water Service. On October 7, 2005, the First Amendment to the Agreement Regarding Wholesale Treated Water Service became effective. Each Participant has executed the original agreement and the amendment and have become parties to these agreements. The District administers this contract on behalf of the Participants. The agreement outlines the provisions by which the District, on behalf of all the Participants, obtains treated water from Mesquite. The current rate charged by Mesquite is \$4.186 per 1,000 gallons. The District incurred \$2,235,115 in costs related to this agreement.

NOTE 9. WHOLESALE WASTEWATER TREATMENT SERVICE AGREEMENT

Effective August 27, 2004, the Developer and Mesquite entered into the Agreement Regarding Wholesale Wastewater Treatment Service. Each Participant has executed the original agreement and has become a party to the agreement. The District administers this contract on behalf of the Participants. The agreement outlines the provisions by which the District, on behalf of all the Participants, purchases wastewater treatment service from Mesquite. As of April 14, 2009, the facilities were in place to allow the District to deliver its wastewater to Mesquite. The current rate charged by Mesquite is \$3.134 per 1,000 gallons. The District incurred \$481,749 in costs related to this agreement.

The District also makes monthly payments to Mesquite for its share of the debt incurred for the construction of the Lower East Fork Interceptor System (“interceptor facilities”). The North Texas Municipal Water District (“North Texas”), pursuant to an agreement with the cities of Mesquite and Seagoville dated June 20, 2005, financed the construction of the interceptor facilities through the issuance of bonds. The annual debt service payments and operation and maintenance costs for the interceptor facilities are passed on to the users of the System. Mesquite, in turn, passes these costs on to the District. The District’s share of these costs for the current fiscal year totaled \$1,450,992. The future debt service payments on the interceptor facilities bonds for both Mesquite and Seagoville are as follows:

**KAUFMAN COUNTY MUNICIPAL UTILITY
DISTRICT NO. 12 – MASTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

**NOTE 9. WHOLESALE WASTEWATER TREATMENT SERVICE AGREEMENT
(Continued)**

LOWER EAST FORK INTERCEPTOR SYSTEM
WASTEWATER INTERCEPTOR SYSTEM
CONTRACT REVENUE BONDS SERIES 2006

Due During Fiscal Years Ending September 30	Principal Due June 1	Interest Due December 1/ June 1	Total
2022	\$ 1,080,000	\$ 221,650	\$ 1,301,650
2023	1,125,000	167,650	1,292,650
2024	1,180,000	122,650	1,302,650
2025	1,230,000	75,450	1,305,450
2026	<u>1,285,000</u>	<u>38,550</u>	<u>1,323,550</u>
	<u>\$ 5,900,000</u>	<u>\$ 625,950</u>	<u>\$ 6,525,950</u>

NOTE 10. ECONOMIC DEPENDENCY

The District operates the Master District water and wastewater facilities for the benefit of the Participants pursuant to the Master District contracts. The Participants’ ability to make full and timely payments of their respective pro-rata shares of the monthly billings, as outlined in Note 5, will directly affect the District’s ability to meet its financial obligations.

NOTE 11. RETAIL WATER AND RETAIL SEWER SERVICE AGREEMENTS

On January 24, 2018, the District executed retail water and retail sewer service agreements with Kaufman County Fresh Water Supply District No. 4A (“District No. 4A”) and Kaufman County Fresh Water Supply District No. 4B (“District No. 4B”). Pursuant to the agreements, the District is now the provider of retail water and retail sewer service to customers living within the boundaries of District No. 4A and District No. 4B. The water and wastewater facilities constructed by District No. 4A and District No. 4B necessary to provide water and sewer services to customers within District No. 4A and District No. 4B have been conveyed to the District for ownership and maintenance. The agreements also provide for capacity fees and connection fees to be paid by District No. 4A and District No. 4B to the District as part of the agreement to provide water and sewer services.

**KAUFMAN COUNTY MUNICIPAL UTILITY
DISTRICT NO. 12 – MASTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 12. ECONOMIC UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. Since that time, the participants in the Master District facilities as well as other retail customers served by the District have continued to be able to pay for services provided by the Master District. The District will continue to carefully monitor the situation and evaluate the financial statement impact, if any, that results from the pandemic.

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KAUFMAN COUNTY MUNICIPAL UTILITY

DISTRICT NO. 12 – MASTER DISTRICT

SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2021

**KAUFMAN COUNTY MUNICIPAL UTILITY
DISTRICT NO. 12 – MASTER DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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

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

2. RETAIL SERVICE PROVIDERS

The District provides wholesale water and wastewater services to each participating district (see Note 5) and retail services to other entities (see Note 11).

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

Gallons Purchased: 533,950,000 From: City of Mesquite, Texas

See accompanying independent auditor's report.

**KAUFMAN COUNTY MUNICIPAL UTILITY
DISTRICT NO. 12 – MASTER DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located.

Kaufman County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ in which District is located.

City of Crandall, Texas

Is the general membership of the Board appointed by an office outside the district?

Yes No

See accompanying independent auditor's report.

**KAUFMAN COUNTY MUNICIPAL UTILITY
DISTRICT NO. 12 – MASTER DISTRICT
ENTERPRISE FUND EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

PROFESSIONAL FEES:	
Legal	\$ 42,430
Audit	13,500
Engineering	193,776
TOTAL PROFESSIONAL FEES	<u>\$ 249,706</u>
PURCHASE SERVICES FOR RESALE:	
Purchased Water Service	\$ 2,235,115
Purchased Wastewater Service	1,932,738
TOTAL PURCHASE SERVICES FOR RESALE	<u>\$ 4,167,853</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 12,083
Garbage	15,097
Operations	49,443
Management	6,574
Security	679,012
TOTAL CONTRACTED SERVICES	<u>\$ 762,209</u>
UTILITIES	<u>\$ 60,693</u>
REPAIRS AND MAINTENANCE	<u>\$ 748,686</u>
ADMINISTRATIVE EXPENSES:	
Director Fees, Including Payroll Taxes	\$ 5,813
Insurance	11,162
Miscellaneous	4,605
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 21,580</u>
OTHER EXPENSES:	
Depreciation	\$ 592,184
Chemicals	37,349
Out of District Service Costs	1,133,773
TOTAL OTHER EXPENSES	<u>\$ 1,763,306</u>
TOTAL EXPENSES	<u><u>\$ 7,774,033</u></u>

See accompanying independent auditor's report.

**KAUFMAN COUNTY MUNICIPAL UTILITY
DISTRICT NO. 12 – MASTER DISTRICT
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - FIVE YEARS**

	Amounts		
	2021	2020	2019
OPERATING/OTHER REVENUES			
Service Revenues	\$ 6,348,307	\$ 4,563,206	\$ 4,369,316
Contributions by Other Entities	7,604,815	6,535,653	
Out of District Service Revenues	<u>1,804,286</u>	<u>509,604</u>	<u>111,978</u>
TOTAL OPERATING/OTHER REVENUES	<u>\$ 15,757,408</u>	<u>\$ 11,608,463</u>	<u>\$ 4,481,294</u>
OPERATING EXPENSES			
Professional Fees	\$ 249,706	\$ 244,142	\$ 65,000
Purchased Services	4,167,853	3,393,126	3,239,898
Contracted Services	762,209	608,979	533,175
Repairs and Maintenance	748,686	325,413	259,100
Utilities	60,693	51,029	53,892
Depreciation	592,184	421,840	390,407
Out of District Service Costs	1,133,773	314,488	67,689
Other	<u>58,929</u>	<u>41,032</u>	<u>39,560</u>
TOTAL OPERATING EXPENSES	<u>\$ 7,774,033</u>	<u>\$ 5,400,049</u>	<u>\$ 4,648,721</u>
CHANGE IN NET POSITION	\$ 7,983,375	\$ 6,208,414	\$ (167,427)
BEGINNING NET POSITION	<u>3,450,956</u>	<u>(2,757,458)</u>	<u>(2,590,031)</u>
ENDING NET POSITION	<u>\$ 11,434,331</u>	<u>\$ 3,450,956</u>	<u>\$ (2,757,458)</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2018	2017	2021	2020	2019	2018	2017
\$ 4,210,259	\$ 3,345,025	40.2 %	39.3 %	97.5 %	100.0 %	100.0 %
		48.3	56.3			
		11.5	4.4	2.5		
\$ 4,210,259	\$ 3,345,025	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
\$ 48,087	\$ 36,952	1.6 %	2.1 %	1.5 %	1.1 %	1.1 %
3,462,594	2,552,325	26.5	29.2	72.3	82.2	76.3
370,148	379,209	4.8	5.2	11.9	8.8	11.3
243,992	219,732	4.8	2.8	5.8	5.8	6.6
46,627	41,550	0.4	0.4	1.2	1.1	1.2
214,667	213,431	3.8	3.6	8.7	5.1	6.4
		7.2	2.7	1.5		
27,649	62,472	0.4	0.4	0.9	0.7	1.9
\$ 4,413,764	\$ 3,505,671	49.5 %	46.4 %	103.8 %	104.8 %	104.8 %
\$ (203,505)	\$ (160,646)	50.5 %	53.6 %	(3.8) %	(4.8) %	(4.8) %
(2,386,526)	(2,225,880)					
\$ (2,590,031)	\$ (2,386,526)					

See accompanying independent auditor's report.

