OFFICIAL STATEMENT DATED APRIL 20, 2023

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW AND IS NOT INCLUDED IN THE ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS FOR TAX YEARS BEGINNING AFTER DECEMBER 31, 2022. SEE "TAX MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL**.**

The Bonds are NOT "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Not Qualified Tax-Exempt Obligations."

NEW ISSUE – Book Entry Only

RATING: S&P Global Ratings (AGM Insured)...."AA"
Moody's Investors Service, Inc. (AGM Insured)...."A1"
Moody's Investors Service, Inc. (Underlying)...."Baa1"
See "MUNICIPAL BOND INSURANCE" and "RATINGS" herein.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 5

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

$3,115,000
UNLIMITED TAX ROAD BONDS
SERIES 2023

Dated: May 1, 2023 **Due: March 1, as shown on inside cover page**

Interest Accrues From: Date of Delivery

The $3,115,000 Unlimited Tax Road Bonds, Series 2023 (the "Bonds") are obligations of Kaufman County Municipal Utility District No. 5 (the "District") and are not obligations of the State of Texas; Kaufman County, Texas; the City of Dallas, Texas; the City of Mesquite, Texas; the City of Forney, Texas; or any entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Kaufman County, Texas; the City of Dallas, Texas; the City of Mesquite, Texas; the City of Forney, Texas; nor any entity other than the District is pledged to the payment of principal of or interest on the Bonds.

The Bonds will be initially registered and delivered only to Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas, or any successor paying agent/registrar (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 at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. The Bonds are dated May 1, 2023, and interest on the Bonds accrues from the initial date of delivery (on or about May 18, 2023) (the "Date of Delivery"), and is payable on September 1, 2023, and each March 1 and September 1 (each an "Interest Payment Date") thereafter until maturity or prior redemption to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each Interest Payment Date. The Bonds are issuable in principal denominations of $5,000 or any integral multiple thereof in fully registered form only.

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

ASSURED GUARANTY MUNICIPAL

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

The Bonds constitute the seventh series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing roads and improvements in aid thereof to serve the District (the "Road System"). At various elections held within the District, voters of the District authorized the issuance of $211,500,000 principal amount of unlimited tax bonds for the Road System and $317,250,000 for the refunding of such bonds, $67,650,250 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a water, sewer, and drainage system to serve the District (the "Utility System") and $101,475,375 for the refunding of such bonds. Following the issuance of the Bonds, $168,840,000 principal amount of unlimited tax bonds for the Road System and $38,690,250 principal amount of unlimited tax bonds for the Utility System will remain authorized but unissued. See "THE BONDS."

The Bonds, when issued, will be payable from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by the District against all taxable property within the District. Investment in the Bonds is subject to investment considerations as described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as, and if issued by the District to the winning bidder of the Bonds (the "Initial Purchaser"), subject, among other things, to the approval of the Attorney General of Texas and of Coats Rose, P.C., Dallas, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about May 18, 2023.

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

$3,115,000 Unlimited Tax Road Bonds, Series 2023

$1,665,000 Serial Bonds

Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 48618L (b)	Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 48618L (b)
2025	$ 75,000	5.750%	3.300%	NX0	2034 (c)	$ 110,000	3.500%	3.800%	PG5
2026	80,000	5.750%	3.300%	NY8	2035 (c)	115,000	3.625%	3.900%	PH3
2027	85,000	5.750%	3.300%	NZ5	2036 (c)	120,000	4.000%	4.000%	PJ9
2028	85,000	5.750%	3.300%	PA8	2037 (c)	125,000	4.000%	4.050%	PK6
2029	90,000	5.750%	3.300%	PB6	2038 (c)	130,000	4.000%	4.100%	PL4
***	***	***	***	***	2039 (c)	140,000	4.000%	4.150%	PM2
2032 (c)	105,000	3.250%	3.600%	PE0	2040 (c)	145,000	4.000%	4.200%	PN0
2033 (c)	110,000	3.375%	3.700%	PF7	2041 (c)	150,000	4.000%	4.250%	PP5

$1,450,000 Term Bonds

$195,000 Term Bonds Due March 1, 2031 (c)(d), Interest Rate: 4.750% (Price: $106.940) (a), CUSIP No. 48618L PD2 (b)

$320,000 Term Bonds Due March 1, 2043 (c)(d), Interest Rate: 4.125% (Price: $97.678) (a), CUSIP No. 48618L PR1 (b)

$350,000 Term Bonds Due March 1, 2045 (c)(d), Interest Rate: 4.125% (Price: $96.847) (a), CUSIP No. 48618L PT7 (b)

$585,000 Term Bonds Due March 1, 2048 (c)(d), Interest Rate: 4.250% (Price: $97.744) (a), CUSIP No. 48618L PW0 (b)

(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.

(c) Bonds maturing on March 1, 2030, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on May 1, 2029, 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 by lor or other customary method of random selection on March 1 in the years and in the amounts set forth herein under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, records, and 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 Coats Rose, P.C. ("Bond Counsel") for further information.

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

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

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

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SALE AND DISTRIBUTION OF THE BONDS

Award and Marketing 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 97.004790% of the par value thereof, which resulted in a net effective interest rate of 4.334460%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

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

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker, dealer, or similar person or organization acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial reoffering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER–ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

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

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On October 21, 2022, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 8, 2022, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On March 18, 2022, Moody's announced it had upgraded AGM's insurance financial strength rating to "A1" (stable outlook) from "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Capitalization of AGM

At December 31, 2022:

- The policyholders' surplus of AGM was approximately $2,747 million.
- The contingency reserve of AGM was approximately $855 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $2,134 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK") and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

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

Incorporation of Certain Documents by Reference

Portions of AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 filed with the Securities and Exchange Commission (the "SEC") on March 1, 2023 that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

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

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

Miscellaneous Matters

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

RATINGS

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

The Bonds are expected to receive an insured rating of "A1" from Moody's solely in reliance upon the issuance and delivery of the Policy by AGM at the time of delivery of the Bonds. Moody's has assigned an underlying rating of "Baa1" with stable outlook to the Bonds. An explanation of the ratings may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such 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 District is not aware of any rating assigned 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 BONDS

The Issuer	Kaufman County Municipal Utility District No. 5 (the "District"), a political subdivision of the State of Texas, is located in Kaufman County, Texas. See "THE DISTRICT."
The Issue	The District's $3,115,000 Unlimited Tax Road Bonds, Series 2023 (the "Bonds"), are dated May 1, 2023, and mature on March 1 in the years and in the principal amounts as shown on the inside cover page hereof. Interest on the Bonds accrues from the initial date of delivery (on or about May 18, 2023) (the "Date of Delivery"), at the rates shown on the inside cover page hereof and is payable on September 1, 2023, and on each March 1 and September 1 thereafter until maturity or prior redemption. The Bonds are offered in fully registered form in integral multiples of $5,000 of principal amount for any one maturity. See "THE BONDS – General."
Redemption	*Optional Redemption*: The Bonds maturing on and after March 1, 2030, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on May 1, 2029, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*." *Mandatory Redemption*: The Bonds maturing on March 1 in the years 2031, 2043, 2045 and 2048 are term bonds (the "Term Bonds") and are subject to certain mandatory redemption provisions as set forth herein under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Kaufman County, Texas; the City of Dallas, Texas; the City of Mesquite, Texas; the City of Forney, Texas; or any entity other than the District. See "THE BONDS – Source of Payment."
Authority for Issuance	The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution; the general laws of the State of Texas, particularly including Chapters 49 and 54, Texas Water Code, as amended; an order authorizing issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"); and an election held within the boundaries of the District on May 10, 2008. The Bonds constitute the seventh series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing roads and improvements in aid thereof to serve the District (the "Road System"). At various elections held within the District, voters of the District authorized $211,500,000 principal amount of unlimited tax bonds for the Road System and $317,250,000 for the refunding of such bonds and $67,650,250 principal amount of

unlimited tax bonds for the purpose of acquiring or constructing a water, sewer, and drainage system to serve the District (the "Utility System") and $101,475,375 for the refunding of such bonds. Following the issuance of the Bonds, $168,840,000 principal amount of unlimited tax bonds for the Road System and $38,690,250 principal amount of unlimited tax bonds for the Utility System will remain authorized but unissued. See "THE BONDS – Authority for Issuance."

Outstanding Bonds	The District has previously issued its $4,350,000 Unlimited Tax Road Bonds, Series 2018; $3,085,000 Unlimited Tax Road Bonds, Series 2019; $9,900,000 Unlimited Tax Road Bonds, Series 2020; $6,890,000 Unlimited Tax Road Bonds, Series 2020A; $6,400,000 Unlimited Tax Utility Bonds, Series 2020; $13,730,000 Unlimited Tax Utility Bonds, Series 2021; $9,195,000 Unlimited Tax Road Bonds, Series 2021A; $8,830,000 Unlimited Tax Utility Bonds, Series 2022; and $6,125,000 Unlimited Tax Road Bonds, Series 2022. As of closing of the Bonds, an aggregate of $65,370,000 principal amount of unlimited tax bonds will remain outstanding (the "Outstanding Bonds"). In its capacity as the Master District (herein defined), the District has issued five series of Contract Revenue Bonds (herein defined) for regional facilities in the Service Area (herein defined). The District is responsible for payment of a portion of the debt service on the Contract Revenue Bonds from the proceeds of its Contract Tax (herein defined). The District's Contract Tax is not pledged to payment of debt service on the Bonds. See "INVESTMENT CONSIDERATIONS – Master District Contract" and "THE UTILITY SYSTEM – The Master District."
Payment Record	The District has never defaulted on the timely payment of principal and interest on its Outstanding Bonds.
Use and Distribution of Bond Proceeds	Proceeds of the Bonds will be used to reimburse the Developers for road improvements and related construction costs set out herein under "THE BONDS – Use and Distribution of Bond Proceeds." In addition, the proceeds of the Bonds will be used to pay for developer interest, six (6) months of capitalized interest, and to pay for certain costs associated with the issuance of the Bonds.
Not Qualified Tax-Exempt Obligations	The Bonds are not "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Not Qualified Tax-Exempt Obligations."
Municipal Bond Insurance	Assured Guaranty Municipal Corp. ("AGM"). See "MUNICIPAL BOND INSURANCE."
Ratings	S&P Global Ratings (AGM Insured): "AA." Moody's Investors Service, Inc. ("Moody's") (AGM Insured): "A1." Moody's (Underlying): "Baa1." See "MUNICIPAL BOND INSURANCE" and "RATINGS."
Bond Counsel	Coats Rose, P.C., Dallas, Texas.
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Financial Advisor	Robert W. Baird & Co. Incorporated, Irving, Texas.
Paying Agent/Registrar	Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas.

THE DISTRICT

Description	The District comprises approximately 1,076.90 total acres and is located approximately 20 miles east of the City of Dallas, Texas, and

approximately 2 miles north of the City of Forney, Texas. All of the land within the District is situated within the extraterritorial jurisdiction of the City of Dallas, Texas; the City of Mesquite, Texas; or the City of Forney, Texas. See "THE DISTRICT."

The District is one of three municipal utility districts collectively comprising approximately 1,946.60 acres, herein referred to as the "Service Area." The District, Kaufman County Municipal Utility District No. 6 ("KC MUD 6"), and Kaufman County Municipal Utility District No. 7 ("KC MUD 7"), collectively referred to herein as the "Participants," make up the Service Area. In addition, the District acts as the "Master District" and is the provider of trunk water and sanitary sewer lines and off-site facilities that serve the Service Area (the "Master District Facilities").

Authority .... The District was created by order of the Texas Commission on Environmental Quality (the "TCEQ") dated February 13, 2003, as Lake Vista Ranch Municipal Utility District No. 1. By order of the TCEQ dated January 13, 2006, the District's name was changed to Kaufman County Municipal Utility District No. 5. The rights, powers, privileges, authority, and functions of the District are established and provided by the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, applicable to municipal utility districts created under Section 59, Article XVI, of the Texas Constitution. The District is further empowered to construct, acquire, maintain, and finance roads and improvements in aid thereof as authorized by Section 52, Article III, of the Texas Constitution.

The Developers .... In 2008, the land within the District, as configured upon its creation, was purchased by CTMGT Land Holdings, LLC ("CTMGT"). In 2015, CTMGT purchased an additional approximately 258 acres that were subsequently annexed into the District and sold to Clements Ranch, LLC, a Texas limited liability company ("Clements Ranch, LLC"). In 2017, CTMGT sold approximately 90 acres to Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership ("Lennar"), and in 2019, Lennar purchased an additional approximately 100 acres within the District. CTMGT continues to own approximately 12 undeveloped but developable acres and 520 undevelopable acres within the District.

The developer of land within the District developed as Clements Ranch (approximately 214 acres) is Clements Ranch, LLC.

The developer of land within the District developed as Trinity Crossing (approximately 179 acres) is Lennar. Lennar continues to own approximately 11 undeveloped but developable acres within the District.

The developers of land within the District developed as Travis Ranch (approximately 98 acres) are MM TR South II, LLC, a Texas limited liability company, CADG TR South, LLC, a Texas limited liability company, and MM Clements 10, LLC, a Texas limited liability company.

Development activities in Clements Ranch and Travis Ranch are managed by Scarborough Management, LLC, a third-party management company controlled by James R. Feagin.

Clements Ranch, LLC, Lennar, MM TR South II, LLC, CADG TR South, LLC and MM Clements 10, LLC are referred to herein as the "Developers." See "DEVELOPERS AND PRINCIPAL LANDOWNERS" herein.

Status of Development .... Of the approximately 1,076.90 acres within the District, approximately 213.8 acres have been developed as the master-planned community known as "Clements Ranch," approximately 179.3 acres have been developed as the master-planned community known as "Trinity Crossing," and approximately 97.6 acres have been developed as a part of the master-planned community known as "Travis Ranch."

To date, approximately 490.7 acres in aggregate (2,500 lots) have been developed with water distribution, sanitary sewer, and storm drainage facilities to serve the single-family subdivisions of Clements Ranch, Phases 1, 2A, 2B, 3, 4, 5 and 6, Trinity Crossing, Phases 1, 2, 3, 4, 5, 5A, 5B, 5C, 6A and 6B, Travis Ranch South (Fieldcrest), Travis Ranch, Phase 1H, and Travis Ranch, Governor Lots.

As of January 15, 2023, the District included 2,140 completed homes (2,136 occupied and 4 unoccupied), 124 homes under construction, and 236 vacant developed lots.

The remaining acreage within the District consists of approximately 43.37 acres reserved for right-of-way, open space, and amenities, approximately 23.02 undeveloped but developable acres, and approximately 519.81 undevelopable acres.

Homebuilders Within the District.................. The active homebuilders within the District are D.R. Horton, Gehan Homes, Highland Homes, Lennar, and Meritage Homes. New homes in the District range in price from approximately $271,000 to $362,000 and range in size from approximately 1,259 square feet to 2,226 square feet. See "STATUS OF DEVELOPMENT – Homebuilders in the District."