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**KAUFMAN COUNTY MUNICIPAL UTILITY
DISTRICT NO. 12 – MASTER DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION – BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES				
Service Revenues	\$ 5,804,704	\$ 5,804,704	\$ 6,348,307	\$ 543,603
Out of District Services, Net	385,500	635,500	670,513	35,013
TOTAL OPERATING REVENUES	<u>\$ 6,190,204</u>	<u>\$ 6,440,204</u>	<u>\$ 7,018,820</u>	<u>\$ 578,616</u>
OPERATING EXPENSES				
Professional Fees	\$ 217,000	\$ 217,000	\$ 249,706	\$ (32,706)
Purchased Services	4,982,727	5,232,727	4,167,853	1,064,874
Contracted Services	18,500	18,500	762,209	(743,709)
Repairs and Maintenance	912,500	912,500	748,686	163,814
Utilities	3,500	3,500	60,693	(57,193)
Depreciation			592,184	(592,184)
Other	33,875	33,875	58,929	(25,054)
TOTAL OPERATING EXPENSES	<u>\$ 6,168,102</u>	<u>\$ 6,418,102</u>	<u>\$ 6,640,260</u>	<u>\$ (222,158)</u>
OPERATING INCOME (LOSS)	<u>\$ 22,102</u>	<u>\$ 22,102</u>	<u>\$ 378,560</u>	<u>\$ 356,458</u>
NONOPERATING REVENUES				
Assets Conveyed from Other Governments	\$	\$	\$ 7,203,315	\$ 7,203,315
Developer Contributions			401,500	401,500
TOTAL NONOPERATING REVENUES	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 7,604,815</u>	<u>\$ 7,604,815</u>
CHANGE IN NET POSITION	<u>\$ 22,102</u>	<u>\$ 22,102</u>	<u>\$ 7,983,375</u>	<u>\$ 7,961,273</u>
NET POSITION - OCTOBER 1, 2020	<u>3,450,956</u>	<u>3,450,956</u>	<u>3,450,956</u>	
NET POSITION - SEPTEMBER 30, 2021	<u>\$ 3,473,058</u>	<u>\$ 3,473,058</u>	<u>\$ 11,434,331</u>	<u>\$ 7,961,273</u>

See accompanying independent auditor's report.

**KAUFMAN COUNTY MUNICIPAL UTILITY
DISTRICT NO. 12 – MASTER DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2021**

District Mailing Address - Kaufman County Municipal Utility
District No. 12 – Master District
c/o Coats Rose, P.C.
14755 Preston Road, Suite 600
Dallas, TX 75254

District Telephone Number - (972) 982-8455

Board Members	Term of Office (Elected or <u>Appointed</u>)	Fees of Office for the year ended <u>September 30, 2021</u>	Expense Reimbursements for the year ended <u>September 30, 2021</u>	<u>Title</u>
Joey Guedea	05/20 – 05/24 (Elected)	\$ 1,200	\$ 24	President
Scott Whitaker	05/18 – 05/22 (Elected)	\$ 1,050	\$ 9	Vice President
Gene Miller	05/20 – 05/24 (Elected)	\$ 1,200	\$ 28	Secretary
Katherine H. Shelton	05/20 – 05/24 (Elected)	\$ 750	\$ -0-	Assistant Secretary
James Hitt	09/21 – 05/22 (Appointed)	\$ 150	\$ -0-	Assistant Secretary

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District’s Developer or with any of the District’s consultants. Submission Date of most recent District Registration Form: September 15, 2021. Fees of Office are the amounts actually paid to a Director during the District’s current fiscal year.

See accompanying independent auditor’s report.

**KAUFMAN COUNTY MUNICIPAL UTILITY
DISTRICT NO. 12 – MASTER DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2021**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2021</u>	<u>Title</u>
Coats Rose, P.C.	02/28/05	\$ 42,430	General Counsel
McCall Gibson Swedlund Barfoot PLLC	09/20/06	\$ 13,500	Auditor
L & S District Services, LLC	02/28/05	\$ 16,620	Bookkeeper
Debra Loggins		\$ -0-	Investment Officer
Peloton Land Solutions	11/20/19	\$ 224,756	Engineer
RBC Capital Markets	02/28/05	\$ -0-	Financial Advisor
Inframark, LLC	02/21/06	\$1,143,532	Operator

See accompanying independent auditor's report.

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

KAUFMAN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2021

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

KAUFMAN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kaufman County Municipal Utility District No. 14
Kaufman County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Kaufman County Municipal Utility District No. 14 (the "District"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

January 19, 2022

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Management's discussion and analysis of the financial performance of Kaufman County Municipal Utility District No. 14 (the "District") provides an overview of the District's financial activities for the fiscal year ended September 30, 2021. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information. A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets and deferred outflows of resources by \$4,631,489 as of September 30, 2021. A portion of the District's net position reflects its net investment in capital assets (land, landscape, hardscape, and roads as well as water, wastewater and drainage facilities, less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of government-wide changes in the Statement of Net Position as of September 30, 2021, and September 30, 2020.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2021	2020	Change Positive (Negative)
Current and Other Assets	\$ 6,263,552	\$ 4,621,123	\$ 1,642,429
Capital Assets (Net of Accumulated Depreciation)	45,814,810	41,099,889	4,714,921
Total Assets	<u>\$ 52,078,362</u>	<u>\$ 45,721,012</u>	<u>\$ 6,357,350</u>
Deferred Outflows of Resources	<u>\$ 40,740</u>	<u>\$ 45,714</u>	<u>\$ (4,974)</u>
Due to Developer	\$ 9,562,925	\$ 15,147,542	\$ 5,584,617
Bonds Payable	45,738,039	32,961,464	(12,776,575)
Other Liabilities	<u>1,449,627</u>	<u>745,530</u>	<u>(704,097)</u>
Total Liabilities	<u>\$ 56,750,591</u>	<u>\$ 48,854,536</u>	<u>\$ (7,896,055)</u>
Net Position:			
Net Investment in Capital Assets	\$ (8,238,177)	\$ (6,204,249)	\$ (2,033,928)
Restricted	903,812	809,303	94,509
Unrestricted	<u>2,702,876</u>	<u>2,307,136</u>	<u>395,740</u>
Total Net Position	<u>\$ (4,631,489)</u>	<u>\$ (3,087,810)</u>	<u>\$ (1,543,679)</u>

The following table provides a summary of the District's operations for the years ended September 30, 2021, and September 30, 2020. The District's net position decreased by \$1,543,679 during the current fiscal year.

	Summary of Changes in the Statement of Activities		
	2021	2020	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 3,433,780	\$ 2,721,310	\$ 712,470
Charges for Services	4,100,910	3,253,655	847,255
Other Revenues	<u>8,236</u>	<u>44,976</u>	<u>(36,740)</u>
Total Revenues	<u>\$ 7,542,926</u>	<u>\$ 6,019,941</u>	<u>\$ 1,522,985</u>
Expenses for Services	<u>9,086,605</u>	<u>6,172,899</u>	<u>(2,913,706)</u>
Change in Net Position	\$ (1,543,679)	\$ (152,958)	\$ (1,390,721)
Net Position, Beginning of Year	<u>(3,087,810)</u>	<u>(2,934,852)</u>	<u>(152,958)</u>
Net Position, End of Year	<u>\$ (4,631,489)</u>	<u>\$ (3,087,810)</u>	<u>\$ (1,543,679)</u>

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of September 30, 2021, were \$4,899,334, an increase of \$957,575 from the prior year.