INVESTMENT CONSIDERATIONS

INVESTMENT IN THE BONDS IS 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)

2022 Taxable Assessed Valuation	$ 584,110,684	(a)
Estimate of Value as of January 15, 2023	$ 692,376,000	(b)
Direct Debt:		
The Outstanding Bonds	$ 65,370,000	(c)
The Bonds	$ 3,115,000	
Total	$ 68,485,000	
Estimated Overlapping Debt	$ 81,307,840	(d)
Total Direct and Estimated Overlapping Debt	$ 149,792,840	(d)
Direct Debt Ratio:		
As a percentage of the 2022 Taxable Assessed Valuation	11.72	%
As a percentage of the Estimate of Value as of January 15, 2023	9.89	%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of the 2022 Taxable Assessed Valuation	25.64	%
As a percentage of the Estimate of Value as of January 15, 2023	21.63	%
Utility System Debt Service Fund Balance (as of March 23, 2023)	$ 1,178,126	(e)
Road System Debt Service Fund Balance (as of March 23, 2023)	$ 1,375,435	(f)
General Operating Fund Balance (as of March 23, 2023)	$ 2,368,875	
2022 Tax Rate		
Utility System Debt Service	$0.3000	(g)
Road System Debt Service	$0.4000	(g)
Contract Tax	$0.0475	(h)
Maintenance & Operation	$0.2125	
Total	$0.9600	
Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2023-2048)	$ 3,706,233	(i)
Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2025)	$ 4,205,583	(i)
Combined Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Requirement (2023–2048) at 95% Tax Collections:		
Based on the 2022 Taxable Assessed Valuation	$0.67	
Based on the Estimate of Value as of January 15, 2023	$0.57	
Combined Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Annual Requirement (2025) at 95% Tax Collections:		
Based on the 2022 Taxable Assessed Valuation	$0.76	
Based on the Estimate of Value as of January 15, 2023	$0.64	
Number of Single-Family Homes	2,264	(j)

(a) Represents the taxable assessed valuation as of January 1, 2022, of all taxable property in the District, as provided by the Appraisal District (hereinafter defined) upon certification of its 2022 tax rolls. See "TAX DATA" and "TAXING PROCEDURES."
(b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of January 15, 2023, and includes an estimate of additional taxable value resulting from taxable improvements constructed in the District from January 1, 2022, through January 15, 2023. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
(c) As of the Date of Delivery.
(d) See "DISTRICT DEBT – Estimated Overlapping Debt Statement."
(e) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Road System (e.g. the Bonds).
(f) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Utility System. As of closing of the Bonds, six (6) months of capitalized interest will be deposited into the Road System Debt Service Fund from the proceeds of the Bonds.
(g) The District is authorized to levy separate taxes for payment of debt service on bonds issued by the District for the Utility System and for payment of debt service on bonds issued for the Road System; both such taxes are unlimited as to rate or amount. See "TAX DATA – Tax Rate Calculations" and "INVESTMENT CONSIDERATIONS – Future Debt."
(h) The District levies a separate unlimited tax to pay debt service on its pro rata portion of debt service on the outstanding Contract Revenue Bonds, which the District has issued in its capacity as the Master District (herein defined). Taxes collected to pay debt service on the Contract Revenue Bonds cannot be used to pay debt service on the Bonds, and likewise, taxes collected to pay debt service on the Bonds cannot be used to pay debt service on the Contract Revenue Bonds.
(i) See "DISTRICT DEBT – Debt Service Requirements."
(j) Approximate number of homes, including 124 homes under construction, within the District as of January 15, 2023.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 5

$3,115,000
UNLIMITED TAX ROAD BONDS
SERIES 2023

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Kaufman County Municipal Utility District No. 5 (the "District") of its $3,115,000 Unlimited Tax Road Bonds, Series 2023 (the "Bonds").

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

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

THE BONDS

General

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

The Bonds are dated May 1, 2023, with interest payable on September 1, 2023, and on each March 1 and September 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. The Bonds mature on March 1 in the years and in the principal amounts as set forth on the inside cover page of this Official Statement and interest on the Bonds accrues from the initial date of delivery (on or about May 18, 2023) (the "Date of Delivery"), and thereafter from the most recent Interest Payment Date to which interest has been paid.

The Bonds will be issued only in fully registered form in any integral multiples of $5,000 of principal amount for any one maturity and will be initially registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry-only system described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (the "Paying Agent/Registrar").

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

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

Book-Entry-Only System

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Paying Agent/Registrar

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

Record Date

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

Registration, Transfer and Exchange

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

Mutilated, Lost, Stolen or Destroyed Bonds

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

Authority for Issuance

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

The Bonds constitute the seventh series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing roads and improvements in aid thereof to serve the District (the "Road System"). At various elections held within the District, voters of the District authorized a total of $211,500,000 principal amount of unlimited tax bonds for the Road System and $317,250,000 for the refunding of such bonds and $67,650,250 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a water, sewer, and drainage system to serve the District (the "Utility System") and $101,475,375 for the refunding of such bonds. Following the issuance of the Bonds, $168,840,000 principal amount of unlimited tax bonds for the Road System and $38,690,250 principal amount of unlimited tax bonds for the Utility System will remain authorized but unissued.

The amount of bonds issued and the remaining authorized but unissued bonds following the issuance of the Bonds are summarized below:

Election Date	Purpose	Amount Authorized	Amount Issued	Authorized But Unissued
05/03/2003	Utility System	$ 32,840,000	$ 28,960,000	$ 3,880,000
05/03/2003	Utility System Refunding	49,260,000	–	49,260,000
05/10/2008	Road System	211,500,000	42,660,000 (a)	168,840,000
05/10/2008	Road System Refunding	317,250,000	–	317,250,000
05/07/2016	Utility System	34,810,250	–	34,810,250
05/07/2016	Utility System Refunding	52,215,375	–	52,215,375

(a) Includes the Bonds.

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

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

Source of Payment

The Bonds are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. In the Bond Order, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, and certain fees. See "TAXING PROCEDURES."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

Redemption Provisions

Optional Redemption

The Bonds maturing on and after March 1, 2030, shall be subject to redemption at the option of the District, in whole or from time to time in part, on May 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by a random selection method in integral multiples of $5,000 within any one maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond of the same series in the principal amount equal to the portion of such Bond not redeemed.

Mandatory Redemption

The Bonds maturing on March 1 in the years 2031, 2043, 2045 and 2048 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:

$195,000 Term Bonds Maturing on March 1, 2031

Mandatory Redemption Date	Principal Amount
March 1, 2030	$ 95,000
March 1, 2031 (Maturity)	$ 100,000

$320,000 Term Bonds Maturing on March 1, 2043

Mandatory Redemption Date	Principal Amount
March 1, 2042	$ 155,000
March 1, 2043 (Maturity)	$ 165,000

$350,000 Term Bonds Maturing on March 1, 2045

Mandatory Redemption Date	Principal Amount
March 1, 2044	$ 170,000
March 1, 2045 (Maturity)	$ 180,000

$585,000 Term Bonds Maturing on March 1, 2048

Mandatory Redemption Date	Principal Amount
March 1, 2046	$ 185,000
March 1, 2047	$ 195,000
March 1, 2048 (Maturity)	$ 205,000

The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the direction of the District, by the principal amount of any Term Bonds of such maturity which, at least fifty (50) days prior to a Mandatory Redemption Date, (1) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and cancelled by the Paying Agent/Registrar at the request of the District with monies in the applicable debt service fund at a price not exceeding the principal amount of the Term Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirements.

Outstanding Bonds

The District has previously issued its $4,350,000 Unlimited Tax Road Bonds, Series 2018; $3,085,000 Unlimited Tax Road Bonds, Series 2019; $9,900,000 Unlimited Tax Road Bonds, Series 2020; $6,890,000 Unlimited Tax Road Bonds, Series 2020A; $6,400,000 Unlimited Tax Utility Bonds, Series 2020; $13,730,000 Unlimited Tax Utility Bonds, Series 2021; $9,195,000 Unlimited Tax Road Bonds, Series 2021A; $8,830,000 Unlimited Tax Utility Bonds, Series 2022; and $6,125,000 Unlimited Tax Road Bonds, Series 2022. As of the Date of Delivery, an aggregate of $65,370,000 principal amount of unlimited tax bonds will remain outstanding (the "Outstanding Bonds"). In its capacity as the Master District (herein defined), the District has issued five series of Contract Revenue Bonds (herein defined) for regional facilities in the Service Area (herein defined). The District is responsible for payment of a portion of the debt service on the Contract Revenue Bonds from the proceeds of its Contract Tax (herein defined). The District's Contract Tax is not pledged to payment of debt service on the Bonds. See "INVESTMENT CONSIDERATIONS – Master District Contract" and "THE UTILITY SYSTEM – The Master District."

Issuance of Additional Debt

The District's voters have authorized the District's issuance of a total of $211,500,000 principal amount of unlimited tax bonds for the purpose constructing or acquiring the Road System and $317,250,000 for the refunding of such bonds and $67,650,250 principal amount of unlimited tax bonds for the purpose constructing or acquiring the Utility System and $101,475,375 for the refunding of such bonds and could authorize additional amounts. Following the issuance of the Bonds, $168,840,000 principal amount of unlimited tax bonds for the Road System and $317,250,000 for the refunding of such bonds and $38,690,250 principal amount of unlimited tax bonds for the Utility System and $101,475,375 for the refunding of such bonds will remain authorized but unissued.

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. Bonds issued for water, sewer, and drainage purposes are required to be approved by the TCEQ.

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

Following the issuance of the Bonds, the District will owe the Developers approximately $7,500,000 for expenditures to construct the Road System and the Utility System.

The District intends to submit a bond application to the TCEQ in the second quarter of 2023. The principal par amount of such bonds is yet to be determined. Such bonds are expected to be issued in the second half of 2023.

Amendments to the Bond Order

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

Annexation

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

Consolidation

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

Defeasance

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

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

Registered Owners' Remedies

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

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

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Use and Distribution of Bond Proceeds

Proceeds of the Bonds will be used to reimburse the Developers for road improvements and related construction costs set out below. In addition, the proceeds of the Bonds will be used to pay for developer interest, six (6) months of capitalized interest, and to pay for certain costs associated with the issuance of the Bonds.

Construction Costs	District's Share
A. Developer Contribution Items	
1. Trinity Crossing, Phase 1 - Excavation	$ 308,028
2. Trinity Crossing, Phase 2 – Excavation	1,080,666
3. Trinity Crossing, Phase 6A – Excavation	234,542
4. Trinity Crossing, Phase 6A – Paving	154,413
5. Engineering & Testing	228,211
6. Stormwater Pollution Prevention Planning	348,909
TOTAL CONSTRUCTION COSTS	**$ 2,354,769**
Non-Construction Costs	
A. Legal Fees	$ 77,300
B. Fiscal Agent Fees	62,300
C. Developer Interest	400,057
D. Capitalized Interest (6 Months)	66,584
E. Underwriter's Discount (3.00%)	93,301
F. Bond Issuance Expenses	42,574
G. Bond Engineering Fee	15,000
H. Attorney General Fee	3,115
TOTAL NON-CONSTRUCTION COSTS	**$ 760,231**
TOTAL BOND ISSUE REQUIREMENT	**$ 3,115,000**

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

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

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TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

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

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

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

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between $5,000 and $12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of one hundred percent (100%) is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization at no cost to the veteran. This exemption applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. The surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

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

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

Tax Abatement

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

Valuation of Property for Taxation

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

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

Reappraisal of Property after Disaster

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

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units

Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 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 Special Taxing Unit or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus 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 on an annual basis. For the 2022 tax year, the District was classified as a Developing

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

District and Taxpayer Remedies

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes, unless it elects to transfer such functions to another governmental entity. The date of delinquency may be postponed if the tax bills are mailed after January 10. A person over sixty-five (65) years of age is entitled by law to pay current taxes on his residential homestead in installments or to defer tax without penalty during the time he owns and occupies the property as his residential homestead. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board based on valuation of property within the District as of the preceding January 1.

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

District's Rights in the Event of Tax Delinquencies

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

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

TAX DATA

General

Taxable property within the District is subject to the assessment, levy, and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds and the Outstanding Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements, and available funds. In addition, the District has the power and authority to levy an annual ad valorem tax, not to exceed $0.99 per $100 of assessed valuation, for operation and maintenance purposes as well as a tax, without legal limitation as to rate or amount, sufficient to pay amounts due under contractual obligations. In 2022, the District levied a total tax rate of $0.96 per $100 of taxable assessed valuation composed of the following: a tax of $0.3000 for payment of debt service for the Utility System, a tax of $0.4000 for payment of debt service for the Road System, a tax rate of $0.2125 for payment of the District's expenditures for maintenance and operations and a tax of $0.0475 for payment of the District's contractual obligations under the Master District Contract.

Tax Rate Limitation

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

Historical Tax Collections

The following table illustrates the collection history of the District for the 2018 – 2022 tax years:

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Collections Current Year (b)	Current Year Ended 9/30	Collections 1/31/2023
2018	$ 48,970,771	$1.0000	$ 489,708	96.75%	2019	100.00%
2019	74,879,295	1.0000	748,793	98.17	2020	99.75
2020	196,438,024	1.0000	1,964,380	98.53	2021	99.34
2021	328,446,127	1.0000	3,284,461	98.83	2022	99.08
2022	584,110,684	0.9600	5,607,463	95.48 (c)	2023	95.48

(a) Total tax rate per $100 of assessed valuation for each respective tax year. See "Tax Rate Distribution."
(b) Represents collections from October 1 of each respective tax year.
(c) Collections as of January 31, 2023.

Tax Rate Distribution

	2022	2021	2020	2019	2018
Utility System Debt Service	$0.3000	$0.3550	$0.0700	$0.0000	$0.0000
Road System Debt Service	0.4000	0.5100	0.5100	0.4500	0.5600
Maintenance & Operations	0.2125	0.0675	0.3425	0.4500	0.3400
Contract Tax	0.0475	0.0675	0.0775	0.1000	0.1000
	$0.9600	$1.0000	$1.0000	$1.0000	$1.0000

Analysis of Tax Base

The following table illustrates the District's total taxable assessed value in the tax years 2018 – 2022 by type of property.

Property Type	2022 Assessed Valuation	2021 Assessed Valuation	2020 Assessed Valuation	2019 Assessed Valuation	2018 Assessed Valuation
Land	$157,549,643	$107,424,230	$72,925,489	$36,892,390	$19,646,870
Improvements	437,921,951	225,893,139	126,291,755	39,331,753	28,720,380
Personal	1,329,701	576,703	614,640	186,170	32,000
Exemption	(12,690,611)	(5,447,945)	(3,393,860)	(1,531,018)	(571,521)
Total	$584,110,684	$328,446,127	$196,438,024	$74,879,295	$48,970,771

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2022:

Taxpayer	Type of Property	2022 Taxable Assessed Value	% of Assessed Value
Lennar Homes of Texas Land & Construction LTD (a)(b)	Land & Improvements	$6,363,828	1.09%
DR Horton LTD (a)	Land & Improvements	3,609,907	0.62%
MM TR South II LLC (b)	Land & Improvements	3,336,747	0.57%
SFR JVHD Property LLC	Land & Improvements	2,776,835	0.48%
SFR JV 1 Property LLC	Land & Improvements	2,510,802	0.43%
MKJ Realty LLC	Land	2,454,438	0.42%
Gehan Homes LTD (a)	Land, Improvements & Personal Property	2,339,399	0.40%
Homeowner	Land & Improvements	2,229,355	0.38%
Dallas SOS LLC	Land & Improvements	1,450,000	0.25%
FKH SFR Propco LP	Land & Improvements	874,013	0.15%
Total		$27,945,324	4.78%

(a) See "STATUS OF DEVELOPMENT – Homebuilders in the District."
(b) See "DEVELOPERS AND PRINCIPAL LANDOWNERS."

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 and the Outstanding Bonds if no growth in the District occurs beyond the 2022 Taxable Assessed Valuation ($584,110,684), or the Estimate of Value as of January 15, 2023 ($692,376,000). The following further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Average Annual Debt Service Requirement (2023-2048)	$ 3,706,233
Tax Rate of $0.67 on the 2022 Taxable Assessed Valuation produces	$ 3,717,865
Tax Rate of $0.57 on the Estimate of Value as of January 15, 2023, produces	$ 3,749,216
Maximum Annual Debt Service Requirement (2025)	$ 4,205,583
Tax Rate of $0.76 on the 2022 Taxable Assessed Valuation produces	$ 4,217,279
Tax Rate of $0.64 on the Estimate of Value as of January 15, 2023, produces	$ 4,209,646

Estimated Overlapping Taxes

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

Set forth below is a compilation of all 2022 taxes levied by such jurisdictions per $100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

Taxing Jurisdiction	2022 Tax Rate
The District	$0.960000
Kaufman County	$0.345850
Kaufman County Road and Bridge Fund	$0.070412
Kaufman County Emergency Services District No. 6	$0.034830
Forney Independent School District	$1.354600
Total Tax Rate	$2.765692

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DISTRICT DEBT

2022 Taxable Assessed Valuation	$ 584,110,684	(a)
Estimate of Value as of January 15, 2023	$ 692,376,000	(b)
Direct Debt:		
The Outstanding Bonds	$ 65,370,000	(c)
The Bonds	$ 3,115,000	
Total	$ 68,485,000	
Estimated Overlapping Debt	$ 81,307,840	(d)
Total Direct and Estimated Overlapping Debt	$ 149,792,840	(d)
Direct Debt Ratio:		
As a percentage of the 2022 Taxable Assessed Valuation	11.72	%
As a percentage of the Estimate of Value as of January 15, 2023	9.89	%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of the 2022 Taxable Assessed Valuation	25.64	%
As a percentage of the Estimate of Value as of January 15, 2023	21.63	%
Utility System Debt Service Fund Balance (as of March 23, 2023)	$ 1,178,126	(e)
Road System Debt Service Fund Balance (as of March 23, 2023)	$ 1,375,435	(f)
General Operating Fund Balance (as of March 23, 2023)	$ 2,368,875	
2022 Tax Rate		
Utility System Debt Service	$0.3000	(g)
Road System Debt Service	$0.4000	(g)
Contract Tax	$0.0475	(h)
Maintenance & Operation	$0.2125	
Total	$0.9600	
Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2023-2048)	$ 3,706,233	(i)
Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2025)	$ 4,205,583	(i)
Combined Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Requirement (2023–2048) at 95% Tax Collections:		
Based on the 2022 Taxable Assessed Valuation	$0.67	
Based on the Estimate of Value as of January 15, 2023	$0.57	
Combined Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Annual Requirement (2025) at 95% Tax Collections:		
Based on the 2022 Taxable Assessed Valuation	$0.76	
Based on the Estimate of Value as of January 15, 2023	$0.64	
Number of Single-Family Homes	2,264	(j)

(a) Represents the taxable assessed valuation as of January 1, 2022, of all taxable property in the District, as provided by the Appraisal District upon certification of its 2022 tax rolls. See “TAX DATA” and “TAXING PROCEDURES.”