The General Fund fund balance increased by \$399,092, primarily due to property tax revenues and service revenues that exceeded operating expenditures.

The Debt Service Fund fund balance increased by \$110,400, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance increased by \$448,083. The District sold its Series 2021 Road and Series 2021 Utility bonds and used the proceeds to reimburse its Developer. See Note 12 for more information.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year which was amended to decrease purchased service revenues. Actual revenues were \$956,696 more than budgeted revenues and actual expenditures were \$569,512 more than budgeted expenditures which resulted in a positive variance of \$387,184. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of September 30, 2021, total \$45,814,810 (net of accumulated depreciation) and include land, landscape, hardscape, and roads as well as the water, wastewater and drainage facilities.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2021	2020	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 4,050,448	\$ 3,703,385	\$ 347,063
Capital Assets, Net of Accumulated Depreciation:			
Landscape and Hardscape	832,415	757,077	75,338
Water System	3,736,117	3,789,277	(53,160)
Wastewater System	3,209,362	3,225,740	(16,378)
Drainage System	13,001,154	11,721,346	1,279,808
Roads	20,985,314	17,903,064	3,082,250
Total Net Capital Assets	\$ 45,814,810	\$ 41,099,889	\$ 4,714,921

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

LONG-TERM DEBT ACTIVITY

At fiscal year end, the District had total bond debt payable of \$45,850,000. The changes in the debt position of the District during the fiscal year ended September 30, 2021, are summarized as follows:

Bond Debt Payable, October 1, 2020	\$ 33,100,000
Add: Bond Sales	13,605,000
Less: Bond Principal Paid	<u>855,000</u>
Bond Debt Payable, September 30, 2021	<u>\$ 45,850,000</u>

Bond issuance from 2017 through current carry insured ratings of AA, AA+, or A2 by virtue of bond insurance issued by Build America Mutual Assurance Company or Assured Guaranty Municipal Corp. Bond issuances since 2018 have been assigned an underlying rating of Baa2.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Kaufman County Municipal Utility District No. 14, c/o Coats Rose, P.C., 14755 Preston Road, Suite 600, Dallas, Texas 75254.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2021

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 982,774	\$ 362,523
Investments	2,440,000	640,000
Receivables:		
Property Taxes	4,632	7,461
Service Accounts	271,156	
Accrued Interest	530	60
Other	2,545	
Due from Other Funds	25,742	
Prepaid Costs	9,445	
Advance for Operations of Master District Facilities	526,491	
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 4,263,315	\$ 1,010,044
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,263,315	\$ 1,010,044

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 1,015,935	\$ 2,361,232 3,080,000	\$	\$ 2,361,232 3,080,000
	12,093		12,093
	271,156		271,156
	590		590
	2,545		2,545
	25,742	(25,742)	
	9,445		9,445
	526,491		526,491
		4,050,448	4,050,448
		<u>41,764,362</u>	<u>41,764,362</u>
<u>\$ 1,015,935</u>	<u>\$ 6,289,294</u>	<u>\$ 45,789,068</u>	<u>\$ 52,078,362</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 40,740</u>	<u>\$ 40,740</u>
<u>\$ 1,015,935</u>	<u>\$ 6,289,294</u>	<u>\$ 45,829,808</u>	<u>\$ 52,119,102</u>

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2021

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 1,151,825	\$
Accrued Interest Payable		
Due to Developer		
Due to Other Funds		3,172
Security Deposits	194,742	
Accrued Interest at Time of Sale		5,558
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 1,346,567	\$ 8,730
 DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 4,632	\$ 7,461
 FUND BALANCES/NET POSITION		
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 9,445	\$
Master District Facilities Operating Advance	526,491	
Restricted for Authorized Construction		
Restricted for Debt Service		993,853
Unassigned	2,376,180	
TOTAL FUND BALANCES	\$ 2,912,116	\$ 993,853
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,263,315	\$ 1,010,044
 NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$ 1,151,825	\$	\$ 1,151,825
		103,060	103,060
		9,562,925	9,562,925
22,570	25,742	(25,742)	
	194,742		194,742
	5,558	(5,558)	
		1,200,000	1,200,000
		44,538,039	44,538,039
<u>\$ 22,570</u>	<u>\$ 1,377,867</u>	<u>\$ 55,372,724</u>	<u>\$ 56,750,591</u>
<u>\$ -0-</u>	<u>\$ 12,093</u>	<u>\$ (12,093)</u>	<u>\$ - 0 -</u>
\$	\$ 9,445	\$ (9,445)	\$
	526,491	(526,491)	
993,365	993,365	(993,365)	
	993,853	(993,853)	
	2,376,180	(2,376,180)	
<u>\$ 993,365</u>	<u>\$ 4,899,334</u>	<u>\$ (4,899,334)</u>	<u>\$ - 0 -</u>
<u>\$ 1,015,935</u>	<u>\$ 6,289,294</u>		
		\$ (8,238,177)	\$ (8,238,177)
		903,812	903,812
		2,702,876	2,702,876
		<u>\$ (4,631,489)</u>	<u>\$ (4,631,489)</u>

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

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

Total Fund Balances - Governmental Funds	\$	4,899,334
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter.		40,740
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		45,814,810
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Deferred inflows of resources related to property taxes receivable for the 2020 and prior tax levies became part of recognized revenue in the governmental activities of the District.		12,093
--	--	--------

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (9,562,925)	
Accrued Interest Payable	(97,502)	
Bonds Payable	<u>(45,738,039)</u>	<u>(55,398,466)</u>

Total Net Position - Governmental Activities	\$	<u>(4,631,489)</u>
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The accompanying notes to the financial statements are an integral part of this report.

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KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,343,449	\$ 2,100,039
Water Service	1,471,776	
Wastewater Service	841,660	
Garbage Service	237,696	
Penalty and Interest	46,051	12,504
Connection and Inspection Fees	1,491,223	
Investment and Miscellaneous Revenues	6,431	1,576
TOTAL REVENUES	\$ 5,438,286	\$ 2,114,119
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 107,655	\$ 4,356
Contracted Services	534,741	38,364
Purchased Master District Services	3,638,991	
Repairs and Maintenance	384,662	
Depreciation		
Other	373,145	49
Developer Interest		
Capital Outlay		
Debt Service:		
Bond Issuance Costs		
Bond Principal		855,000
Bond Interest		1,105,950
TOTAL EXPENDITURES/EXPENSES	\$ 5,039,194	\$ 2,003,719
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ 399,092	\$ 110,400
OTHER FINANCING SOURCES (USES)		
Bond Discounts	\$	\$
Bond Premiums		
Proceeds from Issuance of Long-Term Debt		
TOTAL OTHER FINANCING SOURCES (USES)	\$ -0-	\$ -0-
NET CHANGE IN FUND BALANCES	\$ 399,092	\$ 110,400
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - OCTOBER 1, 2020	2,513,024	883,453
FUND BALANCES/NET POSITION - SEPTEMBER 30, 2021	\$ 2,912,116	\$ 993,853

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 3,443,488	\$ (9,708)	\$ 3,433,780
	1,471,776		1,471,776
	841,660		841,660
	237,696		237,696
	58,555		58,555
	1,491,223		1,491,223
229	8,236		8,236
<u>\$ 229</u>	<u>\$ 7,552,634</u>	<u>\$ (9,708)</u>	<u>\$ 7,542,926</u>
\$	\$ 112,011	\$	\$ 112,011
	573,105		573,105
	3,638,991		3,638,991
53,100	437,762		437,762
		885,113	885,113
178	373,372		373,372
855,473	855,473		855,473
11,184,652	11,184,652	(11,184,652)	
1,084,188	1,084,188		1,084,188
	855,000	(855,000)	
	1,105,950	20,640	1,126,590
<u>\$ 13,177,591</u>	<u>\$ 20,220,504</u>	<u>\$ (11,133,899)</u>	<u>\$ 9,086,605</u>
<u>\$ (13,177,362)</u>	<u>\$ (12,667,870)</u>	<u>\$ 11,124,191</u>	<u>\$ (1,543,679)</u>
\$ (41,770)	\$ (41,770)	\$ 41,770	\$
62,215	62,215	(62,215)	
13,605,000	13,605,000	(13,605,000)	
<u>\$ 13,625,445</u>	<u>\$ 13,625,445</u>	<u>\$ (13,625,445)</u>	<u>\$ -0-</u>
\$ 448,083	\$ 957,575	\$ (957,575)	\$
		(1,543,679)	(1,543,679)
545,282	3,941,759	(7,029,569)	(3,087,810)
<u>\$ 993,365</u>	<u>\$ 4,899,334</u>	<u>\$ (9,530,823)</u>	<u>\$ (4,631,489)</u>