(b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of January 15, 2023, and includes an estimate of additional taxable value resulting from taxable improvements constructed in the District from January 1, 2022, through January 15, 2023. No taxes will be levied on this estimated value. See “TAX DATA” and “TAXING PROCEDURES.”

(c) As of the Date of Delivery.

(d) See “DISTRICT DEBT – Estimated Overlapping Debt Statement.”

(e) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Road System (e.g. the Bonds).

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

(g) The District is authorized to levy separate taxes for payment of debt service on bonds issued by the District for the Utility System and for payment of debt service on bonds issued for the Road System; both such taxes are unlimited as to rate or amount. See “TAX DATA – Tax Rate Calculations” and “INVESTMENT CONSIDERATIONS – Future Debt.”

(h) The District levies a separate unlimited tax to pay debt service on its pro rata portion of debt service on the outstanding Contract Revenue Bonds, which the District has issued in its capacity as the Master District (herein defined). Taxes collected to pay debt service on the Contract Revenue Bonds cannot be used to pay debt service on the Bonds, and likewise, taxes collected to pay debt service on the Bonds cannot be used to pay debt service on the Contract Revenue Bonds.

(i) See “DISTRICT DEBT – Debt Service Requirements.”

(j) Approximate number of homes, including 124 homes under construction, within the District as of January 15, 2023.

Estimated Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt January 31, 2023	Overlapping Percent	Overlapping Amount
Kaufman County	$183,103,850	3.38%	$ 6,184,905
Forney Independent School District	952,436,067	7.37%	70,208,740
The Master District (a)	12,915,000	38.05%	4,914,195
Total Estimated Overlapping Debt			$81,307,840
The District (b)			$68,485,000
Total Direct & Estimated Overlapping Debt (b)			$149,792,840

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

Debt Ratios

Direct Debt Ratio:		
As a percentage of the 2022 Taxable Assessed Valuation	11.72	%
As a percentage of the Estimate of Value as of January 15, 2023	9.89	%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of the 2022 Taxable Assessed Valuation	25.64	%
As a percentage of the Estimate of Value as of January 15, 2023	21.63	%

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Debt Service Requirements

The following schedule sets forth the annual debt service requirements on the Outstanding Bonds, as well as the principal and interest requirements of the Bonds. Totals may not sum due to rounding.

		The Bonds			
Calendar Year	Outstanding Debt Service	Principal	Interest	Debt Service	Total Debt Service
2023	$ 1,006,148	$ -	$ 38,101	$ 38,101	$ 1,044,249
2024	4,026,783	-	133,169	133,169	4,159,951
2025	3,999,570	75,000	131,013	206,013	4,205,583
2026	3,977,355	80,000	126,556	206,556	4,183,911
2027	3,962,563	85,000	121,813	206,813	4,169,375
2028	3,950,261	85,000	116,925	201,925	4,152,186
2029	3,962,913	90,000	111,894	201,894	4,164,806
2030	3,958,344	95,000	107,050	202,050	4,160,394
2031	3,951,119	100,000	102,419	202,419	4,153,538
2032	3,957,275	105,000	98,338	203,338	4,160,613
2033	3,957,081	110,000	94,775	204,775	4,161,856
2034	3,954,269	110,000	90,994	200,994	4,155,263
2035	3,958,700	115,000	86,984	201,984	4,160,684
2036	3,959,809	120,000	82,500	202,500	4,162,309
2037	3,956,913	125,000	77,600	202,600	4,159,513
2038	3,955,016	130,000	72,500	202,500	4,157,516
2039	3,953,856	140,000	67,100	207,100	4,160,956
2040	3,958,159	145,000	61,400	206,400	4,164,559
2041	3,948,581	150,000	55,500	205,500	4,154,081
2042	3,954,853	155,000	49,303	204,303	4,159,156
2043	3,952,006	165,000	42,703	207,703	4,159,709
2044	3,651,700	170,000	35,794	205,794	3,857,494
2045	3,448,388	180,000	28,575	208,575	3,656,963
2046	2,909,125	185,000	20,931	205,931	3,115,056
2047	1,005,113	195,000	12,856	207,856	1,212,969
2048	-	205,000	4,356	209,356	209,356
Total	$ 91,275,898	$3,115,000	$ 1,971,148	$ 5,086,148	$ 96,362,045

Average Annual Debt Service Requirement on the Bonds
and the outstanding Bonds (2023-2048)....................$3,706,233

Maximum Annual Debt Service Requirement on the Bonds
and the outstanding Bonds (2025)....................$4,205,583

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THE DISTRICT

General

The District is a limited-purpose political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created by order of the TCEQ on February 13, 2003, as Lake Vista Ranch Municipal Utility District No. 1. By order of the TCEQ dated January 13, 2006, the District's name was changed to Kaufman County Municipal Utility District No. 5. Upon its creation, the District was composed of 819.4 acres. In 2015, the District annexed 257.5 acres into its boundaries, and, currently, the District comprises approximately 1,076.9 total acres.

The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water, among other things.

Effective September 1, 2007, by act of the 80th Texas Legislature, Regular Session, codified as Chapter 8196, Subtitle F, Title 6, Special District Local Laws Code, the District is empowered to construct or acquire roads to the extent authorized under Article III, Section 52 of the Texas Constitution and to issue bonds to finance the construction or acquisition of roads serving the District.

The District may also provide solid waste collection and disposal service and operate and maintain recreational facilities. Currently the District contracts for solid waste collection service. The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters and the TCEQ. The District does not operate or maintain a fire department. The District is subject to the continuing supervision of the TCEQ.

Description

The District is located in central Kaufman County, Texas, approximately 20 miles east of the City of Dallas, Texas, and 2 miles north of the City of Forney, Texas. The District is bordered by F.M. 460 and F.M. 740 on the east, Highway 80 on the south, East Fork Trinity River on the west, and Lake Ray Hubbard Drive on the north. All of the land within the District is within the extraterritorial jurisdiction of one of the City of Dallas, Texas; the City of Mesquite, Texas; or the City of Forney, Texas.

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Management of the District

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

Name	Position	Term Expires May
John Sammons	President	2026
Brent Lasater	Vice President	2026
Carrie Solley	Secretary	2024
Kevin Johnson	Assistant Secretary	2024
Ana Lam	Assistant Secretary	2026

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

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

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

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

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which financial statements are filed with the TCEQ. A copy of the District's financial statements audited by McGrath & Co., PLLC, Certified Public Accountants, (the "Auditor") for the fiscal year ended July 31, 2022, is attached as "APPENDIX A" to this Official Statement.

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

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

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

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

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STATUS OF DEVELOPMENT

Of the approximately 1,076.90 acres within the District, approximately 213.8 acres have been developed as the master-planned community known as "Clements Ranch," approximately 179.3 acres have been developed as the master-planned community known as "Trinity Crossing," and approximately 97.6 acres have been developed as a part of the master-planned community known as "Travis Ranch."

To date, approximately 490.7 acres in aggregate (2,500 lots) have been developed with water distribution, sanitary sewer, and storm drainage facilities to serve the single-family subdivisions of Clements Ranch, Phases 1, 2A, 2B, 3, 4, 5 and 6, Trinity Crossing, Phases 1, 2, 3, 4, 5, 5A, 5B, 5C, 6A and 6B, Travis Ranch South (Fieldcrest), Travis Ranch, Phase 1H, and Travis Ranch, Governor Lots.

As of January 15, 2023, the District included 2,140 completed homes (2,136 occupied and 4 unoccupied), 124 homes under construction, and 236 vacant developed lots.

The remaining acreage within the District consists of approximately 43.37 acres reserved for right-of-way, open space, and amenities, approximately 23.02 undeveloped but developable acres, and approximately 519.81 undevelopable acres.

The following table sets out the status of single-family development, by section, within the District construction of single-family housing within the District as of January 15, 2023:

	Section Acres	Section Lots	Homes Complete	Homes Under Construction	Vacant Lots
Clements Ranch, Phase 1	39.21	165	165	-	-
Clements Ranch, Phase 2A	5.42	26	26	-	-
Clements Ranch, Phase 2B	49.30	233	233	-	-
Clements Ranch, Phase 3	28.95	196	196	-	-
Clements Ranch, Phase 4	36.86	177	177	-	-
Clements Ranch, Phase 5	27.35	63	63	-	-
Clements Ranch, Phase 6	26.70	155	155	-	-
Trinity Crossing, Phase 1	26.71	132	132	-	-
Trinity Crossing, Phase 2	24.04	99	99	-	-
Trinity Crossing, Phase 3	29.48	154	154	-	-
Trinity Crossing, Phase 4	19.85	129	129	-	-
Trinity Crossing, Phases 5 & 5A	25.42	143	143	-	-
Trinity Crossing, Phases 5B & 5C	24.40	103	75	2	26
Trinity Crossing, Phases 6A	28.11	169	-	101	68
Trinity Crossing, Phases 6B	1.33	10	-	-	10
Travis Ranch South (Fieldcrest)	44.49	263	260	3	-
Travis Ranch, Phase 1H	28.72	133	133	-	-
Travis Ranch, Governor Lots	24.36	150	-	18	132
Total	490.70	2,500	2,140	124	236
Remaining Developable	23.02				
Right-of-Way/Open Space/Amenity	43.37				
Undevelopable	519.81				
District Total	1,076.90				

Homebuilders in the District

The active homebuilders within the District are D.R. Horton, Gehan Homes, Highland Homes, Lennar, and Meritage Homes. New homes in the District range in price from approximately $271,000 to $362,000 and range in size from approximately 1,259 square feet to 2,226 square feet.

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(March 2023)

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(March 2023)

CLEMENTS RANCH

The District encompasses all of the approximate 257 total acres that make up the master-planned community known as Clements Ranch. In 2015, Clements Ranch, LLC, the developer of Clements Ranch, purchased the 257-acre tract upon which the community is situated. The initial phases of development began in 2016.

To date, approximately 213.79 acres (1,015 lots) have been developed with water distribution, sanitary sewer, storm drainage, and road facilities to serve the single-family residential subdivision of Clements Ranch, Phases 1, 2A, 2B, 3, 4, 5, and 6. As of January 15, 2023, development of residential properties in Clements Ranch included 1,015 completed homes (1,013 occupied and 2 unoccupied). See "STATUS OF DEVELOPMENT" above.

In addition to single-family residential development, Clements Ranch includes an 8,000 square-foot historic ranch house converted to an amenity center, resort-style pool, splash pad, playground, fitness center, parks, and open spaces.

TRINITY CROSSING

The District also includes approximately 190 acres of the master-planned community known as Trinity Crossing. In 2017, Lennar (herein defined) purchased approximately 90 acres of such tract and in 2019, purchased the remaining 100 acres.

To date, approximately 179.3 acres (939 lots) have been developed with water distribution, sanitary sewer, storm drainage, and road facilities to serve the single-family residential subdivision of Trinity Crossing, Phases 1, 2, 3, 4, 5, 5A, 5B, 5C, 6A and 6B. As of January 15, 2023, development of residential properties in Trinity Crossing included 732 completed homes (730 occupied and 2 unoccupied), 103 homes under construction, and 104 vacant developed lots. See "STATUS OF DEVELOPMENT" above.

The active homebuilders within Trinity Crossing are Lennar and Meritage Homes.

TRAVIS RANCH

The District also includes approximately 97.57 acres of the master-planned community known as Travis Ranch, a development that comprises approximately 761 acres in total. To date, all of the 97.57 acres (546 lots) have been developed with water distribution, sanitary sewer, storm drainage, and road facilities to serve the single-family residential subdivision of Travis Ranch South (Fieldcrest), Travis Ranch, Phase 1H, and Travis Ranch, Governor Lots. As of January 15, 2023, development of residential properties in Travis Ranch included 393 completed homes (393 occupied), 21 homes under construction, and 132 vacant developed lots. See "STATUS OF DEVELOPMENT" above.

The active homebuilder within Travis Ranch South and Travis Ranch, Governor Lots is D.R. Horton.

DEVELOPERS AND PRINCIPAL LANDOWNERS

The Role of a Developer

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

The Developers

In 2008, the land within the District, as configured upon its creation, was purchased by CTMGT Land Holdings, LLC ("CTMGT"). In 2015, CTMGT purchased an additional approximately 258 acres that were subsequently annexed into the District and sold to Clements Ranch, LLC, a Texas limited liability company

("Clements Ranch, LLC"). In 2017, CTMGT sold approximately 90 acres to Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership ("Lennar"), and in 2019, Lennar purchased an additional approximately 100 acres within the District. To date, CTMGT continues to own approximately 12 undeveloped but developable acres and 520 undevelopable acres within the District.

The developer of land within the District that is being developed as Clements Ranch (approximately 257 acres) is Clements Ranch, LLC.

The developer of land within the District being developed as Trinity Crossing (approximately 179 acres) is Lennar. To date, Lennar continues to own approximately 11 undeveloped but developable acres within the District. 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.

The developers of land within the District being developed as Travis Ranch (approximately 98 acres) are MM TR South II, LLC, a Texas limited liability company, CADG TR South, LLC, a Texas limited liability company, and MM Clements 10, LLC, a Texas limited liability company.

Development activities in Clements Ranch and Travis Ranch are managed by Scarborough Management, LLC, a third-party management company controlled by James R. Feagin.

Clements Ranch, LLC, Lennar, MM TR South II, LLC, CADG TR South, LLC and MM Clements 10, LLC are referred to herein as the "Developers."

Development Financing

MM Clements 10, LLC obtained a development loan from Liberty Bankers Life Insurance Company. Such loan includes a maximum principal balance of $13,500,000 and is secured by a lien on approximately 52 acres within the District. As of February 28, 2023, the loan balance was $8,389,075. According to MM Clements 10, LLC, it is in compliance with the terms of such loan.

Lennar does not have any third-party financing for its development of Trinity Crossing.

Lot-Sales Contracts

Lennar has entered into a lot-sales contract with Meritage Homes, CADG TR South, LLC, MM TR South II, LLC, and MM Clements 10, LLC have entered into lot sales contracts with D.R. Horton. The contracts for the sale of lots with the builders require that earnest money be deposited with a title company, typically 10% of the total price of the completed lots. The sales contracts establish certain required lot purchases quarterly, with the earnest money deposit being returned to the builders upon purchase of the last lots under each contract. Generally, a developer's sole remedy for builders not purchasing lots in accordance with the contracts is cancellation of the contract and retention of the remaining earnest money on deposit.

According to Lennar, CADG TR South, LLC, MM TR South II, LLC, and MM Clements 10, LLC, each of the builders is in compliance with their respective lot sale contracts. As of January 15, 2023, the total number of lots contracted and purchased by each builder is listed below:

Homebuilder	Total Lots Contracted	Total Lots Purchased
D.R. Horton	546	456
Meritage Homes	90	90
Totals	636	546

THE UTILITY SYSTEM

The Master District

In 2004, the District entered into that certain Contract for Financing and Operation of Regional Waste Collection, Treatment and Disposal Facilities and Regional Water Supply and Delivery Facilities (the "Master District Contract" as previously defined herein) that provides for the financing and operation of regional facilities that service the "Service Area", being the total area encompassed by the Participants: the District, Kaufman County Municipal Utility District No. 6 ("KC MUD 6"), and Kaufman County Municipal Utility District No. 7 ("KC MUD 7"). Under the Master District Contract, the District (in its capacity as a Participant (herein defined)), KC MUD 6, and KC MUD 7 (each a "Participant" individually or "Participants" collectively) have been added as a party to the Master District Contract. The Master District Contract was approved by the voters of the District at an election held on February 5, 2005. KC MUD 6 and KC MUD 7 have also executed forms of the Master District Contract and held elections in which voters have approved the contracts. In addition, the Master District contracts with the providers of water supply (Forney Lake Water Supply Corporation) and sanitary sewer service (City of Heath) for the Service Area.