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Net Change in Fund Balances - Governmental Funds	\$	957,575
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		(9,708)
--	--	---------

Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(885,113)
--	--	-----------

Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		11,184,652
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Governmental funds report bond discounts and bond premiums as other financing uses and sources in the year paid. However, in the Statement of Net Position, bond discounts and bond premiums are amortized over the life of the bonds.		(20,445)
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Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		855,000
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Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		(20,640)
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Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.		<u>(13,605,000)</u>
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Change in Net Position - Governmental Activities	\$	<u><u>(1,543,679)</u></u>
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The accompanying notes to the financial statements are an integral part of this report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1. CREATION OF DISTRICT

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

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

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

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District’s policy to use restricted resources first.

Government-Wide Financial Statements

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

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Basis of Accounting

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

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. At year end, the Debt Service Fund owes the General Fund \$3,172 for maintenance tax collections and the Capital Projects Fund owes the General Fund \$22,570 for bond issuance costs.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$10,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

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

Budgeting

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

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

Measurement Focus

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

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

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

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	<u>Road Refunding Series 2014</u>	<u>Road Series 2015</u>	<u>Road Series 2016</u>
Amount Outstanding - September 30, 2021	\$1,415,000	\$3,410,000	\$2,730,000
Interest Rates	2.8523%	3.00% - 4.125%	2.00% - 3.50%
Maturity Dates - Serially Beginning/Ending	March 1, 2022/2030	March 1, 2022/2039	March 1, 2022/2041
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2024 *	March 1, 2024 *	March 1, 2025 *

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 3. LONG-TERM DEBT (Continued)

	Road Series 2017	Road Series 2018	Road Series 2019
Amount Outstanding - September 30, 2021	\$6,505,000	\$9,535,000	\$4,800,000
Interest Rates	3.00% - 3.50%	3.00% - 4.00%	2.00% - 2.75%
Maturity Dates - Serially Beginning/Ending	March 1, 2022/2043	March 1, 2022/2044	March 1, 2022/2045
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2025 *	March 1, 2023 *	March 1, 2025 *
	Utility Series 2020	Utility Series 2021	Road Series 2021
Amount Outstanding - September 30, 2021	\$3,850,000	\$7,185,000	\$6,420,000
Interest Rates	2.00% - 3.00%	1.00% - 2.00%	1.00% - 2.375%
Maturity Dates - Serially Beginning/Ending	March 1, 2022/2045	March 1, 2022/2046	March 1, 2023/2046
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2025 *	March 1, 2025 *	March 1, 2026 *

* Or on any date thereafter, callable at par plus unpaid accrued interest in whole or in part at the option of the District. Series 2017 term bonds maturing on March 1, 2043 are subject to mandatory redemption beginning March 1, 2040. Series 2018 term bonds maturing on March 1, 2044 are subject to mandatory redemption beginning March 1, 2038. Series 2019 term bonds maturing on March 1, 2032, March 1, 2034, March 1, 2036, and March 1, 2044 are subject to mandatory redemption beginning on March 1, 2031, March 1, 2033, March 1, 2035, and March 1, 2037, respectively. Series 2020 term bonds maturing on March 1, 2032, March 1, 2034, March 1, 2036, March 1, 2038, March 1, 2040, and March 1, 2045 are subject to mandatory redemption beginning on March 1, 2031, March 1, 2033, March 1, 2035, March 31, 2037, March 1, 2039, and March 1, 2041, respectively. Series 2021 term bonds maturing on March 1, 2042 and March 1, 2046 are subject to mandatory redemption beginning March 1, 2039 and March 1, 2043, respectively. Series 2021 Road term bonds maturing on March 1, 2043 and March 1, 2046 are subject to mandatory redemption beginning March 1, 2041 and March 1, 2044, respectively.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 3. LONG-TERM DEBT (Continued)

The Series 2014 Road Refunding Bonds are private placement bonds.

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2021:

	October 1, 2020	Additions	Retirements	September 30, 2021
Bonds Payable	\$ 33,100,000	\$ 13,605,000	\$ 855,000	\$ 45,850,000
Unamortized Discounts	(138,536)	(41,770)	(7,466)	(172,840)
Unamortized Premiums	<u> </u>	<u>62,215</u>	<u>1,336</u>	<u>60,879</u>
Bonds Payable, Net	<u>\$ 32,961,464</u>	<u>\$ 13,625,445</u>	<u>\$ 848,870</u>	<u>\$ 45,738,039</u>
			Amount Due Within One Year	\$ 1,200,000
			Amount Due After One Year	<u>44,538,039</u>
			Bonds Payable, Net	<u>\$ 45,738,039</u>

As of September 30, 2021, the District had authorized but unissued bonds in the amount of \$34,275,000 for roads, \$76,965,000 for water, sewer and drainage facilities, \$132,000,000 for refunding water, sewer and drainage facilities bonds, and \$107,865,000 for refunding road bonds. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

As of September 30, 2021, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2022	\$ 1,200,000	\$ 1,281,866	\$ 2,481,866
2023	1,490,000	1,254,050	2,744,050
2024	1,530,000	1,216,907	2,746,907
2025	1,575,000	1,178,407	2,753,407
2026	1,615,000	1,138,706	2,753,706
2027-2031	8,795,000	5,053,968	13,848,968
2032-2036	10,225,000	3,741,343	13,966,343
2037-2041	11,380,000	2,051,055	13,431,055
2042-2046	<u>8,040,000</u>	<u>444,952</u>	<u>8,484,952</u>
	<u>\$ 45,850,000</u>	<u>\$ 17,361,254</u>	<u>\$ 63,211,254</u>

During the year ended September 30, 2021, the District levied an ad valorem debt service tax of \$0.61 per \$100 of assessed valuation, which resulted in a tax levy of \$2,096,436 on the adjusted taxable valuation of \$343,677,961 for the 2020 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

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

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

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$5,441,232 and the bank balance was \$5,460,013. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2021, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 982,774	\$ 2,440,000	\$ 3,422,774
DEBT SERVICE FUND	362,523	640,000	1,002,523
CAPITAL PROJECTS FUND	1,015,935		1,015,935
TOTAL DEPOSITS	\$ 2,361,232	\$ 3,080,000	\$ 5,441,232

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

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

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

The District records certificates of deposit at acquisition cost. As of September 30, 2021, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
Certificates of Deposit	\$ 2,440,000	\$ 2,440,000
<u>DEBT SERVICE FUND</u>		
Certificates of Deposit	640,000	640,000
TOTAL INVESTMENTS	\$ 3,080,000	\$ 3,080,000

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

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Restrictions

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

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021 is as follows:

	October 1, 2020	Increases	Decreases	September 30, 2021
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 3,703,385	\$ 347,063	\$ - 0 -	\$ 4,050,448
Capital Assets Subject to Depreciation				
Landscape and Hardscape	\$ 1,148,004	\$ 163,872	\$	\$ 1,311,876
Water System	4,210,082			4,210,082
Wastewater System	3,772,565			3,772,565
Drainage System	12,678,776	1,521,711		14,200,487
Roads	19,710,464	3,567,388		23,277,852
Total Capital Assets Subject to Depreciation	\$ 41,519,891	\$ 5,252,971	\$ - 0 -	\$ 46,772,862
Less Accumulated Depreciation				
Landscape and Hardscape	\$ 390,927	\$ 88,534	\$	\$ 479,461
Water System	420,805	53,160		473,965
Wastewater System	546,825	16,378		563,203
Drainage System	957,430	241,903		1,199,333
Roads	1,807,400	485,138		2,292,538
Total Accumulated Depreciation	\$ 4,123,387	\$ 885,113	\$ - 0 -	\$ 5,008,500
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 37,396,504	\$ 4,367,858	\$ - 0 -	\$ 41,764,362
Total Capital Assets, Net of Accumulated Depreciation	\$ 41,099,889	\$ 4,714,921	\$ - 0 -	\$ 45,814,810