Under the Master District Contract, the District, as the Master District, is deemed the primary coordinating district that is responsible for the construction, financing, and operation of the water supply and wastewater treatment facilities, as well as the regional water distribution and wastewater collection trunklines, that are necessary to serve the Service Area (the "Master District Facilities"). Each Participant, including the District, is obligated to pay its pro rata share, based on the assessed valuation of a Participant to the combined assessed valuation of all Participants, of debt service on the Contract Revenue Bonds (herein defined) issued by the Master District to finance the Master District Facilities. Each Participant, including the District, is further obligated to pay its pro rata share of debt service on the Contract Revenue Bonds from (i) the proceeds of the Contract Tax; (ii) from the proceeds of operation of each Participant's water distribution and wastewater collection systems; or (iii) from any other legally available funds of each of the Participants. The Master District Contract also provides for operation and maintenance expenses for facilities constructed pursuant to the Master District Contract, duties of the parties, establishment and maintenance of funds, assignment, arbitration, amendments, force majeure, insurance, and other provisions.

The Master District is authorized to issue bonds in an amount necessary to finance Master District Facilities (the "Contract Revenue Bonds") sufficient to complete acquisition and construction of the Master District Facilities. To date, the Master District has issued the following five series of Contract Revenue Bonds: $2,955,000 Unlimited Tax Contract Revenue Bonds, Series 2007; $3,070,000 Unlimited Tax Contract Revenue Bonds, Series 2008; $4,000,000 Unlimited Tax Contract Revenue Refunding Bonds, Series 2014; $1,515,000 Unlimited Tax Contract Revenue Bonds, Series 2019; and $8,200,000 Unlimited Tax Contract Revenue Bonds, Series 2020. Of such previously issued bonds, $12,520,000 principal amount will remain outstanding as of May 1, 2023. As of the date of this Official Statement, the Master District has fully reimbursed all expenditures to construct the Master District Facilities. See "INVESTMENT CONSIDERATIONS – Master District Contract."

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

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

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

Regulation

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

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

Description of the System

- Wastewater Treatment and Conveyance System -

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

The NTMWD Plant is sized sufficient to treat 41 million gallons per day ("MGD") of wastewater and the current flows at the NTMWD Plant are approximately 14 MGD. Capacity in the NTMWD Plant is available to its participants on a first come-first serve basis and NTMWD has committed to its participants to expand the NTMWD Plant or construct other facilities to serve its customers' needs.

- Water Supply and Distribution -

Water supply for the Service Area, including the District, is provided by Forney Lake Water Supply Corporation ("FLWSC"), which holds a Certificate of Convenience and Necessity over a certain area, including all of the Service Area. FLWSC purchases wholesale water from NTMWD. Pursuant to an August 11, 2003 agreement between FLWSC and the Participants, as amended, FLWSC has committed 7,083, ESFCs of its existing capacity to the Service Area, but is currently serving all 5,893 active ESFCs within the Service Area. In addition, FLWSC is currently designing additional ground storage that will add to the overall system to continue service to all ESFCs within the Service Area, including the District. FLWSC has contracted with NTMWD to purchase 1,500 gallons per minute ("gpm") of water supply. FLWSC owns and operates five ground storage tanks with a total capacity of 1,425,000 gallons, two elevated storage tanks with a total capacity of 1,000,000 gallons, and 1,500 gpm supply line. The District's water supply is capable of serving 7,083 ESFCs, which is sufficient to serve 5,893 ESFCs existing within the Service Area, including the 2,227 ESFCs in the District.

FLWSC operates and maintains the water lines serving the District and receives all of the revenue from the providing of retail water service. The FLWSC is capable of serving approximately 7,083 ESFCs, which is sufficient to serve the 5,893 ESFCs existing in the Service Area, including the 2,227 ESFCs in the District. As development proceeds within the Service Area, FLWSC will need to purchase additional water supply from NTMWD and the Master District has agreed to construct the water infrastructure necessary to serve the Service Area.

- Drainage -

Storm water from within the District currently drains through underground lines leading to drainage channels, or through underground lines directly to natural tributaries, and then to either Lake Ray Hubbard or the East Fork Trinity River.

Historical Operations of the System

The District is required by statute to have a certified public accountant audit its financial statements annually, which financial statements are filed with the TCEQ. The figures for fiscal years ended 2018 through 2022 were obtained from the District's audited financial statements. See "APPENDIX A."

	Fiscal Year Ended July 31				
Revenues	**2022**	**2021**	**2020**	**2019**	**2018**
Sewer Service	$781,400	$543,525	$299,999	$128,565	$62,676
Garbage Service	555,264	401,708	218,124	88,124	39,891
Property Taxes	222,393	473,129	331,902	156,521	170,148
Penalties & Interest	43,554	23,537	12,089	5,872	1,525
Sewer Connection Fees	81,825	502,125	249,800	261,600	50,400
Other	82,580	59,743	32,440	14,001	6,408
Miscellaneous	885	675	300	165	300
Investment Earnings	5,759	1,004	1,562	706	172
Total Revenues	$1,773,660	$2,005,446	$1,146,216	$655,554	$331,520
Expenditures					
Purchased Services	$550,950	$397,548	$316,682	$147,530	$67,162
Professional Fees	218,918	76,019	74,814	72,497	36,283
Contracted Services	943,226	562,366	202,029	90,826	42,555
Repairs & Maintenance	41,442	18,441	5,001	322	811
Utilities	39,638	33,463	20,861	7,068	5,258
Administrative	46,155	19,456	14,961	12,003	10,240
Other			-	-	32,891
Total Expenditures	$1,840,329	$1,107,293	$634,348	$330,246	$195,200
Net Revenues (Deficit)	($66,669)	$898,153	$511,868	$325,308	$136,320

THE ROAD SYSTEM

At present, the District's Road System primarily includes internal section roads, such as Canfield Lane, Connally Drive, and Cathy Drive that service the developed phases of Clements Ranch. These internal roadways also provide access to Bill Clements Boulevard, which ultimately connects to F.M. 740 by way of Lake Ray Hubbard Drive. According to the Engineer, the Road System has 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. The District owns and maintains the roads within the District.

INVESTMENT CONSIDERATIONS

General

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

Factors Affecting Taxable Values and Tax Payments

Competitive Nature of Residential Market: The rate of development within the District is directly related to the vitality of the single-family housing industry in the thirteen-county metropolitan area commonly known as the Dallas-Fort Worth Metroplex. New single-family residential construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of single-family residential construction would restrict the growth of property values in the District. Although, as of January 15, 2023, the District included 2,140 completed single-family homes and 124 homes under construction, the District cannot predict the pace or magnitude of any future development within the District, and the District can give no assurance that the building programs which are planned by the Developers will be continued or completed. The respective competitive positions of the Developers and any of the homebuilders are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

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

Maximum Impact on District Tax Rate: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The District's January 1, 2022 Taxable Assessed Valuation is $584,110,684, and the Estimate of Value as of January 15, 2023, is $692,376,000. After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds and the Bonds is $4,205,583 (2025), and the average annual debt service requirement on the Outstanding Bonds and the Bonds is $3,706,233 (2023-2048). See "DISTRICT DEBT – Debt Service Requirements."

Assuming no increase to nor decrease from the District's January 1, 2022 Taxable Assessed Valuation, tax rates of $0.76 and $0.67 per $100 of taxable assessed valuation at a 95% 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 District's Estimate of Value as of January 15, 2023, tax rates of $0.64 and $0.57 per $100 of taxable 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.

In 2022, the District levied a total tax rate of $0.96 per $100 of taxable assessed valuation composed of the following: a tax of $0.3000 for payment of debt service for bonds issued for the Utility System, a tax of $0.4000 for payment of debt service for bonds issued for the Road System, a tax of $0.2125 for payment of the District's expenditures for maintenance and operations and a tax of $0.0475 for payment of the District's contractual obligations to pay its pro rata share of debt service on the Contract Revenue Bonds. Taxes collected to pay debt service on the Outstanding Bonds and the Bonds cannot be used to pay debt service on the Contract Revenue Bonds, and likewise, taxes collected to pay debt service on the Contract Revenue Bonds cannot be used to pay debt service on the Outstanding Bonds and the Bonds.

Vacant Developed Lots

As of January 15, 2023, approximately 236 developed lots within the District remained available for construction. Future increases in value will result primarily from the construction of homes by builders. The District makes no representation that the lot sales and building program will be successful.

Master District Contract

Each Participant has entered into the Master District Contract for the financing and operation of regional water and wastewater facilities that service the Service Area. Under the Master District Contract, each Participant agrees that the District, in its capacity as the Master District, shall be the primary coordinating district that is responsible for obtaining the Master District Facilities that are necessary to serve the Service Area.

The Master District Contract provides that the Master District is authorized to issue Contract Revenue Bonds in an amount necessary to finance Master District Facilities that serve development within the entire Service Area. Each Participant is obligated to pay its pro rata share, based on the assessed valuation of a Participant to the combined assessed valuation of all Participants, of debt service on the Contract Revenue Bonds and is required to levy a Contract Tax, without limitation as to rate or amount, on all taxable property within its boundaries, that produces sufficient tax revenue to make timely payments for its share of debt service on the Contract Revenue Bonds as well as all other charges due under the Master District Contract.

To date, the District, acting as the Master District, has issued the following five series of Contract Revenue Bonds: $2,955,000 Unlimited Tax Contract Revenue Bonds, Series 2007; $3,070,000 Unlimited Tax Contract Revenue Bonds, Series 2008; $4,000,000 Unlimited Tax Contract Revenue Refunding Bonds, Series 2014; $1,515,000 Unlimited Tax Contract Revenue Bonds, Series 2019; and $8,200,000 Unlimited Tax Contract Revenue Bonds, Series 2020. Of such five series of bonds, $12,520,000 principal amount will remain outstanding as of May 1, 2023. The District cannot represent whether any of the development planned or occurring in the Service Area served by the Master District Facilities will be successful.

In 2022, the District levied a Contract Tax of $0.0475 per $100 of taxable assessed valuation for payment of its share of debt service on the Contract Revenue Bonds. The District's Contract Tax is not pledged to payment of debt service on the Bonds. The levy of a Contract Tax by the Participants to substantially high levels could have an adverse impact upon future development and upon development and home sales within the Service Area and the ability of the Participants to collect, and the willingness of owners of property located within the Service Area to pay, the ad valorem taxes levied by the Participants, including the District's levy of its Contract Tax for payment under the Master District Contract as well as the District's eventual levy of a tax for payment of debt service on the Bonds. See "THE UTILITY SYSTEM – The Master District."

Tax Collections and Foreclosure Remedies

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

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

Registered Owners' Remedies

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

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

Bankruptcy Limitation to Registered Owners' Rights

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

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

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

The District may not be placed into bankruptcy involuntarily.

Future Debt

Following the issuance of the Bonds, $168,840,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System to serve the District and $317,250,000 for the refunding of such bonds and $38,690,250 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and $101,475,375 for the refunding of such bonds will remain authorized but unissued. In addition, the District has the right to issue obligations, other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow money for any valid public purpose. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt to property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Following the issuance of the Bonds, the District will owe the Developers $7,500,000 for expenditures to construct the Road System and the Utility System.

The District intends to submit a bond application to the TCEQ in the second quarter of 2023. The principal par amount of such bonds is yet to be determined. Such bonds are expected to be issued in the second half of 2023.

Based on present engineering cost estimates and on development plans supplied by the Developers, in the opinion of the Engineer, the District's remaining authorized but unissued bonds will be sufficient to fully reimburse the Developers for expenditures to construct the existing facilities in the District and to construct additional facilities necessary to serve the remaining undeveloped but developable land within the District.

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

Competitive Nature of Dallas Residential Market

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

Marketability of the Bonds

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

Continuing Compliance with Certain Covenants

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

Approval of the Bonds

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

Environmental Regulation

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

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

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

Air Quality Issues: Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the TCEQ may impact new industrial, commercial, and residential development in the Dallas-Fort Worth ("DFW") area. Under the Clean Air Act ("CAA") Amendments of 1990, a nine (9)-county DFW area ("1997 DFW Area")—Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Rockwall, and Tarrant Counties—has been designated an attainment area under the one-hour (124 parts per billion ("ppb")) and eight (8)-hour (84 ppb) standards promulgated by the EPA in 1997 (the "1997 Ozone Standards").

However, a ten (10)-county DFW area ("2008 DFW Area") – Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Rockwall, Tarrant, and Wise Counties – has been designated a "moderate" nonattainment area under the eight (8)-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard"), with an attainment deadline of July 20, 2018. If the EPA ultimately determines that the 2008 DFW Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

Further, a nine (9)-county DFW area ("2015 DFW Area") – Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Tarrant, and Wise Counties has been designated a "marginal" nonattainment are under the eight (8)-hour ozone standard of 75 ppb promulgated by the EPA in 2015 (the "2015 Ozone Standard"), with an attainment deadline of August 3, 2021.

In order to demonstrate progress toward attainment of the EPA's ozone standards, the TCEQ has established a state implementation plan ("SIP") for the 2008 and 2015 DFW Areas setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the 2008 and 2015 DFW Areas to reach attainment with the ozone standards by the EPA's attainment deadlines. These additional controls could have a negative impact on the area's economic growth and development.

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

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

Pursuant to the federal Safe Drinking Water Act ("SDWA") and the EPA's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than 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 non-stormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

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

In 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule ("CWR") aimed at redefining "waters of the United States" over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. 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 itself became the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule ("NWPR"), which contained a new definition of "waters of the United States." The NWPR became effective June 22, 2020, and is 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 made 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," and on December 7, 2021, the proposed rule was published in the Federal Register, with the public comment period closing on February 7, 2022. On December 30, 2022, the EPA and USACE finalized the proposed rule, effective as of March 20, 2023, which vacates and remands the NWPR released in 2020 and interprets "waters of the United States" consistent with the pre-2015 regulatory regime. The adoption of the new rule is the subject of litigation, including a suit filed in the United States District Court for the Southern District of Texas. Due to this 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.

The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems.

The District has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required plans, as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Costs associated with these compliance activities could be substantial in the future.

Future and Proposed Legislation

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

2023 Legislation

The 88th Regular Legislative Session convened on January 10, 2023 and will conclude on May 29, 2023. The Texas Legislature could enact laws that materially change current laws affecting ad valorem tax matters, election measures, and other matters which could adversely affect the marketability or market value of the Bonds. The District can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions.

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 a bond insurance policy (the “Insurance Policy”) for such payments. However, in the event of any acceleration of the due date of such principal by reason of optional redemption, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such optional redemption. The Insurance Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the 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 Insurance Policy, if any (the “Bond Insurer”), at such time and in such amounts as would have been due absent such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

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

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

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

The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies. Neither the District nor the Initial Purchaser have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" and "RATINGS" herein for further information provided by the Bond Insurer and the Insurance Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

LEGAL MATTERS

Legal Opinions

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

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

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

Opinion

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

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

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

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

State, Local and Foreign Taxes

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

Not Qualified Tax-Exempt Obligations

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

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

The information to be updated with respect to the District includes all quantitative financial information and operating data relative to the District of the general type included in this Official Statement under the headings "DISTRICT DEBT " (except under the subheading "Estimated Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A." The District will update and provide this information within six months after the end of each of fiscal year ending in or after 2023.

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

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

Event Notices

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

Availability of Information from MSRB

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if by only (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any qualified professional unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided. The District may also amend or repeal its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of such rule are invalid, and the District also may amend its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings

The District has entered into continuing disclosure agreements pursuant to the Rule in connection with the issuance of its outstanding indebtedness in its capacity as a Participant and its capacity as the Master District. Due to an administrative oversight, the District, in its capacity as the Master District, failed to file in a timely manner the following: (1) a material event notice indicating an increase to the bond insurance rating in connection with Contract Revenue Bonds issued by the Master District in 2007; (2) audited financial statements for the fiscal year ended July 31, 2019 for KC MUD 6 and annual financial information and operating data for the Master District in connection with its Contract Revenue Bonds issued in 2019; and (3) updated selected financial information of the Participants for the fiscal year ended July 31, 2022. Such filings have since been made along with notice of late filings for each instance. The District has implemented procedures to ensure timely filing of all future annual financial data. Otherwise, during the last five years, the District has complied with its prior continuing disclosure obligations.

OFFICIAL STATEMENT

General

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

The District's audited financial statements for the year ended July 31, 2022, were audited by McGrath & Co., Certified Public Accountants, PLLC, and have been attached hereto as "APPENDIX A." The Auditor has consented to the publication of such financial statements in this Official Statement.

Experts

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

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

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

Certification as to Official Statement

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

Updating the Official Statement

If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide and Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser. The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the "end of the underwriting period" within the meaning of the

Rule), unless the Initial Purchaser provides written notice the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the "end of the underwriting period" as defined in the Rule.

CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of Kaufman County Municipal Utility District No. 5 as of the date specified on the cover page hereof.

/s/ John Sammons
President, Board of Directors
Kaufman County Municipal Utility District No. 5

ATTEST:

/s/ Carrie Solley
Secretary, Board of Directors
Kaufman County Municipal Utility District No. 5

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 5

KAUFMAN COUNTY, TEXAS

FINANCIAL REPORT

July 31, 2022

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McGRATH & CO., PLLC
Certified Public Accountants
2900 North Loop West, Suite 880
Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Kaufman County Municipal Utility District No. 5
Kaufman County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Kaufman County Municipal Utility District No. 5 (the "District"), as of and for the year ended July 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Kaufman County Municipal Utility District No. 5, as of July 31, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information schedules are presented for purposes of additional analysis and are 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 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 Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

McGrath & Co, PLLC

Houston, Texas
November 17, 2022

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Management's Discussion and Analysis

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Using this Annual Report

Within this section of the financial report of Kaufman County Municipal Utility District No. 5 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended July 31, 2022. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at July 31, 2022, was negative $12,162,064. A comparative summary of the District's overall financial position, as of July 31, 2022 and 2021, is as follows:

	2022	2021
Current and other assets	$ 9,733,841	$ 8,518,841
Capital assets	66,162,450	53,828,765
Total assets	75,896,291	62,347,606
Total deferred outflows of resources	111,708	127,666
Current liabilities	3,660,456	2,433,009
Long-term liabilities	84,509,607	67,195,447
Total liabilities	88,170,063	69,628,456
Net position		
Net investment in capital assets	(16,014,725)	(10,488,758)
Restricted	1,932,929	1,335,572
Unrestricted	1,919,732	2,000,002
Total net position	$ (12,162,064)	$ (7,153,184)

The total net position of the District decreased during the current fiscal year by $5,008,880. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2022	2021
Revenues		
Sewer and garbage services	$ 1,336,664	$ 945,233
Participant billings	1,417,892	1,123,767
Property taxes, penalties and interest	3,354,330	2,012,601
Contract taxes	675,000	573,604
Other	191,163	568,585
Total revenues	6,975,049	5,223,790
Expenses		
Current service operations	3,587,534	2,403,309
Debt interest and fees	1,641,368	1,028,008
Developer interest	1,772,183	1,044,326
Debt issuance costs	2,543,152	1,752,411
Contractual obligations	217,554	150,062
Depreciation	2,222,138	1,897,601
Total expenses	11,983,929	8,275,717
Change in net position	(5,008,880)	(3,051,927)
Net position, beginning of year	(7,153,184)	(4,101,257)
Net position, end of year	$ (12,162,064)	$ (7,153,184)

Financial Analysis of the District's Funds

General Fund

A comparative summary of the General Fund's financial position as of July 31, 2022 and 2021 is as follows:

	2022	2021
Total assets	$ 2,101,676	$ 2,069,013
Total liabilities	$ 155,616	$ 42,683
Total deferred inflows	8,458	9,470
Total fund balance	1,937,602	2,016,860
Total liabilities, deferred inflows and fund balance	$ 2,101,676	$ 2,069,013

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

	2022	2021
Total revenues	$ 1,773,660	$ 2,005,446
Total expenditures	(1,840,329)	(1,107,293)
Revenues over/(under) expenditures	(66,669)	898,153
Other changes in fund balance	(12,589)	
Net change in fund balance	$ (79,258)	$ 898,153

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. While assessed values in the District increased from the prior year, property tax revenues decreased because the District decreased the maintenance component of the levy.
- Sewer revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Sewer connection fees fluctuate with homebuilding activity within the District.

Master District Debt Service Fund

A comparative summary of the Master District Debt Service Fund's financial position as of July 31, 2022 and 2021 is as follows:

	2022	2021
Total assets	$ 575,654	$ 628,458
Total fund balance	$ 575,654	$ 628,458

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

	2022	2021
Total revenues	$ 676,054	$ 575,382
Total expenditures	(728,858)	(515,994)
Revenues over/(under) expenditures	$ (52,804)	$ 59,388

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

Internal District Debt Service Fund

A comparative summary of the Internal District Debt Service Fund's financial position as of July 31, 2022 and 2021 is as follows:

	2022	2021
Total assets	$ 2,101,300	$ 1,188,697
Total liabilities	$ 1,074	$ 1,500
Total deferred inflows	72,354	33,645
Total fund balance	2,027,872	1,153,552
Total liabilities, deferred inflows and fund balance	$ 2,101,300	$ 1,188,697

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

	2022	2021
Total revenues	$ 3,056,348	$ 1,505,645
Total expenditures	(2,182,028)	(1,231,056)
Revenues over expenditures	874,320	274,589
Other changes in fund balance		244,265
Net change in fund balance	$ 874,320	$ 518,854

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

Master District Capital Projects Fund

A comparative summary of the Master District Capital Projects Fund's financial position as of July 31, 2022 and 2021 is as follows:

	2022	2021
Total assets	$ 4,019,097	$ 4,023,216
Total liabilities	$ 287,258	$ 238,058
Total fund balance	3,731,839	3,785,158
Total liabilities and fund balance	$ 4,019,097	$ 4,023,216

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

	2022	2021
Total revenues	$ 12,911	$ 1,238
Total expenditures	(66,230)	(4,303,118)
Revenues under expenditures	(53,319)	(4,301,880)
Other changes in fund balance		8,200,000
Net change in fund balance	$ (53,319)	$ 3,898,120

The District has not had any significant capital asset activity in the current year. The District's capital asset activity in the prior year was financed with proceeds from the issuance of its Series 2020 Unlimited Tax Contract Revenue Bonds.

Internal District Capital Projects Fund

A comparative summary of the Internal District Capital Projects Fund's financial position as of July 31, 2022 and 2021 is as follows:

	2022	2021
Total assets	$ 513,934	$ 231,100
Total liabilities	$ 9,049	$ -
Total fund balance	504,885	231,100
Total liabilities and fund balance	$ 513,934	$ 231,100

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

	2022	2021
Total revenues	$ 413	$ 164
Total expenditures	(31,494,217)	(12,924,274)
Revenues under expenditures	(31,493,804)	(12,924,110)
Other changes in fund balance	31,767,589	13,045,735
Net change in fund balance	$ 273,785	$ 121,625

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of a bond anticipation note and unlimited tax bonds in the current year and the issuance of unlimited tax bonds in the prior year.

Master District Operations Fund

A comparative summary of the Master District Operations Fund's financial position as of July 31, 2022 and 2021 is as follows:

	2022	2021
Total assets	$ 521,463	$ 378,357
Total liabilities	$ 513,791	$ 370,685
Total fund balance	7,672	7,672
Total liabilities and fund balance	$ 521,463	$ 378,357

A comparative summary of activities for the Master District Operations Fund's current and prior fiscal year is as follows

	2022	2021
Total revenues	$ 1,417,966	$ 1,123,807
Total expenditures	(1,417,966)	(1,123,807)
Revenues over/(under) expenditures	$ -	$ -

Revenues in the Master District Operations Fund primarily consist of charges to participants. The amount the District charges is based upon the actual cost of providing services. Consequently, revenues will equal expenditures each year.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $603,233 less than budgeted. The *Budgetary Comparison Schedule* on page 42 of this report provides variance information per financial statement line item.

Capital Assets

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

Capital assets held by the District at July 31, 2022 and 2021 are summarized as follows:

	2022	2021
Capital assets not being depreciated		
Master District facilities		
Land and improvements	$ 137,784	$ 137,784
Internal facilities		
Land and improvements	7,844,439	3,192,806
	7,982,223	3,330,590
Capital assets being depreciated		
Master District facilities		
Water and sewer facilities	8,440,958	8,440,958
Internal facilities		
Water, sewer, and drainage facilities	29,758,185	23,614,032
Roads	27,465,425	23,705,388
	65,664,568	55,760,378
Less accumulated depreciation		
Master District facilities		
Water and sewer facilities	(1,653,388)	(1,465,814)
Internal facilities		
Water, sewer, and drainage facilities	(1,844,407)	(1,183,114)
Roads	(3,986,546)	(2,613,275)
	(7,484,341)	(5,262,203)
Depreciable capital assets, net	58,180,227	50,498,175
Capital assets, net	$ 66,162,450	$ 53,828,765

Capital asset additions during the current year include the following:

- Land acquisitions to serve Travis Ranch Phase 1H, 5A, 5B and 5C, Travis Ranch South, Trinity Crossing Phase 6A, and Governor's lots.
- Utilities and road improvements to serve Trinity Crossing Phase 6A, and Governor's lots

Long-Term Debt and Related Liabilities

As of July 31, 2022, the District owes approximately $12,744,607 to developers for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the

District's financial statements upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At July 31, 2022 and 2021, the District had total bonded debt outstanding as shown below:

Series	2022	2021
Contract Revenue Bonds		
2007	$ 225,000	$ 225,000
2008	485,000	485,000
2014 Refunding	2,555,000	2,870,000
2019	1,515,000	1,515,000
2020	8,135,000	8,200,000
Unlimited Tax Bonds		
2018 Road	4,035,000	4,145,000
2019 Road	2,935,000	3,010,000
2020 Road	9,335,000	9,620,000
2020	6,215,000	6,400,000
2020A Road	6,625,000	6,890,000
2021	13,730,000	
2021A Road	9,195,000	
2022	8,830,000	
	$ 73,815,000	$ 43,360,000

During the current year, the District issued $22,560,000 in unlimited tax bonds, and $9,195,000 in unlimited tax road bonds. At July 31, 2022, the District had $38,690,250 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; $101,475,375 for refunding such bonds; $178,080,000 for road improvements and $317,250,000 for refunding such bonds.

During the current year, the District issued a $4,065,000 bond anticipation note (BAN) to provide short-term financing for developer reimbursements. The District repaid the BAN with proceeds from the issuance of its Series 2022 Unlimited Tax Bonds. See Note 6 for additional information.

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and sewer services and the projected cost of operating the District and providing services to customers.

A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	2022 Actual	2023 Budget
Total revenues	$ 1,773,660	$ 2,439,718
Total expenditures	(1,840,329)	(1,956,710)
Revenues over/(under) expenditures	(66,669)	483,008
Other changes in fund balance	(12,589)	
Net change in fund balance	(79,258)	483,008
Beginning fund balance	2,016,860	1,937,602
Ending fund balance	$ 1,937,602	$ 2,420,610

Property Taxes

The District's property tax base increased approximately $229,739,000 for the 2022 tax year from $328,526,204 to $558,264,751. This increase was primarily due to new construction in the District and increased property values. For the 2022 tax year, the District has levied a maintenance tax rate of $0.2125 per $100 of assessed value; a water, sewer and drainage debt service tax rate of $0.30 per $100 of assessed value; a road debt service tax rate of $0.40 per $100 of assessed value; and a contract tax rate of $0.0475 per $100 of assessed value, for a total combined tax rate of $0.96 per $100 of assessed value. Tax rates for 2021 tax year were $0.0675 per $100 for maintenance and operations; $0.355 per $100 for water, sewer and drainage debt service; $0.51 per $100 for road debt service; and $0.0675 per $100 for contract tax, for a combined total of $1.00 per $100 of assessed value.

Basic Financial Statements

Kaufman County Municipal Utility District No. 5
Statement of Net Position and Governmental Funds Balance Sheet
July 31, 2022

	General Fund	Master District Debt Service Fund	Internal District Debt Service Fund	Master District Capital Projects Fund
Assets				
Cash	$ 372,695	$ -	$ 31,795	$ 1,882
Investments	1,460,282	575,419	1,995,264	3,935,802
Taxes receivable	8,458		72,354	
Customer service receivables	194,841			
Due from other districts	42,000			
Internal balances	(81,140)			
Accrued interest receivable		235	350	
Restricted cash				81,413
Operating reserve	99,283			
Other receivables	5,257		1,537	
Capital assets not being depreciated				
Capital assets, net				
Total Assets	$ 2,101,676	$ 575,654	$ 2,101,300	$ 4,019,097
Deferred Outflows of Resources				
Deferred difference on refunding				
Liabilities				
Accounts payable	$ 152,700	$ -	$ -	$ 50,600
Other payables	2,916		1,074	
Operating reserve				
Due to other districts				236,658
Accrued interest payable				
Due to developer				
Long-term debt				
Due within one year				
Due after one year				
Total Liabilities	155,616		1,074	287,258
Deferred Inflows of Resources				
Deferred property taxes	8,458		72,354	
Fund Balances/Net Position				
Fund Balances				
Nonspendable	99,283			
Restricted		575,654	2,027,872	3,731,839
Committed				
Unassigned	1,838,319			
Total Fund Balances	1,937,602	575,654	2,027,872	3,731,839
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 2,101,676	$ 575,654	$ 2,101,300	$ 4,019,097
Net Position				
Net investment in capital assets				
Restricted for debt service				
Unrestricted				
Total Net Position				

See notes to basic financial statements.

Internal District Capital Projects Fund	Master District Operations	Total	Adjustments	Statement of Net Position
$ 532,541	$ 263,238	$ 1,202,151	$ -	$ 1,202,151
		7,966,767		7,966,767
		80,812		80,812
		194,841		194,841
	158,478	200,478		200,478
(18,607)	99,747			
		585		585
		81,413		81,413
		99,283	(99,283)	
		6,794		6,794
			7,982,223	7,982,223
			58,180,227	58,180,227
$ 513,934	$ 521,463	$ 9,833,124	66,063,167	75,896,291
			111,708	111,708
$ 9,049	$ 254,838	$ 467,187		467,187
		3,990		3,990
	258,953	258,953	(99,283)	159,670
		236,658		236,658
			742,951	742,951
			12,744,607	12,744,607
			2,050,000	2,050,000
			71,765,000	71,765,000
9,049	513,791	966,788	87,203,275	88,170,063
		80,812	(80,812)	
		99,283	(99,283)	
504,885		6,840,250	(6,840,250)	
	7,672	7,672	(7,672)	
		1,838,319	(1,838,319)	
504,885	7,672	8,785,524	(8,785,524)	
$ 513,934	$ 521,463	$ 9,833,124		
			(16,014,725)	(16,014,725)
			1,932,929	1,932,929
			1,919,732	1,919,732
			$ (12,162,064)	$ (12,162,064)

Kaufman County Municipal Utility District No. 5
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended July 31, 2022

	General Fund	Master District Debt Service Fund	Internal District Debt Service Fund	Master District Capital Projects Fund
Revenues				
Sewer service	$ 781,400	$ -	$ -	$ -
Garbage service	555,264			
Participant billings				
Property taxes	222,393		3,034,017	
Penalties and interest	43,554		16,669	
Contract tax from participants		675,000		
Sewer connection fees	81,825			
Other	82,580			
Miscellaneous	885		75	
Investment earnings	5,759	1,054	5,587	12,911
Total Revenues	1,773,660	676,054	3,056,348	12,911
Expenditures/Expenses				
Current service operations				
Purchased services	550,950			
Professional fees	218,918			65,780
Contracted services	943,226		60,312	
Repairs and maintenance	41,442			
Utilities	39,638			
Administrative	46,155		8,246	
Other				450
Capital outlay				
Debt service				
Principal		380,000	920,000	
Interest and fees		348,858	975,916	
Developer interest				
Debt issuance costs				
Contractual obligations			217,554	
Depreciation				
Total Expenditures/Expenses	1,840,329	728,858	2,182,028	66,230
Revenues Over/(Under) Expenditures/Expenses	(66,669)	(52,804)	874,320	(53,319)
Other Financing Sources				
Proceeds from the sale of bonds				
Proceeds from bond anticipation note				
Repayment of bond anticipation note				
Internal transfers	(12,589)			
Net Change in Fund Balances	(79,258)	(52,804)	874,320	(53,319)
Change in Net Position				
Fund Balances/Net Position				
Beginning of the year	2,016,860	628,458	1,153,552	3,785,158
End of the year	$ 1,937,602	$ 575,654	$ 2,027,872	$ 3,731,839

See notes to basic financial statements.