NOTE 7. MAINTENANCE TAX

On May 7, 2005, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed \$1.00 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's systems and other operating and maintenance expenses. During the current fiscal year, the District levied an ad valorem maintenance tax rate of \$0.39 per \$100 of assessed valuation, which resulted in a tax levy of \$1,340,344 on the adjusted taxable valuation of \$343,677,961 for the 2020 tax year.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7. MAINTENANCE TAX (Continued)

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

NOTE 8. MASTER DISTRICT CONTRACT

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

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

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

The Master District prepares an operating budget annually. The Master District bills each Participant its share of the monthly charges incurred by the Master District. Each Participant's share of the monthly charges is determined by dividing the total number of equivalent single family residential connections for all Participants by the number of equivalent single-family connections for each Participant. During the year ended September 30, 2021, the District recorded expenditures of \$3,638,991 in relation to purchased Master District services, operating and maintenance costs, and capital improvements. The District also funded its share of the operating reserve in the amount of \$526,491.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8. MASTER DISTRICT CONTRACT (Continued)

The following summary financial data of the Master District is presented for the fiscal year ending September 30, 2021. Copies of the Master District's financial statements can be obtained by contacting the District's attorney.

	Enterprise Fund
Total Assets	\$ 22,735,135
Total Liabilities	11,300,804
Total Net Position	\$ 11,434,331
Total Operating and Nonoperating Revenues	\$ 15,757,408
Total Operating Expenses	7,774,033
Change in Net Position	\$ 7,983,375
Net Position – October 1, 2020	3,450,956
Net Position – September 30, 2021	\$ 11,434,331

NOTE 9. UNREIMBURSED DEVELOPER COSTS

The District and the Developer have executed agreements which provides for the Developer to fund costs associated with construction of District infrastructure as well as make operating advances. Reimbursement to the Developer for these projects and operating advances will come from proceeds of future bond sales. The prior year Developer liability of \$15,147,542 was reduced by reimbursements from Series 2021 Utility and Series 2021 Road bond proceeds of \$5,584,617 leaving an ending Developer liability balance of \$9,562,925.

NOTE 10. RISK MANAGEMENT

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

NOTE 11. CONTRACT TAX

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 12. BOND SALES

On March 18, 2021, the District closed on the sale of its \$7,185,000 Series 2021 Unlimited Tax Bonds. The net proceeds were used to reimburse the Developer for water, sewer, and drainage facilities and related engineering serving Heartland, Phases 5, 7A, 7B, 8, 9A, 9B, 10A and 10B. Additional proceeds were used to fund developer interest, operating costs and bond issuance costs.

On September 16, 2021, the District closed on the sale of its \$6,420,000 Series 2021 Unlimited Tax Road Bonds. The net proceeds were used to reimburse the Developer for right-of-way acquisitions and road improvements and related engineering associated with Heartland, Phases 9, 13, 14, and 16, as well as Model Park and County Road 257. Additional proceeds were used to fund developer interest and bond issuance costs.

NOTE 13. ECONOMIC UNCERTAINTIES

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2021

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 1,314,990	\$ 1,314,990	\$ 1,343,449	\$ 28,459
Water Service	1,245,000	1,245,000	1,471,776	226,776
Wastewater Service	740,000	740,000	841,660	101,660
Garbage Service	205,000	205,000	237,696	32,696
Penalty and Interest	60,000	60,000	46,051	(13,949)
Connection and Inspection Fees	913,500	913,500	1,491,223	577,723
Investment and Miscellaneous Revenues	<u>3,100</u>	<u>3,100</u>	<u>6,431</u>	<u>3,331</u>
TOTAL REVENUES	<u>\$ 4,481,590</u>	<u>\$ 4,481,590</u>	<u>\$ 5,438,286</u>	<u>\$ 956,696</u>
EXPENDITURES				
Service Operations:				
Professional Fees	\$ 163,500	\$ 163,500	\$ 107,655	\$ 55,845
Contracted Services	353,500	353,500	534,741	(181,241)
Purchased Master District Services	3,395,868	3,294,172	3,638,991	(344,819)
Repairs and Maintenance	569,900	469,900	384,662	85,238
Other	<u>188,610</u>	<u>188,610</u>	<u>373,145</u>	<u>(184,535)</u>
TOTAL EXPENDITURES	<u>\$ 4,671,378</u>	<u>\$ 4,469,682</u>	<u>\$ 5,039,194</u>	<u>\$ (569,512)</u>
NET CHANGE IN FUND BALANCE	\$ (189,788)	\$ 11,908	\$ 399,092	\$ 387,184
FUND BALANCE - OCTOBER 1, 2020	<u>2,513,024</u>	<u>2,513,024</u>	<u>2,513,024</u>	
FUND BALANCE - SEPTEMBER 30, 2021	<u>\$ 2,323,236</u>	<u>\$ 2,524,932</u>	<u>\$ 2,912,116</u>	<u>\$ 387,184</u>

See accompanying independent auditor's report.

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KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
SEPTEMBER 30, 2021

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order dated July 15, 2020.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$ 38.81	-0-	N	\$ 3.57	0,001 to 8,000
				\$ 4.31	8,001 to 12,000
				\$ 5.40	12,001 to 15,000
				\$ 6.48	15,001 and up
WASTEWATER:	\$ 23.11	-0-	N	\$ 2.121	0,001 to 8,000
				\$ 3.00	8,001 to 12,000
				\$ 4.00	12,001 to 15,000
				\$ 5.00	15,001 and up
SURCHARGE:					
Garbage Fee	\$ 12.00		Y		

District employs winter averaging for wastewater usage?
 X
 Yes No

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

See accompanying independent auditor's report.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>1,962</u>	<u>1,953</u>	x 1.0	<u>1,953</u>
1"	<u>12</u>	<u>12</u>	x 2.5	<u>30</u>
1½"	<u>1</u>	<u>1</u>	x 5.0	<u>5</u>
2"	<u>22</u>	<u>22</u>	x 8.0	<u>176</u>
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u><u>1,997</u></u>	<u><u>1,988</u></u>		<u><u>2,164</u></u>
Total Wastewater Connections	<u><u>1,965</u></u>	<u><u>1,957</u></u>	x 1.0	<u><u>1,957</u></u>

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

Gallons billed to customers: 262,068,000*

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

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

PROFESSIONAL FEES:	
Auditing	\$ 14,750
Engineering	72,603
Legal	<u>20,302</u>
TOTAL PROFESSIONAL FEES	<u>\$ 107,655</u>
PURCHASED SERVICES FOR RESALE	<u>\$ 3,638,991</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 11,888
Operations and Billing	283,855
Solid Waste Disposal	223,547
Management Fees	<u>15,451</u>
TOTAL CONTRACTED SERVICES	<u>\$ 534,741</u>
UTILITIES	<u>\$ 48,732</u>
REPAIRS AND MAINTENANCE	<u>\$ 384,662</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 6,782
Insurance	9,186
Other	<u>4,689</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 20,657</u>
OTHER EXPENDITURES:	
Laboratory Fees	\$ 20,175
Permit Fees	3,202
Connection and Inspection Fees	269,272
Regulatory Assessment	<u>11,107</u>
TOTAL OTHER EXPENDITURES	<u>\$ 303,756</u>
TOTAL EXPENDITURES	<u>\$ 5,039,194</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
INVESTMENTS
SEPTEMBER 30, 2021