Internal District Capital Projects Fund	Master District Operations	Total	Adjustments	Statement of Activities
$ -	$ -	$ 781,400	$ -	$ 781,400
		555,264		555,264
	1,417,892	1,417,892		1,417,892
		3,256,410	30,393	3,286,803
		60,223	7,304	67,527
		675,000		675,000
		81,825		81,825
		82,580		82,580
		960		960
413	74	25,798		25,798
413	1,417,966	6,937,352	37,697	6,975,049
	1,354,864	1,905,814		1,905,814
178,271	2,138	465,107		465,107
	14,298	1,017,836		1,017,836
	23,724	65,166		65,166
	16,826	56,464		56,464
	6,116	60,517		60,517
16,180		16,630		16,630
26,961,643		26,961,643	(26,961,643)	
		1,300,000	(1,300,000)	
22,788		1,347,562	293,806	1,641,368
1,772,183		1,772,183		1,772,183
2,543,152		2,543,152		2,543,152
		217,554		217,554
			2,222,138	2,222,138
31,494,217	1,417,966	37,729,628	(25,745,699)	11,983,929
(31,493,804)		(30,792,276)	25,783,396	(5,008,880)
31,755,000		31,755,000	(31,755,000)	
4,065,000		4,065,000	(4,065,000)	
(4,065,000)		(4,065,000)	4,065,000	
12,589				
273,785		962,724	(962,724)	
			(5,008,880)	(5,008,880)
231,100	7,672	7,822,800	(14,975,984)	(7,153,184)
$ 504,885	$ 7,672	$ 8,785,524	$ (20,947,588)	$ (12,162,064)

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Kaufman County Municipal Utility District No. 5 (the "District") conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality dated February 13, 2003, as Lake Vista Ranch Municipal Utility District No. 1 and changed its name to Kaufman County Municipal Utility District No. 5 by an order issued by the Texas Commission on Environmental Quality on January 13, 2005. The District operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on March 7, 2003 and the first bonds were sold on May 1, 2007.

The District's primary activities include the construction of water, sewer, drainage and road facilities and the provision of regional water supply and wastewater services. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs, other than payroll taxes on fees of office paid to the directors.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

- The General Fund is used to account for the operations of the District's sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Master District Debt Service Fund is used to account for the payment of interest and principal on the District's contract revenue bonds. The primary source of revenue is contract taxes from participants (including the District in its capacity as a participant).
- The Internal District Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Master District Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of Master District regional water and sewer facilities.
- The Internal District Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer, drainage and road facilities.
- The Master District Operations Fund is used to account for revenues received from participants that are restricted to expenditures for the operation and maintenance of a regional water/wastewater plant.

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

Measurement Focus and Basis of Accounting

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

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

Use of Restricted Resources

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At July 31, 2022, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

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

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of $50,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

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

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

Deferred Inflows and Outflows of Financial Resources

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

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources. Deferred outflows of financial resources at the government-wide level are from a refunding bond transaction in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense.

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of operating reserves paid to the Master District Operations Fund for the regional water/wastewater plant.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District's committed fund balances in the Master District Operations Fund consist of amounts restricted for the operation of the regional facilities in accordance with the District's contract with Kaufman County Municipal Utility District No's. 6 and 7.

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

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

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balances, governmental funds		$ 8,785,524
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 73,646,791	
Less accumulated depreciation	(7,484,341)	
Change due to capital assets		66,162,450
The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the *Statement of Net Position* and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.		111,708
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Bonds payable, net	(73,815,000)	
Interest payable on bonds	(742,951)	
Change due to long-term debt		(74,557,951)
Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the *Statement of Net Position.*		(12,744,607)
Property taxes receivable have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		
Property taxes receivable	66,181	
Penalty and interest receivable	14,631	
Change due to property taxes		80,812
Total net position - governmental activities		$ (12,162,064)

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

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

Net change in fund balances - total governmental funds		$ 962,724
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and penalties and interest.		37,697
Governmental funds report capital outlays for construction costs and developer reimbursements as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset. Amounts reimbursed to the developer reduce the liability for due to developer in the *Statement of Net Position*.		
Capital outlays	$ 26,961,643	
Depreciation expense	(2,222,138)	
		24,739,505
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.		
Issuance of long term debt	(31,755,000)	
Proceeds from bond anticipation note	(4,065,000)	
Repayment of bond anticipation note	4,065,000	
Principal payments	1,300,000	
Interest expense accrual	(293,806)	
		(30,748,806)
Change in net position of governmental activities		$ (5,008,880)

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Restricted Cash

At July 31, 2022, the District held in escrow $81,413 from the Series 2007 Bonds as required by the Texas Commission on Environmental Quality, for use on Forney Lake Water Supply Corporation water pump; the Forney Lake Water Supply Corporation water line improvements; and the gravity trunk line easements. The District has determined that it is highly unlikely that the intended projects for the escrowed funds will ever meet requirements for the escrow funds to be released.

Investments

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

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

Note 3 – Deposits and Investments (continued)

Investments

As of July 31, 2022, the District's investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	Master District Debt Service	$ 453,924			
	Internal District Debt Service	471,051			
		924,975	12.0%	N/A	N/A
TexPool	Master District Debt Service	121,495			
	Master District Capital Projects	3,935,802			
	General Fund	1,460,282			
	Internal District Debt Service	1,524,213			
		7,041,792	88.0%	AAAm	24 days
Total		$ 7,966,767	100.0%		

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

TexPool

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the District's position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District's investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at July 31, 2022, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Internal District Capital Projects	$ 18,607	Bond application fees paid by the General Fund
Master District Operations	General Fund	99,747	Master District service fees not remitted as of year end

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

During the current year, the District transferred $12,589 from the General Fund to the Internal District Capital Project Fund to cover the bonds issuance costs.

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended July 31, 2022, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Master District facilities			
Land and improvements	$ 137,784	$ -	$ 137,784
Internal facilities			
Land and improvements	3,192,806	4,651,633	7,844,439
	3,330,590	4,651,633	7,982,223
Capital assets being depreciated			
Master District facilities			
Water and sewer facilities	8,440,958		8,440,958
Internal facilities			
Water, sewer, and drainage facilities	23,614,032	6,144,153	29,758,185
Roads	23,705,388	3,760,037	27,465,425
	55,760,378	9,904,190	65,664,568
Less accumulated depreciation			
Master District facilities			
Water and sewer facilities	(1,465,814)	(187,574)	(1,653,388)
Internal facilities			
Water, sewer, and drainage facilities	(1,183,114)	(661,293)	(1,844,407)
Roads	(2,613,275)	(1,373,271)	(3,986,546)
	(5,262,203)	(2,222,138)	(7,484,341)
Subtotal depreciable capital assets, net	50,498,175	7,682,052	58,180,227
Capital assets, net	$ 53,828,765	$ 12,333,685	$ 66,162,450

Depreciation expense for the current year was $2,222,138.

Note 6 – Bond Anticipation Note

The District uses a bond anticipation note (BAN) to provide short-term financing for reimbursements to its developers. Despite its short-term nature, a BAN is not recorded as a fund liability, since it will not be repaid from current financial resources and will be repaid through the issuance of long-term debt or another BAN. It is, however, recorded as a liability at the government-wide level.

On December 21, 2021, the District issued a $4,065,000 BAN with an interest rate of 0.93%, which is due on December 20, 2022. The district paid this BAN on July 26, 2022, with proceeds from the issuance of its Series 2022 Unlimited Tax Bonds.

Note 6 – Bond Anticipation Note (continued)

The effect of these transactions on the District's short-term obligations are as follows:

Beginning balance	$	-
Amounts borrowed		4,065,000
Amounts repaid		(4,065,000)
Ending balance	$	-

Note 7 – Due to Developer

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

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

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

Due to developer, beginning of year	$	25,150,427
Developer reimbursements		(26,961,643)
Developer funded construction and adjustments		14,555,823
Due to developer, end of year	$	12,744,607

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

	Contract Revenue Bonds		Unlimited Tax Bonds		Total	
Bonds payable	$	12,915,000	$	60,900,000	$	73,815,000
Due within one year	$	395,000	$	1,655,000	$	2,050,000

Note 8 – Long-Term Debt (continued)

The District's bonds payable at July 31, 2022, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
Contract Revenue Bonds						
2007	$ 225,000	$ 2,955,000	4.0% - 4.375%	March 1, 2009/2030	September 1, March 1	March 1, 2014
2008	485,000	3,070,000	5.0% - 5.875%	March 1, 2011/2031	September 1, March 1	March 1, 2016
2014 Refunding	2,555,000	4,000,000	2.83%	March 1, 2015/2029	September 1, March 1	March 1, 2022
2019	1,515,000	1,515,000	3.0% - 4.0%	March 1, 2032/2044	September 1, March 1	March 1, 2024
2020	8,135,000	8,200,000	2.0% - 2.375%	March 1, 2022/2045	September 1, March 1	March 1, 2025
Unlimited Tax Bonds						
2018 Road	4,035,000	4,350,000	2.25% - 4.0%	March 1, 2020/2043	September 1, March 1	March 1, 2023
2019 Road	2,935,000	3,085,000	3.0% - 4.0%	March 1, 2021/2044	September 1, March 1	March 1, 2024
2020 Road	9,335,000	9,900,000	2.0% - 2.5%	March 1, 2021/2045	September 1, March 1	March 1, 2025
2020	6,215,000	6,400,000	2.0% - 4.5%	March 1, 2022/2046	September 1, March 1	March 1, 2025
2020A Road	6,625,000	6,890,000	2.0% - 3.0%	March 1, 2022/2046	September 1, March 1	March 1, 2025
2021	13,730,000	13,730,000	1.5% - 4.0%	March 1, 2023/2046	September 1, March 1	March 1, 2026
2021A Road	9,195,000	9,195,000	2.0% - 4.5%	March 1, 2023/2046	September 1, March 1	March 1, 2026
2022	8,830,000	8,830,000	4.0% - 6.0%	March 1, 2024/2047	September 1, March 1	March 1, 2027
	$ 73,815,000					

Note 8 – Long-Term Debt (continued)

Payments of principal and interest on all series of contract revenue bonds are to be provided from the participant districts, including the District in its capacity as a participant district, based on their pro rata share of the total certified assessed valuation of all participant districts. The participant districts are contractually required to levy a contract tax in an amount sufficient to meet their required contribution. See Note 9 for additional information. Payments of principal and interest on all series of unlimited tax bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the debt service funds from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At July 31, 2022, the District had authorized but unissued bonds in the amount of $38,690,250 for water, sewer and drainage facilities and $101,475,375 for refunding of such bonds; $178,080,000 for road improvements and $317,250,000 for refunding of such bonds.

On November 18, 2021, the District issued its $13,730,000 Series 2021 Unlimited Tax Bonds at a net effective interest rate of 2.738083%. Proceeds of the bonds were used to reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds.

On November 23, 2021, the District issued its $9,195,000 Series 2021A Unlimited Tax Road Bonds at a net effective interest rate of 2.836853%. Proceeds of the bonds were used to reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds.

On July 26, 2022, the District issued its $8,830,000 Series 2022 Unlimited Tax Bonds at a net effective interest rate of 4.649035%. Proceeds of the bonds were used to reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds and to repay a $4,065,000 BAN issued in the current year fiscal year.

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

	Contract Revenue Bonds	Unlimited Tax Bonds	Total
Bonds payable, beginning of year	$ 13,295,000	$ 30,065,000	$ 43,360,000
Bonds issued		31,755,000	31,755,000
Bonds retired	(380,000)	(920,000)	(1,300,000)
Bonds payable, end of year	$ 12,915,000	$ 60,900,000	$ 73,815,000

Note 8 – Long-Term Debt (continued)

As of July 31, 2022, annual debt service requirements on unlimited tax contract revenue bonds outstanding are as follows:

Year	Principal	Interest	Totals
2023	$ 395,000	$ 334,069	$ 729,069
2024	405,000	323,430	728,430
2025	415,000	312,508	727,508
2026	430,000	301,303	731,303
2027	440,000	289,675	729,675
2028	455,000	277,762	732,762
2029	465,000	265,423	730,423
2030	485,000	252,761	737,761
2031	505,000	228,612	733,612
2032	525,000	208,825	733,825
2033	540,000	196,525	736,525
2034	560,000	183,825	743,825
2035	575,000	171,625	746,625
2036	590,000	159,075	749,075
2037	605,000	146,225	751,225
2038	625,000	133,025	758,025
2039	640,000	119,375	759,375
2040	660,000	104,725	764,725
2041	680,000	88,938	768,938
2042	700,000	71,975	771,975
2043	720,000	54,506	774,506
2044	740,000	36,531	776,531
2045	760,000	18,050	778,050
	$ 12,915,000	$ 4,278,768	$ 17,193,768

Note 8 – Long-Term Debt (continued)

As of July 31, 2022, annual debt service requirements on unlimited tax bonds outstanding are as follows:

Year	Principal	Interest	Totals
2023	$ 1,655,000	$ 1,652,375	$ 3,307,375
2024	1,910,000	1,756,233	3,666,233
2025	1,960,000	1,683,909	3,643,909
2026	2,010,000	1,609,509	3,619,509
2027	2,070,000	1,538,078	3,608,078
2028	2,120,000	1,469,423	3,589,423
2029	2,195,000	1,411,687	3,606,687
2030	2,250,000	1,351,587	3,601,587
2031	2,305,000	1,288,699	3,593,699
2032	2,375,000	1,222,738	3,597,738
2033	2,445,000	1,157,411	3,602,411
2034	2,510,000	1,089,348	3,599,348
2035	2,580,000	1,019,388	3,599,388
2036	2,655,000	946,812	3,601,812
2037	2,730,000	871,206	3,601,206
2038	2,810,000	791,419	3,601,419
2039	2,890,000	708,613	3,598,613
2040	2,980,000	621,301	3,601,301
2041	3,065,000	530,619	3,595,619
2042	3,165,000	436,544	3,601,544
2043	3,255,000	338,563	3,593,563
2044	3,040,000	247,451	3,287,451
2045	2,910,000	165,749	3,075,749
2046	2,440,000	90,025	2,530,025
2047	575,000	25,875	600,875
	$ 60,900,000	$ 24,024,562	$ 84,924,562

Note 9 – Property Taxes

On May 3, 2003, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $0.99 per $100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

Note 9 – Property Taxes (continued)

Property taxes are collected based on rates adopted in the year of the levy. The District's 2022 fiscal year was financed through the 2021 tax levy, pursuant to which the District levied property taxes of $1.00 per $100 of assessed value, of which $0.0675 was allocated to maintenance and operations; $0.355 was allocated to water ,sewer and drainage debt service; $0.51 was allocated to road debt service; and $0.0675 was allocated for contract tax purposes. The resulting tax levy was $3,285,262 on the adjusted taxable value of $328,526,204.

Property taxes receivable, at July 31, 2022, consisted of the following:

Current year taxes receivable	$	45,749
Prior years taxes receivable		20,432
		66,181
Penalty and interest receivable		14,631
Property taxes receivable	$	80,812

Note 10 – Regional Water and Wastewater Services Contract

On October 5, 2004, the District entered into a contract (the "Contract") with Kaufman County Municipal Utility District No. 6 and Kaufman County Municipal Utility District No. 7 (the "Participants") whereby the District agrees to provide or cause to be provided the regional water supply and distribution facilities and the wastewater collection, treatment and disposal facilities necessary to serve the Participants and all districts located within the District's service area.

The District is authorized to issue bonds for the purpose of acquiring and constructing facilities needed to provide services to the Participants. Each Participant contributes to the payment of debt service requirements based on its pro rata share of the total certified assessed valuation of all Participants. As of July 31, 2022, the District has $12,915,000 contract tax revenue bonds outstanding. For the year ended July 31, 2022, the District has recorded contract tax payments of $675,000 from the Participants for debt service purposes.

The Contract authorizes the establishment of an operating and maintenance reserve by the District equivalent to three months' operating and maintenance expenditures, as set forth in the District's annual budget. As of July 31, 2022, the Master District has an operating reserve of $159,670. The District shall adjust the reserve as needed, not less than annually.

The District will charge each Participant a monthly fee based on the actual unit cost per connection multiplied by the number of equivalent single-family connections reserved to the Participant. For the year ended July 31, 2022, the District has recorded $1,417,892 in revenues from the Participants under this Contract.