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
Certificate of Deposit	XXXX1507	0.25%	10/20/21	\$ 245,000	\$ 273
Certificate of Deposit	XXXX0679	0.04%	02/22/22	1,795,000	79
Certificate of Deposit	XXXX3620	0.14%	11/18/21	200,000	104
Certificate of Deposit	XXXX4645	0.10%	11/22/21	<u>200,000</u>	<u>74</u>
TOTAL GENERAL FUND				<u>\$ 2,440,000</u>	<u>\$ 530</u>
<u>DEBT SERVICE FUND</u>					
Certificate of Deposit	XXXX1657	0.07%	02/22/22	\$ 565,000	\$ 49
Certificate of Deposit	XXXX2403	0.14%	02/22/22	<u>75,000</u>	<u>11</u>
TOTAL DEBT SERVICE FUND				<u>\$ 640,000</u>	<u>\$ 60</u>
TOTAL - ALL FUNDS				<u>\$ 3,080,000</u>	<u>\$ 590</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
OCTOBER 1, 2020	\$	7,984	\$	13,817
Adjustments to Beginning				
Balance		<u>(247)</u>	\$	<u>7,737</u>
			<u>(2,753)</u>	\$
				11,064
Original 2020 Tax Levy	\$	1,324,472	\$	2,071,610
Adjustment to 2020 Tax Levy		<u>15,872</u>	<u>1,340,344</u>	<u>24,826</u>
				<u>2,096,436</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	1,348,081	\$
				2,107,500
TAX COLLECTIONS:				
Prior Years	\$	6,030	\$	8,178
Current Year		<u>1,337,419</u>	<u>1,343,449</u>	<u>2,091,861</u>
				<u>2,100,039</u>
TAXES RECEIVABLE -				
SEPTEMBER 30, 2021		<u>\$</u>	<u>4,632</u>	<u>\$</u>
				<u>7,461</u>
TAXES RECEIVABLE BY				
YEAR:				
2020	\$	2,925	\$	4,575
2019		<u>1,707</u>		<u>2,886</u>
TOTAL		<u>\$</u>	<u>4,632</u>	<u>\$</u>
				<u>7,461</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	2020	2019	2018	2017
PROPERTY VALUATIONS:				
Land	\$ 99,792,490	\$ 73,444,990	\$ 48,974,250	\$ 35,614,660
Improvements	262,147,814	213,695,236	151,484,006	89,193,851
Personal Property	1,041,710	681,120	84,010	23,620
Exemptions	<u>(19,304,053)</u>	<u>(15,755,375)</u>	<u>(5,005,546)</u>	<u>(2,699,809)</u>
TOTAL PROPERTY VALUATIONS	<u><u>\$ 343,677,961</u></u>	<u><u>\$ 272,065,971</u></u>	<u><u>\$ 195,536,720</u></u>	<u><u>\$ 122,132,322</u></u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.61	\$ 0.635	\$ 0.64	\$ 0.65
Maintenance	<u>0.39</u>	<u>0.365</u>	<u>0.36</u>	<u>0.35</u>
TOTAL TAX RATES PER \$100 VALUATION	<u><u>\$ 1.00</u></u>	<u><u>\$ 1.000</u></u>	<u><u>\$ 1.00</u></u>	<u><u>\$ 1.00</u></u>
ADJUSTED TAX LEVY*	<u><u>\$ 3,436,780</u></u>	<u><u>\$ 2,720,658</u></u>	<u><u>\$ 1,955,447</u></u>	<u><u>\$ 1,221,323</u></u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u><u>99.78 %</u></u>	<u><u>99.82 %</u></u>	<u><u>100.00 %</u></u>	<u><u>100.00 %</u></u>

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

Maintenance Tax – Maximum tax rate of \$1.00 per \$100 assessed valuation approved by voters on May 7, 2005.

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2021

SERIES - 2014 ROAD REFUNDING

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2022	\$ 140,000	\$ 38,000	\$ 178,000
2023	145,000	33,974	178,974
2024	150,000	29,807	179,807
2025	150,000	25,569	175,569
2026	155,000	21,260	176,260
2027	165,000	16,740	181,740
2028	165,000	12,079	177,079
2029	170,000	7,346	177,346
2030	175,000	2,472	177,472
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
	<u>\$ 1,415,000</u>	<u>\$ 187,247</u>	<u>\$ 1,602,247</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2021

SERIES - 2015 ROAD

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2022	\$ 55,000	\$ 133,231	\$ 188,231
2023	55,000	131,581	186,581
2024	55,000	129,931	184,931
2025	65,000	128,131	193,131
2026	65,000	126,100	191,100
2027	60,000	123,995	183,995
2028	70,000	121,632	191,632
2029	75,000	118,819	193,819
2030	75,000	115,819	190,819
2031	260,000	109,119	369,119
2032	275,000	98,419	373,419
2033	285,000	87,219	372,219
2034	300,000	75,519	375,519
2035	315,000	63,219	378,219
2036	325,000	50,419	375,419
2037	340,000	37,118	377,118
2038	360,000	22,893	382,893
2039	375,000	7,734	382,734
2040			
2041			
2042			
2043			
2044			
2045			
2046			
	<u>\$ 3,410,000</u>	<u>\$ 1,680,898</u>	<u>\$ 5,090,898</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2021

SERIES - 2016 ROAD

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2022	\$ 95,000	\$ 84,274	\$ 179,274
2023	95,000	82,376	177,376
2024	100,000	80,176	180,176
2025	105,000	77,613	182,613
2026	110,000	74,925	184,925
2027	115,000	71,825	186,825
2028	120,000	68,300	188,300
2029	120,000	64,700	184,700
2030	125,000	61,025	186,025
2031	130,000	57,119	187,119
2032	135,000	52,894	187,894
2033	140,000	48,425	188,425
2034	145,000	43,794	188,794
2035	150,000	38,907	188,907
2036	160,000	33,676	193,676
2037	165,000	28,088	193,088
2038	170,000	22,225	192,225
2039	175,000	16,188	191,188
2040	185,000	9,888	194,888
2041	190,000	3,325	193,325
2042			
2043			
2044			
2045			
2046			
	<u>\$ 2,730,000</u>	<u>\$ 1,019,743</u>	<u>\$ 3,749,743</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2021

SERIES - 2017 ROAD

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2022	\$ 205,000	\$ 205,513	\$ 410,513
2023	215,000	199,213	414,213
2024	220,000	192,687	412,687
2025	225,000	186,013	411,013
2026	230,000	179,188	409,188
2027	240,000	172,137	412,137
2028	245,000	164,863	409,863
2029	255,000	157,363	412,363
2030	265,000	149,562	414,562
2031	275,000	141,463	416,463
2032	280,000	133,136	413,136
2033	290,000	124,406	414,406
2034	300,000	115,187	415,187
2035	305,000	105,734	410,734
2036	315,000	95,850	410,850
2037	325,000	85,450	410,450
2038	335,000	74,515	409,515
2039	350,000	62,956	412,956
2040	385,000	50,312	435,312
2041	400,000	36,575	436,575
2042	415,000	22,313	437,313
2043	430,000	7,525	437,525
2044			
2045			
2046			
	<u>\$ 6,505,000</u>	<u>\$ 2,661,961</u>	<u>\$ 9,166,961</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2021

SERIES - 2018 ROAD

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2022	\$ 260,000	\$ 346,668	\$ 606,668
2023	270,000	338,718	608,718
2024	280,000	330,468	610,468
2025	295,000	321,843	616,843
2026	305,000	312,843	617,843
2027	315,000	303,346	618,346
2028	330,000	293,063	623,063
2029	345,000	281,878	626,878
2030	355,000	269,844	624,844
2031	370,000	257,157	627,157
2032	385,000	243,704	628,704
2033	400,000	229,226	629,226
2034	415,000	213,944	628,944
2035	435,000	198,006	633,006
2036	450,000	181,131	631,131
2037	470,000	163,306	633,306
2038	490,000	144,400	634,400
2039	505,000	124,500	629,500
2040	530,000	103,800	633,800
2041	550,000	82,200	632,200
2042	570,000	59,800	629,800
2043	595,000	36,500	631,500
2044	615,000	12,300	627,300
2045			
2046			
	<u>\$ 9,535,000</u>	<u>\$ 4,848,645</u>	<u>\$ 14,383,645</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2021