Note 11 – Water Service Contract

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

Note 12 – Wastewater Service Contract

On October 7, 2004, the District entered into a Wastewater Service Contract (the "Contract") with the City of Heath (the "City") for wastewater treatment services to serve customers within the District. Pursuant to the terms of this Contract, the District is required to pay service fees based on the District's actual flow of wastewater times the City's current unit cost per one thousand gallons of wastewater plus 20%. The term of this Contract is for thirty five years and shall remain in effect for each year thereafter unless terminated by either party providing two years advance notice. The City bills the District each month for services provided to the District. For the year ended July 31, 2022, the Master District has incurred expenditures of $1,354,864.

During the current year, the District received a credit from the City in the amount of $160,494 for 2020-2021 wastewater charges as a result of a final accounting. This amount is reported as a reduction to current year expenditures.

Note 13 – Risk Management

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

Note 14 - Subsequent Events

On August 23, 2022, the District issued its $6,125,000 Series 2022 Unlimited Tax Road Bonds at a net effective interest rate of 4.152539%. Proceeds from the bonds were used to reimburse the District's developers for road and road improvements in the District plus interest expense at the net effective interest rate of the bonds.

Required Supplementary Information

Kaufman County Municipal Utility District No. 5
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended July 31, 2022

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Sewer service	$ 685,000	$ 781,400	$ 96,400
Garbage service	504,000	555,264	51,264
Property taxes	570,000	222,393	(347,607)
Penalties and interest	27,000	43,554	16,554
Sewer connection fees	198,250	81,825	(116,425)
Other	81,000	82,580	1,580
Miscellaneous		885	885
Investment earnings	600	5,759	5,159
Total Revenues	2,065,850	1,773,660	(292,190)
Expenditures			
Current service operations			
Purchased services	606,000	550,950	55,050
Professional fees	70,500	218,918	(148,418)
Contracted services	778,150	943,226	(165,076)
Repairs and maintenance	28,200	41,442	(13,242)
Utilities	36,000	39,638	(3,638)
Administrative	23,025	46,155	(23,130)
Total Expenditures	1,541,875	1,840,329	(298,454)
Revenues Over/(Under) Expenditures	523,975	(66,669)	(590,644)
Other Item			
Internal transfers		(12,589)	(12,589)
Net Change in Fund Balance	523,975	(79,258)	(603,233)
Fund Balance			
Beginning of the year	2,016,860	2,016,860	
End of the year	$ 2,540,835	$ 1,937,602	$ (603,233)

Kaufman County Municipal Utility District No. 5
Required Supplementary Information - Budgetary Comparison Schedule
Master District Operations
For the Year Ended July 31, 2022

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Participant billings	$ 1,553,720	$ 1,417,892	$ (135,828)
Investment earnings		74	74
Total Revenues	1,553,720	1,417,966	(135,754)
Expenditures			
Current service operations			
Purchased services	1,500,000	1,354,864	145,136
Professional fees	2,900	2,138	762
Contracted services	14,100	14,298	(198)
Repairs and maintenance	18,000	23,724	(5,724)
Utilities	16,000	16,826	(826)
Administrative	2,720	6,116	(3,396)
Total Expenditures	1,553,720	1,417,966	135,754
Revenues Over/(Under) Expenditures	-	-	-
Fund Balance			
Beginning of the year	7,672	7,672	
End of the year	$ 7,672	$ 7,672	$ -

Budgets and Budgetary Accounting

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

Texas Supplementary Information

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

- [ ] Retail Water
- [ ] Wholesale Water
- [X] Solid Waste / Garbage
- [ ] Drainage
- [X] Retail Wastewater
- [ ] Wholesale Wastewater
- [ ] Flood Control
- [ ] Irrigation
- [ ] Parks / Recreation
- [ ] Fire Protection
- [ ] Roads
- [ ] Security
- [ ] Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
- [X] Other (Specify): Water service provided by Forney Lake Water Supply Corporation

2. Retail Service Providers N/A

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

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

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

Total charges per 10,000 gallons usage: Storm Water Fee $ 3.55 Wastewater $ 37.90

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"			x 1.0	
1"			x 2.5	
1.5"			x 5.0	
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water				
Total Wastewater	1,997	1,991	x 1.0	1,991

See accompanying auditor's report.

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

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

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

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

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

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

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

5. Location of District

Is the District located entirely within one county? Yes ☒ No ☐

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

Is the District located within a city? Entirely ☐ Partly ☐ Not at all ☒

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

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

Entirely ☒ Partly ☐ Not at all ☐

ETJs in which the District is located: Cities of Dallas, Forney and Mesquite

Are Board members appointed by an office outside the district? Yes ☐ No ☒

If Yes, by whom? ______

See accompanying auditor's report.

Kaufman County Municipal Utility District No. 5
TSI-2 General Fund Expenditures
For the Year Ended July 31, 2022

Purchased services	$ 550,950
Professional fees	
Legal	59,764
Audit	15,000
Engineering	144,154
	218,918
Contracted services	
Bookkeeping	10,058
Operator	164,470
Garbage collection	470,221
Tap connection and inspection	15,200
Security service	283,277
	943,226
Repairs and maintenance	41,442
Utilities	39,638
Administrative	
Directors fees	6,000
Insurance	6,764
Other	33,391
	46,155
Total expenditures	$ 1,840,329

See accompanying auditor's report.

Kaufman County Municipal Utility District No. 5
TSI-3. Investments
July 31, 2022

Fund	Interest Rate	Maturity Date	Balance at End of Year	Interest Receivable
General Fund				
TexPool	Variable	N/A	$ 1,460,282	$ -
Master District Debt Service				
TexPool	Variable	N/A	121,495	
Certificate of deposit	0.02%	08/12/22	208,435	19
Certificate of deposit	0.20%	08/22/22	245,489	215
			575,419	234
Internal District Debt Service				
TexPool	Variable	N/A	1,524,213	
Certificate of deposit	0.05%	08/22/22	245,489	54
Certificate of deposit	0.30%	08/22/22	225,562	297
			1,995,264	350
Master District Capital Projects Fund				
TexPool	Variable	N/A	3,935,802	
Total - All Funds			$ 7,966,767	$ 584

See accompanying auditor's report.

Kaufman County Municipal Utility District No. 5
TSI-4. Taxes Levied and Receivable
July 31, 2022

	Maintenance Taxes	Contract Taxes	W-S-D Debt Service Taxes	Road Debt Service Taxes	Total
Taxes Receivable, Beginning of Year	$ 9,470	$ 2,892	$ 5,127	$ 18,299	$ 35,788
2021 Original Tax Levy	218,659	218,659	1,149,984	1,652,089	3,239,391
Adjustments	3,096	3,096	16,285	23,394	45,871
Adjusted Tax Levy	221,755	221,755	1,166,269	1,675,483	3,285,262
Total to be accounted for	231,225	224,647	1,171,396	1,693,782	3,321,050
Tax collections:					
Current year	218,667	218,667	1,150,028	1,652,151	3,239,513
Prior years	4,100	1,258	2,626	7,372	15,356
Total Collections	222,767	219,925	1,152,654	1,659,523	3,254,869
Taxes Receivable, End of Year	$ 8,458	$ 4,722	$ 18,742	$ 34,259	$ 66,181
Taxes Receivable, By Years					
2021	$ 3,088	$ 3,088	$ 16,241	$ 23,332	$ 45,749
2020	4,370	1,411	1,501	10,927	18,209
2019	1,000	223	1,000		2,223
Taxes Receivable, End of Year	$ 8,458	$ 4,722	$ 18,742	$ 34,259	$ 66,181

	2021	2020	2019	2018
Property Valuations:				
Land	$ 107,424,230	$ 72,925,489	$ 36,892,390	$ 19,646,870
Improvements	225,939,136	126,291,755	39,331,753	28,720,380
Personal Property	576,703	614,640	186,170	32,000
Exemptions	(5,413,865)	(3,393,860)	(1,531,018)	(571,521)
Total Property Valuations	$ 328,526,204	$ 196,438,024	$ 74,879,295	$ 47,827,729
Tax Rates per $100 Valuation:				
Maintenance tax rate	$ 0.0675	$ 0.2400	$ 0.45	$ 0.34
Contract tax rates	0.0675	0.0775	0.10	0.10
W-S-D debt service tax rates	0.3550	0.0825	0.45	0.56
Road debt service tax rates	0.5100	0.6000		
Total Tax Rates per $100 Valuation	$ 1.0000	$ 1.00	$ 1.00	$ 1.00
Adjusted Tax Levy:	$ 3,285,262	$ 1,964,380	$ 748,793	$ 478,277
Percentage of Taxes Collected to Taxes Levied **	98.61%	99.07%	99.70%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: $0.99 on May 3, 2003

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

See accompanying auditor's report.

Kaufman County Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
Series 2007 Contract Revenue Bonds--by Years
July 31, 2022

Due During Fiscal Years Ending	Principal Due March 1	Interest Due September 1, March 1	Total
2023	$ -	$ 9,844	$ 9,844
2024		9,844	9,844
2025		9,844	9,844
2026		9,844	9,844
2027		9,844	9,844
2028		9,843	9,843
2029		9,843	9,843
2030	225,000	9,843	234,843
	$ 225,000	$ 78,749	$ 303,749

See accompanying auditor's report.

Kaufman County Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
Series 2008 Contract Revenue Bonds--by Years
July 31, 2022

Due During Fiscal Years Ending	Principal Due March 1	Interest Due September 1, March 1	Total
2023	$ -	$ 28,494	$ 28,494
2024		28,494	28,494
2025		28,494	28,494
2026		28,494	28,494
2027		28,494	28,494
2028		28,494	28,494
2029		28,493	28,493
2030	235,000	28,493	263,493
2031	250,000	14,687	264,687
	$ 485,000	$ 242,637	$ 727,637

See accompanying auditor's report.

Kaufman County Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
Series 2014 Contract Revenue Refunding Bonds--by Years
July 31, 2022

Due During Fiscal Years Ending	Principal Due March 1	Interest Due March 1, September 1	Total
2023	$ 330,000	$ 72,306	$ 402,306
2024	340,000	62,967	402,967
2025	350,000	53,345	403,345
2026	365,000	43,440	408,440
2027	375,000	33,112	408,112
2028	390,000	22,500	412,500
2029	405,000	11,462	416,462
	$ 2,555,000	$ 299,132	$ 2,854,132

See accompanying auditor's report.

Kaufman County Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
Series 2018 Unlimited Tax Road Bonds--by Years
July 31, 2022

Due During Fiscal Years Ending	Principal Due March 1	Interest Due September 1, March 1	Total
2023	$ 115,000	$ 150,847	$ 265,847
2024	120,000	147,570	267,570
2025	125,000	143,970	268,970
2026	130,000	140,220	270,220
2027	140,000	136,190	276,190
2028	145,000	131,710	276,710
2029	150,000	126,925	276,925
2030	160,000	121,825	281,825
2031	165,000	115,425	280,425
2032	175,000	108,825	283,825
2033	185,000	101,825	286,825
2034	195,000	94,887	289,887
2035	205,000	87,575	292,575
2036	215,000	79,887	294,887
2037	225,000	71,825	296,825
2038	235,000	63,106	298,106
2039	245,000	54,000	299,000
2040	255,000	44,200	299,200
2041	270,000	34,000	304,000
2042	285,000	23,200	308,200
2043	295,000	11,800	306,800
	$ 4,035,000	$ 1,989,812	$ 6,024,812

See accompanying auditor's report.

Kaufman County Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
Series 2019 Contract Revenue Bonds--by Years
July 31, 2022

Due During Fiscal Years Ending	Principal Due March 1	Interest Due September 1, March 1	Total
2023	$ -	$ 47,300	$ 47,300
2024		47,300	47,300
2025		47,300	47,300
2026		47,300	47,300
2027		47,300	47,300
2028		47,300	47,300
2029		47,300	47,300
2030		47,300	47,300
2031		47,300	47,300
2032	90,000	47,300	137,300
2033	95,000	43,700	138,700
2034	100,000	39,900	139,900
2035	105,000	36,900	141,900
2036	105,000	33,750	138,750
2037	110,000	30,600	140,600
2038	115,000	27,300	142,300
2039	120,000	23,850	143,850
2040	125,000	20,250	145,250
2041	130,000	16,500	146,500
2042	135,000	12,600	147,600
2043	140,000	8,550	148,550
2044	145,000	4,350	149,350
	$ 1,515,000	$ 771,250	$ 2,286,250

See accompanying auditor's report.

Kaufman County Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
Series 2019 Unlimited Tax Road Bonds--by Years
July 31, 2022

Due During Fiscal Years Ending	Principal Due March 1	Interest Due September 1, March 1	Total
2023	$ 80,000	$ 104,282	$ 184,282
2024	85,000	101,881	186,881
2025	90,000	99,331	189,331
2026	90,000	96,631	186,631
2027	95,000	93,931	188,931
2028	100,000	91,081	191,081
2029	105,000	88,081	193,081
2030	110,000	84,931	194,931
2031	115,000	81,494	196,494
2032	120,000	77,756	197,756
2033	125,000	73,706	198,706
2034	130,000	69,331	199,331
2035	135,000	64,781	199,781
2036	145,000	60,056	205,056
2037	150,000	54,800	204,800
2038	155,000	49,175	204,175
2039	165,000	43,363	208,363
2040	170,000	37,175	207,175
2041	180,000	30,800	210,800
2042	190,000	23,600	213,600
2043	195,000	16,000	211,000
2044	205,000	8,200	213,200
	$ 2,935,000	$ 1,450,386	$ 4,385,386

See accompanying auditor's report.

Kaufman County Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
Series 2020 Unlimited Tax Road Bonds--by Years
July 31, 2022

Due During Fiscal Years Ending	Principal Due March 1	Interest Due September 1, March 1	Total
2023	$ 295,000	$ 203,344	$ 498,344
2024	305,000	197,444	502,444
2025	310,000	191,344	501,344
2026	320,000	185,144	505,144
2027	330,000	178,744	508,744
2028	340,000	172,144	512,144
2029	350,000	165,344	515,344
2030	355,000	158,344	513,344
2031	365,000	151,243	516,243
2032	380,000	143,944	523,944
2033	390,000	136,343	526,343
2034	400,000	128,543	528,543
2035	410,000	120,544	530,544
2036	420,000	112,343	532,343
2037	435,000	103,419	538,419
2038	445,000	94,175	539,175
2039	460,000	84,162	544,162
2040	470,000	73,813	543,813
2041	485,000	62,650	547,650
2042	495,000	51,131	546,131
2043	510,000	39,375	549,375
2044	525,000	26,625	551,625
2045	540,000	13,500	553,500
	$ 9,335,000	$ 2,793,662	$ 12,128,662

See accompanying auditor's report.

Kaufman County Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
Series 2020 Unlimited Tax Bonds--by Years
July 31, 2022

Due During Fiscal Years Ending	Principal Due March 1	Interest Due September 1, March 1	Total
2023	$ 190,000	$ 155,412	$ 345,412
2024	195,000	146,862	341,862
2025	200,000	138,088	338,088
2026	205,000	129,088	334,088
2027	210,000	119,862	329,862
2028	215,000	115,662	330,662
2029	225,000	111,362	336,362
2030	230,000	106,862	336,862
2031	235,000	102,262	337,262
2032	240,000	96,975	336,975
2033	245,000	91,575	336,575
2034	250,000	86,062	336,062
2035	260,000	80,438	340,438
2036	265,000	74,588	339,588
2037	270,000	68,625	338,625
2038	280,000	62,550	342,550
2039	285,000	56,250	341,250
2040	295,000	49,838	344,838
2041	300,000	43,200	343,200
2042	310,000	36,450	346,450
2043	315,000	29,475	344,475
2044	325,000	22,388	347,388
2045	330,000	15,075	345,075
2046	340,000	7,650	347,650
	$ 6,215,000	$ 1,946,599	$ 8,161,599

See accompanying auditor's report.

Kaufman County Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
Series 2020A Unlimited Tax Road Bonds--by Years
July 31, 2022

Due During Fiscal Years Ending	Principal Due March 1	Interest Due September 1, March 1	Total
2023	$ 265,000	$ 151,675	$ 416,675
2024	265,000	143,725	408,725
2025	265,000	135,775	400,775
2026	270,000	127,825	397,825
2027	265,000	122,425	387,425
2028	265,000	117,125	382,125
2029	270,000	111,825	381,825
2030	270,000	106,425	376,425
2031	275,000	101,025	376,025
2032	270,000	94,838	364,838
2033	270,000	88,762	358,762
2034	275,000	82,688	357,688
2035	275,000	76,500	351,500
2036	275,000	70,312	345,312
2037	275,000	64,124	339,124
2038	280,000	57,938	337,938
2039	275,000	51,638	326,638
2040	285,000	45,450	330,450
2041	280,000	39,038	319,038
2042	285,000	32,738	317,738
2043	295,000	26,325	321,325
2044	285,000	19,688	304,688
2045	290,000	13,274	303,274
2046	300,000	6,750	306,750
	$ 6,625,000	$ 1,887,888	$ 8,512,888

See accompanying auditor's report.

Kaufman County Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
Series 2020 Contract Revenue Bonds--by Years
July 31, 2022

Due During Fiscal Years Ending	Principal Due March 1	Interest Due September 1, March 1	Total
2023	$ 65,000	$ 176,125	$ 241,125
2024	65,000	174,825	239,825
2025	65,000	173,525	238,525
2026	65,000	172,225	237,225
2027	65,000	170,925	235,925
2028	65,000	169,625	234,625
2029	60,000	168,325	228,325
2030	25,000	167,125	192,125
2031	255,000	166,625	421,625
2032	435,000	161,525	596,525
2033	445,000	152,825	597,825
2034	460,000	143,925	603,925
2035	470,000	134,725	604,725
2036	485,000	125,325	610,325
2037	495,000	115,625	610,625
2038	510,000	105,725	615,725
2039	520,000	95,525	615,525
2040	535,000	84,475	619,475
2041	550,000	72,438	622,438
2042	565,000	59,375	624,375
2043	580,000	45,956	625,956
2044	595,000	32,181	627,181
2045	760,000	18,050	778,050
	$ 8,135,000	$ 2,887,000	$ 11,022,000

See accompanying auditor's report.

Kaufman County Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
Series 2021 Unlimited Tax Bonds--by Years
July 31, 2022

Due During Fiscal Years Ending	Principal Due March 1	Interest Due September 1, March 1	Total
2023	$ 425,000	$ 390,850	$ 815,850
2024	435,000	373,850	808,850
2025	445,000	356,450	801,450
2026	455,000	338,650	793,650
2027	470,000	320,450	790,450
2028	480,000	301,650	781,650
2029	495,000	287,250	782,250
2030	505,000	272,400	777,400
2031	515,000	257,250	772,250
2032	530,000	241,800	771,800
2033	545,000	225,900	770,900
2034	555,000	209,550	764,550
2035	570,000	192,900	762,900
2036	585,000	175,800	760,800
2037	600,000	158,250	758,250
2038	615,000	140,250	755,250
2039	630,000	121,800	751,800
2040	645,000	102,900	747,900
2041	660,000	83,550	743,550
2042	680,000	63,750	743,750
2043	695,000	43,350	738,350
2044	715,000	32,925	747,925
2045	730,000	22,200	752,200
2046	750,000	11,250	761,250
	$ 13,730,000	$ 4,724,975	$ 18,454,975

See accompanying auditor's report.

Kaufman County Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
Series 2021A Unlimited Tax Road Bonds--by Years
July 31, 2022

Due During Fiscal Years Ending	Principal Due March 1	Interest Due September 1, March 1	Total
2023	$ 285,000	$ 256,113	$ 541,113
2024	290,000	243,288	533,288
2025	300,000	230,238	530,238
2026	305,000	216,738	521,738
2027	315,000	203,013	518,013
2028	320,000	188,838	508,838
2029	330,000	182,438	512,438
2030	340,000	175,838	515,838
2031	345,000	169,038	514,038
2032	355,000	162,138	517,138
2033	365,000	155,038	520,038
2034	375,000	146,825	521,825
2035	380,000	138,388	518,388
2036	390,000	129,363	519,363
2037	400,000	120,100	520,100
2038	410,000	110,100	520,100
2039	420,000	99,850	519,850
2040	435,000	88,825	523,825
2041	445,000	77,406	522,406
2042	455,000	65,725	520,725
2043	465,000	53,213	518,213
2044	480,000	40,425	520,425
2045	490,000	27,225	517,225
2046	500,000	13,750	513,750
	$ 9,195,000	$ 3,293,913	$ 12,488,913

See accompanying auditor's report.

Kaufman County Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
Series 2022 Unlimited Tax Bonds--by Years
July 31, 2022

Due During Fiscal Years Ending	Principal Due March 1	Interest Due September 1, March 1	Total
2023	$ -	$ 239,852	$ 239,852
2024	215,000	401,613	616,613
2025	225,000	388,713	613,713
2026	235,000	375,213	610,213
2027	245,000	363,463	608,463
2028	255,000	351,213	606,213
2029	270,000	338,462	608,462
2030	280,000	324,962	604,962
2031	290,000	310,962	600,962
2032	305,000	296,462	601,462
2033	320,000	284,262	604,262
2034	330,000	271,462	601,462
2035	345,000	258,262	603,262
2036	360,000	244,463	604,463
2037	375,000	230,063	605,063
2038	390,000	214,125	604,125
2039	410,000	197,550	607,550
2040	425,000	179,100	604,100
2041	445,000	159,975	604,975
2042	465,000	139,950	604,950
2043	485,000	119,025	604,025
2044	505,000	97,200	602,200
2045	530,000	74,475	604,475
2046	550,000	50,625	600,625
2047	575,000	25,875	600,875
	$ 8,830,000	$ 5,937,327	$ 14,767,327

See accompanying auditor's report.

Kaufman County Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
July 31, 2022

Due During Fiscal Years Ending	Principal Due March 1	Interest Due September 1, March 1	Total
2023	$ 2,050,000	$ 1,986,444	$ 4,036,444
2024	2,315,000	2,079,663	4,394,663
2025	2,375,000	1,996,417	4,371,417
2026	2,440,000	1,910,812	4,350,812
2027	2,510,000	1,827,753	4,337,753
2028	2,575,000	1,747,185	4,322,185
2029	2,660,000	1,677,110	4,337,110
2030	2,735,000	1,604,348	4,339,348
2031	2,810,000	1,517,311	4,327,311
2032	2,900,000	1,431,563	4,331,563
2033	2,985,000	1,353,936	4,338,936
2034	3,070,000	1,273,173	4,343,173
2035	3,155,000	1,191,013	4,346,013
2036	3,245,000	1,105,887	4,350,887
2037	3,335,000	1,017,431	4,352,431
2038	3,435,000	924,444	4,359,444
2039	3,530,000	827,988	4,357,988
2040	3,640,000	726,026	4,366,026
2041	3,745,000	619,557	4,364,557
2042	3,865,000	508,519	4,373,519
2043	3,975,000	393,069	4,368,069
2044	3,780,000	283,982	4,063,982
2045	3,670,000	183,799	3,853,799
2046	2,440,000	90,025	2,530,025
2047	575,000	25,875	600,875
	$ 73,815,000	$ 28,303,330	$ 102,118,330

See accompanying auditor's report.

TSI-6. Change in Long-Term Bonded Debt

July 31, 2022

	Bond Issue			
	Series 2007	Series 2008	Series 2014 Refunding	Series 2018 Road
	Contract Tax	Contract Tax	Contract Tax	Unlimited Tax
Interest rate	4.0% - 4.375%	5.0% - 5.875%	2.83%	2.25% - 4.0%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	3/1/09 - 3/1/30	3/1/11 - 3/1/31	3/1/15 - 3/1/29	3/1/20 - 3/1/43
Beginning bonds outstanding	$ 225,000	$ 485,000	$ 2,870,000	$ 4,145,000
Bonds issued				
Bonds retired			(315,000)	(110,000)
Ending bonds outstanding	$ 225,000	$ 485,000	$ 2,555,000	$ 4,035,000
Interest paid during fiscal year	$ 9,844	$ 28,494	$ 81,221	$ 153,818

Paying agent's name and city	
Series 2018 Road	Branch Banking and Trust Company., Houston, Texas
Series 2019 Road, Series 2021, Series 2021A Road and Series 2022	Zions Bancorporation, N.A., Houston, Texas
All other series	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond Authority:	Water, Sewer and Drainage Bonds	Water, Sewer and Drainage Refunding Bonds	Road Bonds	Road Refunding Bonds
Amount Authorized by Voters	$ 67,650,250	$ 101,475,375	$ 211,500,000	$ 317,250,000
Amount Issued	(28,960,000)		(33,420,000)	
Remaining To Be Issued	$ 38,690,250	$ 101,475,375	$ 178,080,000	$ 317,250,000

The District's Contract Tax Bonds are secured with contract tax revenues collected from participating districts.
The Unlimited Tax Bonds are secured with ad valorem tax revenues.
Bonds may also be secured with other revenues in combination with taxes.

All Debt Service Funds cash and investment balances as of July 31, 2022:	$ 2,602,478
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 4,084,733

See accompanying auditor's report.

	Bond Issue			
	Series 2019 Road Unlimited Tax	Series 2019 Contract Tax	Series 2020 Road Unlimited Tax	Series 2020 Unlimited Tax
Interest rate	3.0% - 4.0%	3.0% - 4.0%	2.0% - 2.5%	2.0% - 4.5%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	3/1/21 - 3/1/44	3/1/32 - 3/1/44	3/1/21 - 3/1/45	3/1/22 - 3/1/46
Beginning bonds outstanding	$ 3,010,000	$ 1,515,000	$ 9,620,000	$ 6,400,000
Bonds issued				
Bonds retired	(75,000)		(285,000)	(185,000)
Ending bonds outstanding	$ 2,935,000	$ 1,515,000	$ 9,335,000	$ 6,215,000
Interest paid during fiscal year	$ 106,532	$ 47,300	$ 209,044	$ 163,738

See accompanying auditor's report.

Bond Issue					
Series 2020A Road	Series 2020	Series 2021	Series 2021A Road	Series 2022	Totals
Unlimited Tax	Contract Tax	Unlimited Tax	Unlimited Tax	Unlimited Tax	
2.0% - 3.0%	2.0% - 2.375%	1.5% - 4.0%	2.0% - 4.5%	4.0% - 6.0%	
9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1	
3/1/22 - 3/1/46	3/1/22 - 3/1/46	3/1/23 - 3/1/46	3/1/23 - 3/1/46	3/1/24 - 3/1/47	
$ 6,890,000	$ 8,200,000	$ -	$ -	$ -	$ 43,360,000
		13,730,000	9,195,000	8,830,000	31,755,000
(265,000)	(65,000)				(1,300,000)
$ 6,625,000	$ 8,135,000	$ 13,730,000	$ 9,195,000	$ 8,830,000	$ 73,815,000
$ 159,625	$ 177,425	$ 130,283	$ 85,371		$ 1,352,695

Kaufman County Municipal Utility District No. 5
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2022	2021	2020	2019	2018
Revenues					
Sewer service	$ 781,400	$ 543,525	$ 299,999	$ 128,565	$ 62,676
Garbage service	555,264	401,708	218,124	88,124	39,891
Property taxes	222,393	473,129	331,902	156,521	170,148
Penalties and interest	43,554	23,537	12,089	5,872	1,525
Sewer connection fees	81,825	502,125	249,800	261,600	50,400
Other	82,580	59,743	32,440	14,001	6,408
Miscellaneous	885	675	300	165	300
Investment earnings	5,759	1,004	1,562	706	172
Total Revenues	1,773,660	2,005,446	1,146,216	655,554	331,520
Expenditures					
Current service operations					
Purchased services	550,950	397,548	316,682	147,530	67,162
Professional fees	218,918	76,019	74,814	72,497	36,283
Contracted services	943,226	562,366	202,029	90,826	42,555
Repairs and maintenance	41,442	18,441	5,001	322	811
Utilities	39,638	33,463	20,861	7,068	5,258
Administrative	46,155	19,456	14,961	12,003	10,240
Other					32,891
Total Expenditures	1,840,329	1,107,293	634,348	330,246	195,200
Revenues Over/(Under) Expenditures	$ (66,669)	$ 898,153	$ 511,868	$ 325,308	$ 136,320
Total Active Retail Water Connections	N/A	N/A	N/A	N/A	N/A
Total Active Retail Wastewater Connections	1,991	1,712	993	547	182

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2022	2021	2020	2019	2018
44%	27%	26%	20%	20%
31%	20%	19%	13%	12%
13%	24%	29%	24%	51%
2%	1%	1%	1%	*
5%	25%	22%	40%	15%
5%	3%	3%	2%	2%
*	*	*	*	*
*	*	*	*	*
100%	100%	100%	100%	100%
31%	20%	28%	23%	20%
12%	4%	7%	11%	11%
53%	28%	18%	14%	13%
2%	1%	*	*	*
2%	2%	2%	1%	2%
3%	1%	1%	2%	3%
				10%
103%	56%	56%	51%	59%
(3%)	44%	44%	49%	41%

Kaufman County Municipal Utility District No. 5
TSI-7b. Comparative Schedule of Revenues and Expenditures - Master District Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2022	2021	2020	2019	2018
Revenues					
Contract taxes from participants	$ 675,000	$ 573,604	$ 478,464	$ 421,781	$ 513,067
Investment earnings	1,054	1,778	9,168	6,944	2,670
Total Revenues	676,054	575,382	487,632	428,725	515,737
Expenditures					
Tax collection services				144	216
Debt service					
Principal	380,000	300,000	295,000	280,000	265,000
Interest and fees	348,858	215,994	165,924	152,865	161,107
Total Expenditures	728,858	515,994	460,924	433,009	426,323
Revenues Over/(Under) Expenditures	$ (52,804)	$ 59,388	$ 26,708	$ (4,284)	$ 89,414

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2022	2021	2020	2019	2018
100%	100%	98%	98%	99%
*	*	2%	2%	1%
100%	100%	100%	100%	100%
			*	*
56%	52%	60%	65%	51%
52%	38%	34%	36%	31%
108%	90%	94%	101%	82%
(8%)	10%	6%	(1%)	18%

Kaufman County Municipal Utility District No. 5
TSI-7b. Comparative Schedule of Revenues and Expenditures - Internal District Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2022	2021	2020	2019	2018
Revenues					
Property taxes	$ 3,034,017	$ 1,481,259	$ 409,015	$ 303,835	$ 32,836
Penalties and interest	16,669	22,568	12,567	7,244	38,296
Miscellaneous	75				
Investment earnings	5,587	1,818	6,343	7,130	879
Total Revenues	3,056,348	1,505,645	427,925	318,209	72,011
Expenditures					
Tax collection services	68,558	43,586	22,897	14,229	27,717
Debt service					
Principal	920,000	460,000	100,000		
Interest and fees	975,916	577,408	251,997	146,790	
Contractual obligations	217,554	150,062	70,681	65,671	33,265
Total Expenditures	2,182,028	1,231,056	445,575	226,690	60,982
Revenues Over/(Under) Expenditures	$ 874,320	$ 274,589	$ (17,650)	$ 91,519	$ 11,029

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2022	2021	2020	2019	2018
99%	99%	96%	96%	46%
1%	1%	3%	2%	53%
*				
*	*	1%	2%	1%
100%	100%	100%	100%	100%
2%	3%	5%	4%	38%
30%	31%	23%		
32%	38%	59%	46%	
7%	10%	17%	21%	46%
71%	82%	104%	71%	84%
29%	18%	(4%)	29%	16%

Kaufman County Municipal Utility District No. 5
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended July 31, 2022

Complete District Mailing Address:	14755 Preston Road, Suite 600, Dallas, TX 75254
District Business Telephone Number:	(972) 788-1600
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 9, 2022
Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution -- TWC Section 49.0600)	$ 7,200

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse-ments	Title at Year End
Board Members				
John Sammons	05/22 to 05/26	$ 1,200	$ 28	President
Brent Lasater	05/22 to 05/26	900		Vice President
Carrie Solley	05/20 to 05/24	1,350	116	Secretary/Treasurer
Ana Lam	05/22 to 05/26	1,200	88	Assistant Secretary
Kevin Johnson	05/20 to 05/24	1,350	111	Assistant Secretary
Consultants		Amounts Paid		
Coats Rose, P.C.	2003	$ 798,303		Attorney/Delinquent Tax Attorney
Inframark, LLC	2006	176,115		Operator
L & S District Services, LLC	2016	18,571		Bookkeeper
Utility Tax Service, Inc.	2005	22,955		Tax Collector
Kaufman County Appraisal District	Legislation	32,714		Property Valuation
Westwood Professional Services, Inc.	2017	150,858		Engineer
H2O Services	2017	77,383		Billing Service
McGrath & Co., PLLC	2016	41,575		Auditor
Robert W. Baird & Co.	2015	654,684		Financial Advisor

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

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By ________________________________
Authorized Officer

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