SERIES - 2019 ROAD

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2022	\$ 130,000	\$ 116,431	\$ 246,431
2023	135,000	113,781	248,781
2024	140,000	111,031	251,031
2025	145,000	108,181	253,181
2026	150,000	105,232	255,232
2027	155,000	102,182	257,182
2028	160,000	99,032	259,032
2029	165,000	95,782	260,782
2030	175,000	92,272	267,272
2031	180,000	88,387	268,387
2032	185,000	84,281	269,281
2033	190,000	79,944	269,944
2034	200,000	75,313	275,313
2035	205,000	70,375	275,375
2036	210,000	65,187	275,187
2037	220,000	59,537	279,537
2038	225,000	53,418	278,418
2039	235,000	47,094	282,094
2040	245,000	40,493	285,493
2041	250,000	33,688	283,688
2042	260,000	26,675	286,675
2043	270,000	19,387	289,387
2044	280,000	11,825	291,825
2045	290,000	3,988	293,988
2046			
	<u>\$ 4,800,000</u>	<u>\$ 1,703,516</u>	<u>\$ 6,503,516</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2021

SERIES - 2020 UTILITY

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2022	\$ 100,000	\$ 95,188	\$ 195,188
2023	105,000	93,138	198,138
2024	110,000	90,988	200,988
2025	115,000	88,738	203,738
2026	120,000	86,388	206,388
2027	120,000	83,988	203,988
2028	125,000	81,538	206,538
2029	130,000	78,988	208,988
2030	135,000	76,338	211,338
2031	140,000	73,500	213,500
2032	145,000	70,472	215,472
2033	150,000	67,244	217,244
2034	160,000	63,756	223,756
2035	165,000	59,997	224,997
2036	170,000	56,019	226,019
2037	175,000	51,812	226,812
2038	185,000	47,313	232,313
2039	190,000	42,150	232,150
2040	200,000	36,300	236,300
2041	205,000	30,225	235,225
2042	215,000	23,925	238,925
2043	220,000	17,400	237,400
2044	230,000	10,650	240,650
2045	240,000	3,600	243,600
2046			
	\$ 3,850,000	\$ 1,429,655	\$ 5,279,655

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2021

SERIES - 2021 UTILITY

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2022	\$ 215,000	\$ 134,737	\$ 349,737
2023	220,000	130,387	350,387
2024	225,000	125,937	350,937
2025	230,000	121,387	351,387
2026	235,000	116,738	351,738
2027	240,000	111,988	351,988
2028	250,000	107,088	357,088
2029	255,000	103,313	358,313
2030	260,000	100,575	360,575
2031	265,000	97,456	362,456
2032	270,000	93,100	363,100
2033	280,000	87,600	367,600
2034	285,000	81,950	366,950
2035	290,000	76,200	366,200
2036	295,000	70,350	365,350
2037	305,000	64,350	369,350
2038	310,000	58,200	368,200
2039	320,000	51,900	371,900
2040	325,000	45,450	370,450
2041	330,000	38,900	368,900
2042	340,000	32,200	372,200
2043	350,000	25,300	375,300
2044	355,000	18,250	373,250
2045	365,000	11,050	376,050
2046	370,000	3,700	373,700
	<u>\$ 7,185,000</u>	<u>\$ 1,908,106</u>	<u>\$ 9,093,106</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2021

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2022	\$	\$ 127,824	\$ 127,824
2023	250,000	130,882	380,882
2024	250,000	125,882	375,882
2025	245,000	120,932	365,932
2026	245,000	116,032	361,032
2027	245,000	111,132	356,132
2028	245,000	107,457	352,457
2029	245,000	104,700	349,700
2030	245,000	100,718	345,718
2031	240,000	95,868	335,868
2032	240,000	91,068	331,068
2033	245,000	86,218	331,218
2034	240,000	81,368	321,368
2035	245,000	76,518	321,518
2036	250,000	71,568	321,568
2037	250,000	66,412	316,412
2038	250,000	61,100	311,100
2039	255,000	55,575	310,575
2040	300,000	49,331	349,331
2041	305,000	42,334	347,334
2042	310,000	35,031	345,031
2043	320,000	27,550	347,550
2044	325,000	19,891	344,891
2045	335,000	12,054	347,054
2046	340,000	4,038	344,038
	<u>\$ 6,420,000</u>	<u>\$ 1,921,483</u>	<u>\$ 8,341,483</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2021

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2022	\$ 1,200,000	\$ 1,281,866	\$ 2,481,866
2023	1,490,000	1,254,050	2,744,050
2024	1,530,000	1,216,907	2,746,907
2025	1,575,000	1,178,407	2,753,407
2026	1,615,000	1,138,706	2,753,706
2027	1,655,000	1,097,333	2,752,333
2028	1,710,000	1,055,052	2,765,052
2029	1,760,000	1,012,889	2,772,889
2030	1,810,000	968,625	2,778,625
2031	1,860,000	920,069	2,780,069
2032	1,915,000	867,074	2,782,074
2033	1,980,000	810,282	2,790,282
2034	2,045,000	750,831	2,795,831
2035	2,110,000	688,956	2,798,956
2036	2,175,000	624,200	2,799,200
2037	2,250,000	556,073	2,806,073
2038	2,325,000	484,064	2,809,064
2039	2,405,000	408,097	2,813,097
2040	2,170,000	335,574	2,505,574
2041	2,230,000	267,247	2,497,247
2042	2,110,000	199,944	2,309,944
2043	2,185,000	133,662	2,318,662
2044	1,805,000	72,916	1,877,916
2045	1,230,000	30,692	1,260,692
2046	710,000	7,738	717,738
	<u>\$ 45,850,000</u>	<u>\$ 17,361,254</u>	<u>\$ 63,211,254</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Description	Original Bonds Issued	Bonds Outstanding October 1, 2020
Kaufman County Municipal Utility District No. 14 Unlimited Tax Road Refunding Bonds - Series 2014	\$ 2,245,000	\$ 1,545,000
Kaufman County Municipal Utility District No. 14 Unlimited Tax Road Bonds - Series 2015	3,660,000	3,465,000
Kaufman County Municipal Utility District No. 14 Unlimited Tax Road Bonds - Series 2016	3,150,000	2,820,000
Kaufman County Municipal Utility District No. 14 Unlimited Tax Road Bonds - Series 2017	7,100,000	6,710,000
Kaufman County Municipal Utility District No. 14 Unlimited Tax Road Bonds - Series 2018	10,025,000	9,785,000
Kaufman County Municipal Utility District No. 14 Unlimited Tax Road Bonds - Series 2019	4,925,000	4,925,000
Kaufman County Municipal Utility District No. 14 Unlimited Tax Bonds - Series 2020	3,850,000	3,850,000
Kaufman County Municipal Utility District No. 14 Unlimited Tax Bonds - Series 2021	7,185,000	
Kaufman County Municipal Utility District No. 14 Unlimited Tax Road Bonds - Series 2021	<u>6,420,000</u>	
TOTAL	<u><u>\$ 48,560,000</u></u>	<u><u>\$ 33,100,000</u></u>

Bond Authority:	Water, Sewer and Drainage Refunding Bonds	Road Refunding Bonds	Water, Sewer and Drainage Bonds	Road Bonds
Amount Authorized by Voters	\$ 132,000,000	\$ 108,000,000	\$ 88,000,000	\$ 72,000,000
Amount Issued		<u>135,000</u>	<u>11,035,000</u>	<u>37,725,000</u>
Remaining to be Issued	<u>\$ 132,000,000</u>	<u>\$ 107,865,000</u>	<u>\$ 76,965,000</u>	<u>\$ 34,275,000</u>

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding September 30, 2021	Paying Agent
	Principal	Interest		
\$	\$ 130,000	\$ 41,815	\$ 1,415,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	55,000	134,881	3,410,000	Zions Bancorporation, NA Houston, Texas
	90,000	86,124	2,730,000	Zions Bancorporation, NA Houston, Texas
	205,000	211,663	6,505,000	Zions Bancorporation, NA Houston, Texas
	250,000	354,318	9,535,000	Zions Bancorporation, NA Houston, Texas
	125,000	118,981	4,800,000	Zions Bancorporation, NA Houston, Texas
		96,188	3,850,000	Zions Bancorporation, NA Houston, Texas
7,185,000		61,980	7,185,000	Zions Bancorporation, NA Houston, Texas
<u>6,420,000</u>			<u>6,420,000</u>	Zions Bancorporation, NA Houston, Texas
<u>\$ 13,605,000</u>	<u>\$ 855,000</u>	<u>\$ 1,105,950</u>	<u>\$ 45,850,000</u>	

Debt Service Fund cash and investment balances as of September 30, 2021: \$ 1,002,523

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 2,528,450

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

See accompanying independent auditor's report.

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

	Amounts		
	2021	2020	2019
REVENUES			
Property Taxes	\$ 1,343,449	\$ 985,247	\$ 709,205
Water Service	1,471,776	1,278,324	1,069,862
Wastewater Service	841,660	752,943	626,357
Garbage Service	237,696	201,921	175,677
Penalty and Interest	46,051	63,290	54,039
Connection and Inspection Fees	1,491,223	952,621	1,154,548
Investment and Miscellaneous Revenues	6,431	28,590	29,715
TOTAL REVENUES	\$ 5,438,286	\$ 4,262,936	\$ 3,819,403
EXPENDITURES			
Professional Fees	\$ 107,655	\$ 175,823	\$ 54,266
Contracted Services	534,741	346,273	326,963
Purchased Master District Services	3,638,991	2,484,661	2,298,600
Repairs and Maintenance	384,662	362,369	296,499
Other	373,145	246,576	277,855
Capital Outlay	-	59,344	34,890
TOTAL EXPENDITURES	\$ 5,039,194	\$ 3,675,046	\$ 3,289,073
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 399,092	\$ 587,890	\$ 530,330
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ - 0 -	\$ - 0 -	\$ 9,500
NET CHANGE IN FUND BALANCE	\$ 399,092	\$ 587,890	\$ 539,830
BEGINNING FUND BALANCE	2,513,024	1,925,134	1,385,304
ENDING FUND BALANCE	\$ 2,912,116	\$ 2,513,024	\$ 1,925,134

See accompanying independent auditor's report.

		Percentage of Total Revenues						
2018	2017	2021	2020	2019	2018	2017		
\$ 426,590	\$ 319,117	24.7 %	23.1 %	18.6 %	12.5 %	15.2 %		
935,537	558,964	27.1	30.0	28.0	27.4	26.6		
498,881	332,303	15.5	17.7	16.4	14.6	15.8		
125,959	83,028	4.4	4.7	4.6	3.7	4.0		
42,936	32,305	0.8	1.5	1.4	1.3	1.5		
1,375,496	769,582	27.4	22.3	30.2	40.3	33.7		
7,786	3,132	0.1	0.7	0.8	0.2	3.2		
<u>\$ 3,413,185</u>	<u>\$ 2,098,431</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>		
\$ 32,211	\$ 36,559	2.0 %	4.1 %	1.4 %	0.9 %	1.7 %		
200,046	146,276	9.8	8.1	8.6	5.9	7.0		
2,067,809	1,356,896	66.9	58.3	60.2	60.6	64.7		
152,271	199,561	7.1	8.5	7.8	4.5	9.5		
336,335	209,179	6.9	5.8	7.3	9.9	10.0		
			1.4	0.9				
<u>\$ 2,788,672</u>	<u>\$ 1,948,471</u>	<u>92.7 %</u>	<u>86.2 %</u>	<u>86.2 %</u>	<u>81.8 %</u>	<u>92.9 %</u>		
<u>\$ 624,513</u>	<u>\$ 149,960</u>	<u>7.3 %</u>	<u>13.8 %</u>	<u>13.8 %</u>	<u>18.2 %</u>	<u>7.1 %</u>		
<u>\$ 7,100</u>	<u>\$ - 0 -</u>							
\$ 631,613	\$ 149,960							
753,691	603,731							
<u>\$ 1,385,304</u>	<u>\$ 753,691</u>							

See accompanying independent auditor's report.

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

	Amounts		
	2021	2020	2019
REVENUES			
Property Taxes	\$ 2,100,039	\$ 1,714,909	\$ 1,258,667
Penalty and Interest	12,504	4,556	3,869
Investment and Miscellaneous Revenues	<u>1,576</u>	<u>15,552</u>	<u>10,448</u>
TOTAL REVENUES	<u>\$ 2,114,119</u>	<u>\$ 1,735,017</u>	<u>\$ 1,272,984</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 40,354	\$ 32,995	\$ 24,287
Debt Service Principal	855,000	705,000	450,000
Debt Service Interest and Fees	<u>1,108,365</u>	<u>992,264</u>	<u>817,054</u>
TOTAL EXPENDITURES	<u>\$ 2,003,719</u>	<u>\$ 1,730,259</u>	<u>\$ 1,291,341</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 110,400</u>	<u>\$ 4,758</u>	<u>\$ (18,357)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds From Issuance of Long-Term Debt	<u>\$ - 0 -</u>	<u>\$ 144,281</u>	<u>\$ 365,269</u>
NET CHANGE IN FUND BALANCE	\$ 110,400	\$ 149,039	\$ 346,912
BEGINNING FUND BALANCE	<u>883,453</u>	<u>734,414</u>	<u>387,502</u>
ENDING FUND BALANCE	<u>\$ 993,853</u>	<u>\$ 883,453</u>	<u>\$ 734,414</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,988</u>	<u>1,682</u>	<u>1,478</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,957</u>	<u>1,653</u>	<u>1,460</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
<u>2018</u>	<u>2017</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
\$ 792,330	\$ 459,218	99.3 %	98.8 %	98.9 %	99.2 %	98.8 %
1,965	3,059	0.6	0.3	0.3	0.2	0.7
4,856	2,116	0.1	0.9	0.8	0.6	0.5
<u>\$ 799,151</u>	<u>\$ 464,393</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 10,916	\$ 9,259	1.9 %	1.9 %	1.9 %	1.4 %	2.0 %
250,000	245,000	40.4	40.6	35.4	31.3	52.8
477,946	284,586	52.4	57.2	64.2	59.8	61.3
<u>\$ 738,862</u>	<u>\$ 538,845</u>	<u>94.7 %</u>	<u>99.7 %</u>	<u>101.5 %</u>	<u>92.5 %</u>	<u>116.1 %</u>
<u>\$ 60,289</u>	<u>\$ (74,452)</u>	<u>5.3 %</u>	<u>0.3 %</u>	<u>(1.5) %</u>	<u>7.5 %</u>	<u>(16.1) %</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ 60,289	\$ (74,452)					
327,213	401,665					
<u>\$ 387,502</u>	<u>\$ 327,213</u>					
<u>1,162</u>	<u>796</u>					
<u>1,143</u>	<u>778</u>					

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2021

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

District Telephone Number - (972) 982-8455

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>September 30, 2021</u>	Expense Reimbursements for the year ended <u>September 30, 2021</u>	<u>Title</u>
Patricia Tobolka	05/18 05/22 (Elected)	\$ 1,350	\$ 11	President
Gloria A. Young	05/20 05/24 (Elected)	\$ 900	\$ 9	Vice President
Linda White	05/20 05/24 (Elected)	\$ 1,350	\$ 22	Secretary
Dene Allred	05/20 05/24 (Elected)	\$ 1,350	\$ 7	Assistant Secretary
Rick Ikeler	05/18 05/22 (Appointed)	\$ 1,350	\$ 17	Assistant Secretary (Resigned 11/17/21)
John Munoz	11/21 05/22 (Appointed)	\$ -0-	\$ -0-	Assistant Secretary

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

Submission date of most recent District Registration Form: November, 2021

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on February 28, 2005. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2021

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2021</u>	<u>Title</u>
Coats Rose, P.C.	02/28/05	\$ 20,302 \$ 328,623	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	09/20/06	\$ 14,750 \$ 30,750	Auditor Bond Related
L & S District Services, LLC	02/28/05	\$ 13,688	Bookkeeper
Debra Loggins	02/28/05	\$ -0-	Investment Officer
Peloton Land Solutions	11/20/19	\$ 72,603	Engineer
Robert W. Baird	03/18/15	\$ 248,772	Financial Advisor
Capital Consultants Management Corporation	12/01/12	\$ 76,940	Management Services
Inframark, LLC	02/21/06	\$ 554,179	Operator
Jones-Heroy & Associates		\$ 56,465	Engineer – Bond Services

See accompanying independent auditor's report.

APPENDIX C
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

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

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN