

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

The District has not designated the Bonds as "qualified tax-exempt obligations" for financial institutions. See "NOT QUALIFIED TAX-EXEMPT OBLIGATIONS."

NEW ISSUE—Book Entry Only

RATING: S&P Global Ratings (BAM Insured) "AA"
Moody's (Underlying) "Baa3" (positive outlook)
See "MUNICIPAL BOND INSURANCE" and "RATINGS" herein.

\$8,910,000

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10

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

UNLIMITED TAX UTILITY BONDS, SERIES 2023

Dated Date: November 1, 2023

Due: March 1, as shown herein

Interest Accrues from: Date of Delivery

The \$8,910,000 Unlimited Tax Utility Bonds, Series 2023 (the "Bonds") are obligations of Kaufman County Municipal Utility District No. 10 (the "District") and are not obligations of the State of Texas; Kaufman County, Texas; the City of Crandall, Texas; or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas; Kaufman County, Texas, the City of Crandall, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

The Bonds will be initially registered and delivered only to Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by Zions Bancorporation, National Association, Houston, Texas, or any successor paying agent/registrant (the "Paying Agent/Registrar") directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS—Book-Entry-Only System."

Principal of the Bonds is payable to the registered owner(s) of the Bonds (the "Registered Owner(s)") at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. Interest on the Bonds accrues from the initial date of delivery (expected to be on or around November 16, 2023) (the "Date of Delivery") and is payable on March 1, 2024, and each September 1 and March 1 thereafter to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each interest payment date (the "Record Date"). Unless otherwise agreed between the Paying Agent/Registrar and a Registered Owner, such interest is payable by check mailed to such persons or by other means acceptable to such person and the Paying Agent/Registrar. The Bonds are issuable in principal denominations of \$5,000 or any integral multiple thereof in fully registered form only.

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



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

The Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of constructing and/or acquiring water, sewer and drainage facilities (the "Utility System") to serve the District. At an election held within the District on November 8, 2005, voters of the District authorized the issuance of the following: \$75,000,000 principal amount of unlimited tax bonds for Utility System purposes, \$47,000,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring and maintaining roads (the "Road System") within the District, \$112,500,000 principal amount of unlimited tax bonds for the purpose of refunding Utility System bonds, and \$70,500,000 principal amount of unlimited tax bonds for the purpose of refunding Road System bonds. Following the issuance of the Bonds, \$66,090,000 principal amount of unlimited tax bonds for Utility System purposes, \$25,195,000 principal amount of unlimited tax bonds for Road System purposes, \$112,500,000 principal amount of unlimited tax bonds for refunding Utility System bonds and \$70,500,000 principal amount of unlimited tax bonds for refunding Road System Bonds will remain authorized but unissued. See "THE BONDS—Authority for Issuance."

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 against all taxable property within the District.

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

The Bonds are offered when, as and if issued by the District and accepted by the winning bidder for the Bonds (the "Initial Purchaser"), subject among other things to the approval of the initial Bonds by the Attorney General of Texas and the approval of certain legal matters by Coats Rose, P.C., Dallas, Texas, Bond Counsel. The Bonds in definitive form are expected to be available for delivery in book-entry-only form through the facilities of DTC on or about November 16, 2023. See "LEGAL MATTERS."

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

\$8,910,000

UNLIMITED TAX UTILITY BONDS, SERIES 2023

\$5,035,000 Serial Bonds

Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 48619N (b)	Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 48619N (b)
2026	\$ 195,000	7.000%	4.300%	CZ2	2037 (c)	\$ 340,000	4.625%	4.850%	DL2
2027	205,000	7.000%	4.300%	DA6	2038 (c)	360,000	4.750%	4.900%	DM0
2028	220,000	7.000%	4.300%	DB4	****	****	****	****	****
2029	230,000	7.000%	4.300%	DC2	2043 (c)	460,000	4.875%	5.010%	DS7
****	****	****	****	****	2044 (c)	485,000	4.875%	5.020%	DT5
2034 (c)	295,000	4.500%	4.600%	DH1	2045 (c)	510,000	4.875%	5.030%	DU2
2035 (c)	310,000	4.500%	4.700%	DJ7	2046 (c)	535,000	4.875%	5.040%	DV0
2036 (c)	325,000	4.500%	4.800%	DK4	2047 (c)	565,000	4.875%	5.050%	DW8

\$3,875,000 Term Bonds

\$495,000 Term Bonds due March 1, 2031 (c)(d) Interest Rate: 6.000% (Price: \$107.716) (a) CUSIP No. 48619N DE8 (b)
 \$545,000 Term Bonds due March 1, 2033 (c)(d) Interest Rate: 4.500% (Price: \$100.000) (a) CUSIP No. 48619N DG3 (b)
 \$770,000 Term Bonds due March 1, 2040 (c)(d) Interest Rate: 4.750% (Price: \$97.774) (a) CUSIP No. 48619N DP3 (b)
 \$855,000 Term Bonds due March 1, 2042 (c)(d) Interest Rate: 4.750% (Price: \$97.018) (a) CUSIP No. 48619N DR9 (b)
 \$1,210,000 Term Bonds due March 1, 2049 (c)(d) Interest Rate: 5.000% (Price: \$99.000) (a) CUSIP No. 48619N DY4 (b)

- (a) The initial reoffering yield has been provided by the Initial Purchaser (defined herein) and represents the initial offering price to the public of a substantial amount of the Bonds for each maturity. Such initial reoffering yield may subsequently be changed. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.
- (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) The Bonds maturing on and after March 1, 2031, are subject to redemption and payment, at the option of the District, in whole or, from time to time, in part, on March 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*."
- (d) Subject to certain mandatory redemption provisions as 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.

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

All of the summaries of the statutes, orders, resolutions, contracts, audits, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Robert W. Baird & Co. Incorporated, 6363 State Hwy 161, Suite 310, Irving, Texas 75038, Financial Advisor to the District.

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

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “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, United State Securities and Exchange Commission Rule 15c2-12.

TABLE OF CONTENTS

<u>Page</u>	<u>Page</u>
USE OF INFORMATION IN OFFICIAL STATEMENT1	DEVELOPMENT STATUS OF THE DISTRICT35
SALE AND DISTRIBUTION OF THE BONDS.....3	Homebuilders within the District..... 35
Award of the Bonds3	HEARTLAND35
Prices and Marketability.....3	DEVELOPER.....36
Securities Laws.....3	The Role of a Developer..... 36
MUNICIPAL BOND INSURANCE3	The Developer 36
Bond Insurance Policy3	Lot Sales Contracts..... 36
Build America Mutual Assurance Company.....3	Development Manager 36
RATINGS5	PHOTOGRAPHS TAKEN WITHIN THE DISTRICT37
OFFICIAL STATEMENT SUMMARY.....6	PHOTOGRAPHS TAKEN WITHIN THE DISTRICT38
SELECTED FINANCIAL INFORMATION.....11	THE SYSTEM39
INTRODUCTION12	Regulation 39
THE BONDS.....12	Master District Contract 39
General12	Description of the Utility System 40
Book-Entry-Only System13	Description of the Road System..... 41
Paying Agent/Registrar14	Historical Operations of the Utility System 42
Record Date15	INVESTMENT CONSIDERATIONS42
Registration, Transfer and Exchange15	General 42
Mutilated, Lost, Stolen or Destroyed Bonds15	Economic Factors Affecting Taxable Values and
Authority for Issuance.....15	Tax Payments 42
Source of Payment16	Tax Collections Limitations..... 43
Funds16	Registered Owners' Remedies..... 44
Redemption Provisions.....16	Bankruptcy Limitation to Registered Owners'
Outstanding Bonds17	Rights..... 44
Annexation17	Future Debt 45
Consolidation18	Overlapping Master District Debt and Contract
Defeasance.....18	Tax 45
Issuance of Additional Debt.....18	Obligations to City of Mesquite 46
Amendments to the Bond Order19	Future and Proposed Legislation 46
Registered Owners' Remedies.....19	Competitive Nature of Dallas Residential Market
Legal Investment and Eligibility to Secure Public 46
Funds in Texas20	Environmental Regulation 46
Use and Distribution of Bond Proceeds21	Marketability of the Bonds 48
DISTRICT DEBT22	Continuing Compliance with Certain Covenants 48
General22	Approval of the Bonds 49
Estimated Overlapping Debt Statement.....24	2023 Legislative Session 49
Debt Ratios24	Bond Insurance Risk Factors 49
Pro-Forma Debt Service Requirements25	LEGAL MATTERS50
TAXING PROCEDURES.....26	Legal Opinions 50
Authority to Levy Taxes26	Legal Review 50
Property Tax Code and County-Wide Appraisal	No-Litigation Certificate 50
District26	No Material Adverse Change..... 51
Property Subject to Taxation by the District26	TAX MATTERS.....51
Tax Abatement28	Opinion 51
Valuation of Property for Taxation28	Federal Income Tax Accounting Treatment of
Reappraisal of Property after Disaster29	Original Issue Discount 51
Tax Payment Installments After Disaster29	Collateral Federal Income Tax Consequences 52
District and Taxpayer Remedies29	State, Local and Foreign Taxes..... 53
Rollback of Operation and Maintenance Tax Rate	NOT QUALIFIED TAX-EXEMPT OBLIGATIONS53
.....29	CONTINUING DISCLOSURE OF INFORMATION.....53
Levy and Collection of Taxes30	Annual Reports..... 53
District's Rights in the Event of Tax Delinquencies	Event Notices 53
.....30	Availability of Information..... 54
TAX DATA31	Limitations and Amendments 54
General31	Compliance with Prior Undertakings 55
Tax Rate Limitation31	OFFICIAL STATEMENT55
Historical Tax Collections31	General 55
Tax Rate Distribution32	Experts..... 55
Analysis of Tax Base32	Certification as to Official Statement..... 55
Principal Taxpayers.....32	Updating the Official Statement..... 55
Tax Rate Calculations32	CONCLUDING STATEMENT56
Estimated Overlapping Taxes.....33	
THE DISTRICT33	
General33	APPENDIX A—Financial Statements of the District
Description33	APPENDIX B—Specimen Municipal Bond Insurance
Management of the District34	Policy

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net effective interest rate, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser"). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the inside cover page of this Official Statement, at a price of 97.000416% of the principal amount thereof, which resulted in a net effective interest rate of 5.085826%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

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

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

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

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission (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, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2023 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$486.0 million, \$204.5 million and \$281.5 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as

of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

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

RATINGS

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

Moody’s Investors Service, Inc. (“Moody’s”) has assigned an underlying rating of “Baa3” (positive outlook) to the Bonds. An explanation of the rating may be obtained from Moody’s, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody’s, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds. The District will pay the rating fees charged by Moody’s.

The District is not aware of any rating assigned the Bonds other than the ratings discussed above.

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OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The Issuer..... Kaufman County Municipal Utility District No. 10 (the “District”), a political subdivision of the State of Texas, is located approximately 18 miles east of downtown Dallas and wholly in the extraterritorial jurisdiction of the City of Crandall Texas, and within Kaufman County, Texas.

The Issue..... The District is issuing its \$8,910,000 Unlimited Tax Utility Bonds, Series 2023 (the “Bonds”). The Bonds are dated November 1, 2023, with interest accruing from the initial date of delivery (expected to be on or around November 16, 2023) (the “Date of Delivery”) and mature serially on March 1 of each of the years and in the principal amounts shown on the inside cover hereof. Interest is payable on March 1, 2024, and on each September 1 and March 1 thereafter until maturity or prior redemption. See “THE BONDS.”

Redemption Provisions..... Optional Redemption: The Bonds maturing on and after March 1, 2031, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on March 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—General” and “—Redemption Provisions—Optional Redemption.”

Mandatory Redemption: The Bonds maturing on March 1 in the years 2031, 2033, 2040, 2042 and 2049 are term bonds (“Term Bonds”) and also subject to certain mandatory redemption provisions as set forth herein under “THE BONDS—Redemption Provisions—Mandatory Redemption.”

Authority for Issuance..... The Bonds are issued pursuant to (i) the legislation creating the District; (ii) the order of the District’s Board of Directors (the “Board”) authorizing the issuance of the Bonds (the “Bond Order”); (iii) Article XVI, Section 59 of the Texas Constitution, and the general laws of the State of Texas, particularly including Chapters 49 and 54 of the Texas Water Code, as amended; (iv) an election held within the District on November 8, 2005; and (v) an order of the Texas Commission on Environmental Quality (the “TCEQ”).

The Bonds are the first series of bonds issued out of an aggregate of \$75,000,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of constructing and/or acquiring water, sewer and drainage facilities (the “Utility System”) within the District. The District has also authorized the issuance of the following: an aggregate of \$47,000,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring, and maintaining roads (the “Road System”) within the District, \$112,500,000 principal amount of unlimited tax bonds for the purpose of refunding Utility System bonds, and \$70,500,000 principal amount of unlimited tax bonds for the purpose of refunding Road System bonds. Following the issuance of the Bonds, \$66,090,000 principal amount of unlimited tax bonds for Utility System purposes, \$25,195,000 principal amount of unlimited tax

bonds for Road System purposes, \$112,500,000 principal amount of unlimited tax bonds for refunding Utility System bonds, and \$70,500,000 principal amount of unlimited tax bonds for refunding Road System bonds will remain authorized but unissued. See “THE BONDS—Authority for Issuance” and “—Issuance of Additional Debt.”

- 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, the City of Crandall or any entity other than the District. See “THE BONDS—Source of Payment.”
- Use of Proceeds*..... A portion of the proceeds of the Bonds will be used to reimburse the Developer (hereinafter defined) for costs to purchase the Utility System facilities to serve Heartland, Phases 11, 12B, 15, 17, 18 and 19 and related engineering costs as shown herein under “THE BONDS—Use and Distribution of Bond Proceeds.” Additionally, proceeds from the Bonds will be used to pay certain costs of issuance of the Bonds, eighteen (18) months of capitalized interest, and developer interest on the Bonds.
- Not Qualified Tax-Exempt Obligations*..... The District has **not** designated the Bonds as “qualified tax-exempt obligations” for financial institutions. See “NOT QUALIFIED TAX-EXEMPT OBLIGATIONS.”
- Outstanding Bonds*..... The District has previously issued three (3) series of unlimited tax bonds for Road System purposes. As of the Date of Delivery of the Bonds, \$21,530,000 principal amount of such bonds will remain outstanding (the “Outstanding Bonds”). See “THE BONDS—Outstanding Bonds.”
- Payment Record*..... The District has never defaulted on the timely payment of principal and interest on its bonded indebtedness. See “THE BONDS—Source of Payment.”
- Municipal Bonds Insurance*..... Build America Mutual Assurance Company (“BAM”). See “MUNICIPAL BOND INSURANCE.”
- Ratings*..... S&P Global Ratings (BAM insured)—“AA/Stable.” Moody’s Investors Service, Inc. (underlying)—“Baa3” (positive outlook). See “MUNICIPAL BOND INSURANCE” and “RATINGS.”
- Legal Opinion*..... Coats Rose, P.C., Dallas, Texas, Bond Counsel. See “LEGAL MATTERS.”
- 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, Houston, Texas.

THE DISTRICT

Description..... The District is a political subdivision of the State of Texas and is located in the extraterritorial jurisdiction of the City of Crandall in Kaufman County, approximately 18 miles east of the City of Dallas, 8 miles east of the City of Mesquite and 2 miles north of the City of Crandall. It is bordered on the north by Interstate 20, on the south by F.M. 2757 and is adjacent to F.M. 741. The District is located in

the Crandall Independent School District. All of the land within the District is within the extraterritorial jurisdiction of the City of Crandall. The District is comprised of approximately 531 acres. See “THE DISTRICT—General” and “—Description.”

Authority..... The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT—General.”

Master District Facilities..... The District is one of five (5) municipal utility districts collectively comprising approximately 2,149 acres herein referred to as the “Service Area.” The District, Kaufman County Municipal Utility District No. 9 (“KCMUD 9”), Kaufman County Municipal Utility District No. 11 (“KCMUD 11”), Kaufman County Municipal Utility District No. 12 (“KCMUD 12”) and Kaufman County Municipal Utility District No. 14 (“KCMUD 14”), collectively referred to herein as the “Participants,” make up the Service Area. KCMUD 12 acts as the “Master District” and has contracted with each of the Participants to provide water supply and wastewater treatment capacity, as well as the regional water distribution trunklines, regional wastewater collection trunklines, and regional stormwater collection trunklines (collectively, the “Master District Facilities”) necessary to serve the Service Area. See “THE SYSTEM—Master District Contract.”

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

In April 2006, NTMWD issued bonds to construct a wastewater interceptor, within the vicinity of the Service Area, to serve the area within the Participants. The City of Mesquite and the City of Seagoville are the entities entitled to utilize capacity in the interceptor and are responsible for paying debt service on such bonds. The City of Mesquite has contracted with the Master District to obtain payment of amounts sufficient to cover their portion of the debt service. In turn, the Master District collects payment from each internal Participant for its portion of the debt service. Currently, the Participants are obligated through the Master District’s contract with the City of Mesquite to pay 78.21% of the annual debt service. For the fiscal year ending September 30, 2022, the payments allocable to the Participants were \$1,018,020, and the projected payments allocable to the Participants for the fiscal year ending September 30, 2023 are approximately \$1,010,982. Such payments are secured by the unlimited taxing authority of the Participants. However, such payments currently are being made from net revenues of each of the Participants. See “THE SYSTEM” and “INVESTMENT CONSIDERATIONS.”

Status of Development

Within the District..... Of the approximately 531.15 acres of land located within the District, approximately 373.11 acres within the District have been developed with water distribution, sanitary sewer and storm drainage and road facilities to serve the single-family residential subdivisions of Heartland, Phases 11, 12B, 15, and 17-23 (1,376

lots). As of September 1, 2023, the District was comprised of 756 completed homes (618 occupied homes, 137 unoccupied homes and 1 model home); 175 homes under construction; and 445 vacant developed lots. Additionally, approximately 21.55 acres (110 lots) are currently under development as Heartland, Phase 24. The remaining acreage within the District is comprised of approximately 27.30 acres for a middle school, approximately 104.18 undeveloped but developable acres, and approximately 5.01 undevelopable acres of permanent floodplain. See “DEVELOPMENT STATUS OF THE DISTRICT.”

Heartland..... The District is part of the approximately 1,539-acre master-planned community of “Heartland.” Heartland is comprised of the District, KCMUD 11, and KCMUD 14.

To date, approximately 1,196 acres (4,729 lots) have been developed with water distribution, sanitary sewer and storm drainage and road facilities within Heartland. As of September 1, 2023, there were 4,101 completed homes, 177 homes under construction, and 451 vacant developed lots. Additionally, approximately 22 acres (110 lots) are currently under development within Heartland. The remaining land within Heartland is comprised of approximately 27 acres for a middle school, approximately 188 undeveloped but developable acres, and approximately 107 undevelopable acres. See “HEARTLAND.”

Developer..... The developer of land within the District is UST-Heartland, L.P., a Texas limited partnership (“UST” or the “Developer”). UST was formerly known as HW Heartland, L.P.

UST Heartland GP, LLC, a Texas limited liability company (“Heartland GP”), is the sole general partner of UST. UST Subpartnership II, L.P., a Delaware limited partnership (“USTII”), is the sole limited partner of UST. Each of UST II and Heartland GP are wholly owned by UST Joint Venture Opportunity I, L.P., a Delaware limited partnership (“UST JV”), formed to invest in industrial, commercial, residential, office, hotel, hospital, medical, sports arena, mixed use, condominium, timeshare, golf course, and recreation properties throughout the United States. The Developer is managed by UST Opportunity Corporation, a company owned by Lothar Estein who has over 40 years’ experience in US real estate investments in the United States. UST currently owns approximately 188 developable acres, 110 lots currently under development, and 339 vacant developed lots within Heartland. See “DEVELOPER.”

Development Manager In July of 2013, UST engaged Huffines Management Partners, L.P. (d/b/a “Huffines Communities”), to perform management services related to the development of property within Heartland. Huffines Communities is in the business of managing and developing real property, including residential communities. Since its inception in 1985, Huffines Communities has owned, or has developed or managed for development, over 15,000 residential lots. Among its “signature” communities are: Waterview in Rowlett, Texas; Providence in Providence, Texas; Savannah in Savannah, Texas; and Inspiration in Collin County, Texas. Huffines Communities also has significant experience as the developer of master planned communities located within special districts in Texas similar to the District, having been involved with more than fifteen (15) special

districts in the State of Texas. There is no assurance that Huffines Communities will continue to be the manager for the development of the property, as UST and Huffines Communities have the right, upon prior notice to the other and for certain other reasons, to terminate the management services agreement between them. Huffines Communities has no ownership in Heartland or UST.

Homebuilders Within the District..... Homebuilders active within the District include HistoryMaker Homes, Chesmar Homes, Highland Homes, Impression Homes, Bloomfield Homes, Lennar Homes, Antares Homes, and KB Homes. Home prices range from approximately \$270,000 to \$610,000 and home sizes range from approximately 1,500 to 4,000 square feet. See “DEVELOPER” and “DEVELOPMENT STATUS OF THE DISTRICT.”

INVESTMENT CONSIDERATIONS

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

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**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2023 Taxable Assessed Valuation.....	\$ 241,574,656 (a)
(100% of taxable value as of January 1, 2023)	
Estimated Taxable Valuation as of September 1, 2023	\$ 327,324,000 (b)
(100% of estimated taxable value as of September 1, 2023)	
Direct Debt:	
The Outstanding Bonds	\$ 21,530,000
The Bonds	<u>8,910,000</u>
Total	\$ 30,440,000
Estimated Overlapping Debt.....	<u>26,123,977 (c)</u>
Total Direct and Estimated Overlapping Debt	<u>\$ 56,563,977</u>
Ratios of Direct Debt to:	
2023 Taxable Assessed Valuation.....	12.60%
Estimated Taxable Valuation as of September 1, 2023	9.30%
Ratios of Direct and Estimated Overlapping Debt to:	
2023 Taxable Assessed Valuation.....	23.41%
Estimated Taxable Valuation as of September 1, 2023	17.28%
Utility System Debt Service Fund Balance (as of the Date of Delivery).....	\$ 675,966 (d)
Road System Debt Service Fund Balance (as of September 13, 2023).....	\$ 494,656 (e)
General Fund Balance (as of September 13, 2023).....	\$ 1,829,837
2023 Tax Rate:	
Road System Debt Service	\$ 0.6500
Contract Tax.....	0.0325
Maintenance & Operation	<u>0.3175</u>
Total.....	<u>\$ 1.0000 (f)</u>
Average Annual Debt Service Requirement (2024–2047, high years).....	\$ 1,967,757 (g)
Maximum Annual Debt Service Requirement (2045).....	\$ 2,063,178 (g)
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Outstanding Bonds and the Bonds (2024–2047, high years) at 95% Tax Collections	
Based Upon 2023 Taxable Assessed Valuation.....	\$ 0.86
Based Upon Estimated Taxable Valuation as of September 1, 2023.....	\$ 0.64
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirements on the Outstanding Bonds and the Bonds (2045) at 95% Tax Collections	
Based Upon 2023 Taxable Assessed Valuation.....	\$ 0.90
Based Upon Estimated Taxable Valuation as of September 1, 2023.....	\$ 0.67
Single-Family Homes within the District as of September 1, 2023	931 (h)

- (a) Represents the taxable assessed valuation as of January 1, 2023, of all taxable property in the District, as provided by the Appraisal District (hereinafter defined). Such value includes \$639,505 of value under review by the Appraisal Review Board (hereinafter defined), which is the estimated minimum amount of uncertified value that will ultimately become certified. See "TAXING PROCEDURES" and "TAX DATA."
- (b) Provided by the Appraisal District for information purposes only. Reflects the addition of value of new construction within the District from January 1, 2023 to September 1, 2023. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAXING PROCEDURES" and "TAX DATA."
- (c) See "DISTRICT DEBT—Estimated Overlapping Debt Statement."
- (d) Reflects eighteen (18) months of capitalized interest on the Bonds, which will be deposited into this fund upon closing of the Bonds. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund (hereinafter defined). 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) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund (hereinafter defined). 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, such as the Bonds.
- (f) The District anticipates levying a Utility System debt service tax rate for the 2024 tax year. See "TAX DATA—Tax Rate Distribution."
- (g) See "DISTRICT DEBT—Debt Service Requirements."
- (h) Includes 175 homes under construction as of September 1, 2023.

OFFICIAL STATEMENT
relating to
KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
(A Political Subdivision of the State of Texas, located within Kaufman County)

\$8,910,000
UNLIMITED TAX UTILITY BONDS
SERIES 2023

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Kaufman County Municipal Utility District No. 10 (the “District”), of its \$8,910,000 Unlimited Tax Utility Bonds, Series 2023 (the “Bonds”).

The Bonds are issued pursuant to (i) the legislation creating the District; (ii) an order authorizing the issuance of the Bonds (“Bond Order”) adopted by the Board of Directors of the District (the “Board”) on the date of the sale of the Bonds; (iii) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54, Texas Water Code, as amended; (iv) an election held by the District on November 8, 2005; and (v) an order of the Texas Commission on Environmental Quality (the “TCEQ”).

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

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

THE BONDS

General

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

The Bonds will mature on March 1 in each of the years and in principal amounts, and will bear interest from the initial date of delivery (expected to be on or about November 16, 2023) (the “Date of Delivery”) at the rates per annum, set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable March 1, 2024, and semiannually thereafter on each September 1 and March 1 until maturity or redemption.

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

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 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 United States Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, 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 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such

other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Paying Agent/Registrar

The Board has selected Zions Bancorporation, National Association, Houston, Texas, as the initial Paying Agent/Registrar for the Bonds. 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 Registered Owner. 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 series and maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner 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 authorized by the resident electors of the District, the amount of bonds issued and the remaining authorized but unissued bonds are as follows:

<u>Election Date</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Amount Issued</u>	<u>Remaining Authorized But Unissued</u>
11/08/2005	Utility System	\$ 75,000,000	\$ 8,910,000 ^(a)	\$ 66,090,000
11/08/2005	Road System	47,000,000	21,805,000	25,195,000
11/08/2005	Utility System Refunding	112,500,000	-0-	112,500,000
11/08/2005	Road System Refunding	70,500,000	-0-	70,500,000

(a) The Bonds.

The Bonds are issued pursuant to (i) the legislation creating the District; (ii) the Bond Order adopted by the Board on the date of the sale of the Bonds; (iii) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54, Texas Water Code, as amended; (iv) an election held by the District on November 8, 2005; and (v) an order of the TCEQ.

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

Source of Payment

The Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied without legal limitation as to rate or amount against all taxable property located within the District. In the Bond Order, the District covenants to levy a sufficient tax to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection. Collected taxes will be placed in the District's Utility System Debt Service Fund (defined herein) and used to pay principal of and interest on the Bonds and on any additional bonds payable from taxes which may hereafter be issued by the District.

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

Funds

The Bond Order creates the District's fund for debt service on bonds issued for the Utility System (such as the Bonds) and any additional unlimited tax bonds issued by the District for the Utility System (the "Utility System Debt Service Fund"). At the time of closing, eighteen (18) months of capitalized interest will be deposited into the Utility System Debt Service Fund. The Utility System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of bonds issued for the Utility System (such as the Bonds) and any additional unlimited tax bonds issued by the District for the Utility System, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds and any of the District's other duly authorized bonds issued for the Utility System payable in whole or in part from taxes. Amounts on deposit in the Utility System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds for the Utility System payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. Amounts on deposit in the Utility System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Road System.

The District's fund for debt service on bonds issued for the Road System (the "Road System Debt Service Fund") constitutes a trust fund for the benefit of the owners of bonds issued for the Road System, including the Outstanding Bonds. Funds in the Road System Debt Service Fund are to be kept separate from all other funds of the District, and is to be used for payment of debt service on bonds issued for the Road System, including the Outstanding Bonds, and any of the District's duly authorized bonds issued for the Road System payable in whole or in part from taxes. Amounts on deposit in the Road System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest and principal of bonds issued for the Road System, including the Outstanding Bonds, payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipations notes become due. Amounts on deposit in the Road System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Utility System, such as the Bonds.

Redemption Provisions

Optional Redemption: The Bonds maturing on and after March 1, 2031, shall be subject to redemption at the option of the District, in whole or from time to time in part, on March 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 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, 2033, 2040, 2042 and 2049 are term bonds (“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 amounts set forth in the following schedule:

<u>\$495,000 Term Bonds Maturing on March 1, 2031</u>	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2030	\$ 240,000
March 1, 2031 (Maturity)	255,000
<u>\$545,000 Term Bonds Maturing on March 1, 2033</u>	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2032	\$ 265,000
March 1, 2033 (Maturity)	280,000
<u>\$770,000 Term Bonds Maturing on March 1, 2040</u>	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2039	\$ 375,000
March 1, 2040 (Maturity)	395,000
<u>\$855,000 Term Bonds Maturing on March 1, 2042</u>	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2041	\$ 415,000
March 1, 2042 (Maturity)	440,000
<u>\$1,210,000 Term Bonds Maturing on March 1, 2049</u>	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2048	\$ 590,000
March 1, 2049 (Maturity)	620,000

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

Outstanding Bonds

The District has previously issued three (3) series of unlimited tax bonds for Road System (hereinafter defined) purposes. As of the Date of Delivery of the Bonds, \$21,530,000 principal amount of such bonds will remain outstanding (the “Outstanding Bonds”).

Annexation

The District lies entirely within the extraterritorial jurisdiction of the City. The City operates as a Type A municipality. 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 and City Council, and therefore, the District can make 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 the annexation occur. The Bond Order provides for the termination of the pledge of taxes to the Bonds upon annexation and dissolution by the 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 ad valorem taxes, amounts sufficient to provide for payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

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

Issuance of Additional Debt

The District intends to issue additional bonds from its voted authorization. At an election held within the District on November 8, 2005, voters of the District authorized the issuance of the following: \$75,000,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of constructing and/or acquiring water, sewer and drainage facilities (the "Utility System") within the District; \$47,000,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring, and maintaining roads (the "Road System") within the District; \$112,500,000 principal amount of unlimited tax bonds for the purpose of refunding Utility System bonds; and \$70,500,000 principal amount of unlimited tax bonds for the purpose of refunding Road System bonds. Following the issuance of the Bonds, \$66,090,000 principal amount of unlimited tax bonds for Utility System purposes, \$25,195,000 principal amount of

unlimited tax bonds for Road System purposes, \$112,500,000 principal amount of unlimited tax bonds for refunding Utility System bonds, and \$70,500,000 principal amount of unlimited tax bonds for refunding Road System bonds will remain authorized but unissued. See “THE BONDS—Authority for Issuance.” Any bonds issued by the District, however, must be approved by the Attorney General of Texas. Currently, approval of the TCEQ is not necessary for the issuance of bonds issued to finance the acquisition or construction of roads and roadway improvements. However, if the issuance of debt is for the purpose of financing water, sewer or drainage facilities, approval of the TCEQ is required (such as the Bonds). See “THE DISTRICT—General.”

Following reimbursement to the Developer with the proceeds of the Bonds, the District will owe the Developer approximately \$9,400,000 for the expenditures to construct the Utility System and approximately \$6,600,000 for the expenditures to construct the Road System to serve the developed land within the District.

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District’s voters or the amount ultimately issued by the District. Except with respect to the issuance of bonds for road purposes, the District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. The total amount of bonds and other obligations of the District issued for road purposes may not exceed one-fourth of the assessed valuation of the real property in the District.

The District anticipates issuing its fourth (4th) series of unlimited tax bonds for Road System purposes in the 4th quarter of 2023 or 1st quarter of 2024; however, the principal amount of such bonds has yet to be determined.

Amendments to the Bond Order

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

Registered Owners’ Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order 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.

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.

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Use and Distribution of Bond Proceeds

A portion of the proceeds of the Bonds will be used to reimburse the Developer (hereinafter defined) for costs to purchase the Utility System facilities to serve Heartland, Phases 11, 12B, 15, 17, 18 and 19 and related engineering costs as shown below. Additionally, proceeds from the Bonds will be used to pay certain costs of issuance of the Bonds, eighteen (18) months of capitalized interest, operating expenses, and developer interest on the Bonds.

Construction Costs

1. Heartland, Phase 11 – WS&D	\$ 1,046,957
2. Heartland, Phase 12B – WS&D	332,118
3. Heartland, Phase 15 – WS&D	590,681
4. Heartland, Phase 17 – WS&D	599,061
5. Heartland, Phase 18 – WS&D	613,253
6. Heartland, Phase 19 – WS&D	1,795,074
7. Engineering & Testing (~25.6% of Items 1-6)	<u>1,273,888</u>
Total Construction Costs	\$ 6,251,032

Non-Construction Costs

1. Legal Fees	\$ 203,200
2. Fiscal Agent Fees	153,650
3. Interest Costs	
(a) Capitalized Interest (18 Months)	675,966
(b) Developer Interest	1,136,845
4. Bond Discount	267,263
5. Bond Issuance Expenses	39,863
6. Bond Engineering Report	59,775
7. TCEQ Fee	22,275
8. Attorney General Fee	8,910
9. Market Study	6,750
10. Operating Expenses	58,737
11. Contingency (a)	<u>25,734</u>
Total Non-Construction Costs	\$ 2,658,968
Total Bond Issue Requirement	\$ 8,910,000

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

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

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DISTRICT DEBT

General

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

2023 Taxable Assessed Valuation.....	\$ 241,574,656 (a)
(100% of taxable value as of January 1, 2023)	
Estimated Taxable Assessed Valuation as of September 1, 2023.....	\$ 327,324,000 (b)
(100% of estimated taxable value as of September 1, 2023)	
Direct Debt:	
The Outstanding Bonds	\$ 21,530,000
The Bonds	<u>8,910,000</u>
Total	\$ 30,440,000
Estimated Overlapping Debt.....	<u>26,123,977 (c)</u>
Total Direct and Estimated Overlapping Debt	<u>\$ 56,563,977</u>
Ratios of Direct Debt to:	
2023 Taxable Assessed Valuation.....	12.60%
Estimated Taxable Valuation as of September 1, 2023	9.30%
Ratios of Direct and Estimated Overlapping Debt to:	
2023 Taxable Assessed Valuation.....	23.41%
Estimated Taxable Valuation as of September 1, 2023	17.28%
Utility System Debt Service Fund Balance (as of the Date of Delivery).....	\$ 675,966 (d)
Road System Debt Service Fund Balance (as of September 13, 2023).....	\$ 494,656 (e)
General Fund Balance (as of September 13, 2023).....	\$ 1,829,837
2023 Tax Rate:	
Road System Debt Service	\$ 0.6500
Contract Tax.....	0.0325
Maintenance & Operation	<u>0.3175</u>
Total.....	<u>\$ 1.0000 (f)</u>
Average Annual Debt Service Requirement (2024–2047, high years).....	\$ 1,967,757 (g)
Maximum Annual Debt Service Requirement (2045).....	\$ 2,063,178 (g)
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Outstanding Bonds and the Bonds (2024–2047, high years) at 95% Tax Collections	
Based Upon 2023 Taxable Assessed Valuation.....	\$ 0.86
Based Upon Estimated Taxable Valuation as of September 1, 2023.....	\$ 0.64
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirements on the Outstanding Bonds and the Bonds (2045) at 95% Tax Collections	
Based Upon 2023 Taxable Assessed Valuation.....	\$ 0.90
Based Upon Estimated Taxable Valuation as of September 1, 2023.....	\$ 0.67
Single-Family Homes within the District as of September 1, 2023	931 (h)

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- (a) Represents the taxable assessed valuation as of January 1, 2023, of all taxable property in the District, as provided by the Appraisal District. Such value includes \$639,505 of value under review by the Appraisal Review Board, which is the estimated minimum amount of uncertified value that will ultimately become certified. See "TAXING PROCEDURES" and "TAX DATA."
 - (b) Provided by the Appraisal District for information purposes only. Reflects the addition of value of new construction within the District from January 1, 2023 to September 1, 2023. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAXING PROCEDURES" and "TAX DATA."
 - (c) See "DISTRICT DEBT—Estimated Overlapping Debt Statement."
 - (d) Reflects eighteen (18) months of capitalized interest on the Bonds, which will be deposited into this fund upon closing of the Bonds. 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) 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, such as the Bonds.
 - (f) The District anticipates levying a Utility System debt service tax rate for the 2024 tax year. See "TAX DATA—Tax Rate Distribution."
 - (g) See "DISTRICT DEBT—Debt Service Requirements."
 - (h) Includes 175 homes under construction as of September 1, 2023.

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Estimated Overlapping Debt Statement

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

Taxing Jurisdiction	Debt as of 9/30/2023	Overlapping	
		Percent	Amount
Kaufman County	\$ 180,050,000	1.03%	\$ 1,862,602
Crandall ISD	240,550,000	9.65%	23,210,526
Master District	5,575,000	18.85%	1,050,849 (a)
Total Estimated Overlapping Debt			\$ 26,123,977
Total Direct Debt			\$ 30,440,000 (b)
Total Direct & Estimated Overlapping Debt			\$ 56,563,977 (c)

(a) Represents the District's pro rata share of outstanding Unlimited Contract Tax Revenue Bonds issued by the Master District. See "THE SYSTEM—Master District Contract" and "INVESTMENT CONSIDERATIONS—Overlapping Master District Debt and Contract Tax."

(b) Includes the Outstanding Bonds and the Bonds.

(c) In addition to the Estimated Overlapping Debt, the Participants are liable to the City of Mesquite for water and wastewater capacity. See "INVESTMENT CONSIDERATIONS—Obligations to City of Mesquite."

Debt Ratios

	2023 Taxable Assessed Valuation	Estimated Taxable Assessed Valuation as of 9/1/2023
Direct Debt (a)	12.60%	9.30%
Total Direct & Estimated Overlapping Debt (a)	23.41%	17.28%

(a) Includes the Outstanding Bonds and the Bonds.

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Pro-Forma Debt Service Requirements

The following schedule sets forth the debt service requirements for the Outstanding Bonds plus the principal and interest requirements for the Bonds.

Year Ending 12/31	Outstanding Debt Service	Plus: The Bonds		Total New Debt Service	Total Debt Service
		Principal	Interest		
2024	\$ 1,380,978	-	\$ 356,760	\$ 356,760	\$ 1,737,738
2025	1,371,900	-	450,644	450,644	1,822,544
2026	1,361,675	\$ 195,000	443,819	638,819	2,000,494
2027	1,360,035	205,000	429,819	634,819	1,994,854
2028	1,351,873	220,000	414,944	634,944	1,986,816
2029	1,349,346	230,000	399,194	629,194	1,978,540
2030	1,346,821	240,000	383,944	623,944	1,970,765
2031	1,358,175	255,000	369,094	624,094	1,982,269
2032	1,364,173	265,000	355,481	620,481	1,984,654
2033	1,369,028	280,000	343,219	623,219	1,992,246
2034	1,377,663	295,000	330,281	625,281	2,002,944
2035	1,385,073	310,000	316,669	626,669	2,011,741
2036	1,390,664	325,000	302,381	627,381	2,018,046
2037	1,394,093	340,000	287,206	627,206	2,021,299
2038	1,395,768	360,000	270,794	630,794	2,026,561
2039	1,405,068	375,000	253,338	628,338	2,033,405
2040	1,406,889	395,000	235,050	630,050	2,036,939
2041	1,416,827	415,000	215,813	630,813	2,047,639
2042	1,419,450	440,000	195,506	635,506	2,054,956
2043	1,419,384	460,000	173,844	633,844	2,053,228
2044	1,426,680	485,000	150,809	635,809	2,062,489
2045	1,426,621	510,000	126,556	636,556	2,063,178
2046	1,217,750	535,000	101,084	636,084	1,853,834
2047	849,713	565,000	74,272	639,272	1,488,984
2048	-	590,000	45,750	635,750	635,750
2049	-	620,000	15,500	635,500	635,500
	\$ 32,545,644	\$ 8,910,000	\$ 7,041,769	\$ 15,951,769	\$ 48,497,413

Average Annual Debt Service Requirement (2024–2047, high years) \$ 1,967,757
 Maximum Annual Debt Service Requirement (2045)..... \$ 2,063,178

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TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Outstanding Bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully above under “THE BONDS—Source of Payment.” Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and for the payment of certain contractual obligations. 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 15. The District has not adopted a general homestead exemption.

Freeport Goods Exemption and "Goods-in-Transit": A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit Exemption" is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal

property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Kaufman County may designate all or part of the area within the District as a reinvestment zone. The District and the County, under certain circumstances, 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 and taxes for the previous five years for open space land and timberland.

During the 2nd Special Session, convened on June 27, 2023, the Texas Legislature passed Senate Bill 2 ("SB 2"), which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,000,000 (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026, the Appraisal Cap may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in consumer price index, as applicable, to the Maximum Property Value. SB 2 was signed into law by the Governor on July 22, 2023; however, the provisions described hereinabove will take effect January 1, 2024, but only if the constitutional amendment

proposed by H.J.R. 2, 88th Legislature, 2nd Called Session, 2023, is approved by the voters on November 7, 2023.

Reappraisal of Property after Disaster

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

Tax Payment Installments After Disaster

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

District and Taxpayer Remedies

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

Rollback of Operation and Maintenance Tax Rate

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

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

Developed Districts: Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a

Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Developing Districts.

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

The District: A determination as to a district's status as a Special Taxing District, Developed District or Developing District will be made on an annual basis. The Board determined the District was a "Developing District" for the 2023 tax year. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new rollback election calculation.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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 Outstanding Bonds and the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, not to exceed \$1.00 per \$100 of assessed valuation, for maintenance and operation purposes. For the 2023 tax year, the District levied a total tax rate of \$1.00 per \$100 of assessed valuation composed of the following: \$0.3175 per \$100 of assessed valuation for maintenance and operations; \$0.6500 per \$100 of assessed valuation for Road System debt service; and \$0.0325 per \$100 of assessed valuation for Contract Tax.

Tax Rate Limitation

Utility System Debt Service:	Unlimited (no legal limit as to rate or amount).
Road System Debt Service:	Unlimited (no legal limit as to rate or amount).
Contract Tax:	Unlimited (no legal limit as to rate or amount).
Contract Tax Supporting Agreements with Mesquite (a):	Unlimited (no legal limit as to rate or amount).
Maintenance:	\$1.00 per \$100 Assessed Valuation.

(a) See "INVESTMENT CONSIDERATIONS—Overlapping Master District Debt and Contract Tax."

Historical Tax Collections

The following table illustrates the collection history of the District for the 2019–2023 tax years:

<u>Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate per \$100</u>	<u>Tax Levy</u>	<u>% of Current Collections</u>	<u>Tax Year Ending 9/30</u>	<u>Collections as 8/1/2023</u>
2019	\$ 11,823,650	\$ 1.0000	\$ 118,237	100.00%	2020	100.00%
2020	20,037,263	1.0000	200,373	100.00%	2021	100.00%
2021	52,447,483	1.0000	524,475	99.52%	2022	100.00%
2022	125,733,196	1.0000	1,257,332	99.51%	2023	99.51%
2023	241,574,656	1.0000	2,415,747	(a)	2024	(a)

(a) In process of collection.

Tax Rate Distribution

<u>Tax Year</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Road Debt Service	\$ 0.65000	\$ 0.75000	\$ 0.68500	-	-
Maintenance & Operations	0.31750	0.22500	0.31500	\$ 1.00000	\$ 1.00000
Contract	0.03250	0.02500	-	-	-
Total	\$ 1.00000	\$ 1.00000	\$ 1.00000	\$ 1.00000	\$ 1.00000

Analysis of Tax Base

The following table illustrates the District's total taxable assessed value in the tax years 2019–2023 by type of property:

<u>Type of Property</u>	<u>2023 Assessed Valuation (a)</u>	<u>2022 Assessed Valuation</u>	<u>2021 Assessed Valuation</u>	<u>2020 Assessed Valuation</u>	<u>2019 Assessed Valuation</u>
Land	\$ 93,667,251	\$ 60,724,341	\$ 24,883,934	\$ 13,995,158	\$ 11,822,700
Improvements	199,889,127	70,169,723	28,472,025	6,157,430	950
Personal Property	88,957	22,232	16,792	-	-
Exemptions	<u>(52,070,679)</u>	<u>(5,183,100)</u>	<u>(925,268)</u>	<u>(115,325)</u>	-
Total	\$ 241,574,656	\$ 125,733,196	\$ 52,447,483	\$ 20,037,263	\$ 11,823,650

(a) Value includes \$639,505 of value under review by the Appraisal Review Board, which is the estimated minimum amount of uncertified value that will ultimately become certified. See "TAXING PROCEDURES."

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2023:

<u>Taxpayer</u>	<u>Property Type</u>	<u>2023 Taxable Assessed Valuation</u>	<u>% of AV</u>
HW Heartland LP (a)	Land & Improvements	\$ 18,811,032	7.79%
Antares Acquisition LLC (b)	Land & Improvements	8,629,753	3.57%
Bloomfield Homes LP (b)	Land & Improvements	7,706,091	3.19%
Chesmar Homes LLC (b)	Land & Improvements	6,967,485	2.88%
HMH Lifestyles LP (b)	Land & Improvements	2,708,383	1.12%
Impression Homes LLC (b)	Land & Improvements	2,616,838	1.08%
Highland Homes Dallas LLC (b)	Land & Improvements	2,596,258	1.07%
Lennar Homes of Texas Land & Construction LTD (b)	Land & Improvements	2,364,435	0.98%
Kaufman1 Townhomes LLC (b)(c)	Land & Improvements	2,127,071	0.88%
Homeowner	Land & Improvements	510,710	0.21%
Total		\$ 55,038,056	22.78%

(a) See "DEVELOPER" and "INVESTMENT CONSIDERATIONS—Economic Factors Affecting Taxable Values and Tax Payments."

(b) See "DEVELOPMENT STATUS OF THE DISTRICT—Homebuilders within the District."

(c) Entity related to HMH Lifestyles LP.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed valuation that would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District occurs beyond the 2023 Taxable Assessed Valuation (\$241,574,656) or the Estimated Taxable Valuation as of September 1, 2023 (\$327,324,000). The foregoing further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Average Annual Debt Service Requirement (2024–2047, high years)	\$ 1,967,757
Debt Service Tax of \$0.86 on the 2023 Taxable Assessed Valuation produces.....	\$ 1,973,665
Debt Service Tax of \$0.64 on the Estimated Taxable Valuation as of September 1, 2023 produces..	\$ 1,990,130
Maximum Annual Debt Service Requirement (2045).....	\$ 2,063,178
Debt Service Tax of \$0.90 on the 2023 Taxable Assessed Valuation produces.....	\$ 2,065,463
Debt Service Tax of \$0.67 on the Estimated Taxable Valuation as of September 1, 2023 produces..	\$ 2,083,417

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 2023 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.

<u>Taxing Jurisdiction</u>	<u>2023 Tax Rate</u>
The District	\$ 1.000000
Kaufman County	0.328958
Crandall ISD	1.169200
Kaufman County Road & Bridge	0.082500
Kaufman County ESD No. 7	0.074300
Trinity Valley Community College District	0.110990
Estimated Total Tax Rate	<u>\$ 2.765948</u>

THE DISTRICT

General

The District is a limited-purpose political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution. The District was created by House Bill No. 3622 passed by the 78th Texas Legislature, Regular Session, 2003 and originally named Kingsborough Municipal Utility District No. 3. As of February 3, 2006, by order of the TCEQ, the District’s name was changed to Kaufman County Municipal Utility District No. 10. The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. In addition, the District is authorized to purchase, construct, operate and maintain roads. The District is also authorized to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; the control and diversion of storm water. The District may also provide solid waste collection and disposal service and operate and maintain recreational facilities. The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters and the TCEQ. The District does not operate and/or maintain a fire department. The District is subject to the continuing supervision of the TCEQ.

Description

The District is located in central Kaufman County, approximately 18 miles east of the City of Dallas; approximately 8 miles east of the City of Mesquite; and approximately 2 miles north of the City of Crandall. It is bordered on the north by Interstate 20, on the south by FM 2757 and is adjacent to FM 741. The District is located wholly within the extraterritorial jurisdiction of the City of Crandall and wholly within Crandall Independent School District. The District is comprised of approximately 531 acres and is located wholly within the approximately 1,539-acre master-planned community known as “Heartland.”

Management of the District

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

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
John F. Giesler	President	2024
Kathy Granzberg	Vice President	2024
Kathy Bowen	Secretary	2026
Gail Combs	Assistant Secretary	2024
Paul Blight	Assistant Secretary	2026

The District has contracted with following companies and individuals for professional services and to operate its utilities:

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

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

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

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. A copy of the District's audit prepared by McCall Gibson Swedlund Barfoot PLLC for the fiscal year ended September 30, 2022, is included 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 Peloton Land Solutions (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 fee to be paid to Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

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

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DEVELOPMENT STATUS OF THE DISTRICT

Of the approximately 531.15 acres of land located within the District, approximately 373.11 acres within the District have been developed with water distribution, sanitary sewer and storm drainage and road facilities to serve the single-family residential subdivisions of Heartland, Phases 11, 12B, 15, and 17–23 (1,376 lots). As of September 1, 2023, the District was comprised of 756 completed homes (618 occupied homes, 137 unoccupied homes and 1 model home); 175 homes under construction; and 445 vacant developed lots. Additionally, approximately 21.55 acres (110 lots) are currently under development as Heartland, Phase 24. The remaining acreage within the District is comprised of approximately 27.30 acres for a middle school, approximately 104.18 undeveloped but developable acres, and approximately 5.01 undevelopable acres of permanent floodplain.

The table below summarizes the development within the District as of September 1, 2023 by section:

<u>Section</u>	<u>Acreage</u>	<u>No. of Lots</u>	<u>Homes</u>		<u>Vacant Lots</u>
			<u>Complete</u>	<u>Under Construction</u>	
Heartland,					
Phase 11	55.68	133	133	-	-
Phase 12B	12.54	58	58	-	-
Phase 15	31.85	106	102	2	2
Phase 17	23.71	150	110	32	8
Phase 18	14.99	52	52	-	-
Phase 19	29.99	143	111	26	6
Phase 20	64.28	160	111	30	19
Phase 21	75.40	243	-	6	237
Phase 22 (a)	8.44	82	28	23	31
Phase 23	<u>56.24</u>	<u>249</u>	<u>51</u>	<u>56</u>	<u>142</u>
Total	373.11	1,376	756	175	445
Currently Under Development	21.55				
School	27.30				
Undevelopable	5.01				
Remaining Developable	<u>104.18</u>				
Total District Acreage	531.15				

(a) Heartland, Phase 22 was developed as 82 townhome lots.

Homebuilders within the District

Homebuilders active within the District include HistoryMaker Homes, Chesmar Homes, Highland Homes, Impression Homes, Bloomfield Homes, Lennar Homes, Antares Homes, and KB Homes. Home prices range from approximately \$270,000 to \$610,000 and home sizes range from approximately 1,500 to 4,000 square feet.

HEARTLAND

The District is part of the approximately 1,539-acre master-planned community of “Heartland,” which is comprised entirely of the District, Kaufman County Municipal Utility District No. 11 (“KCMUD 11”), and Kaufman County Municipal Utility District No. 14 (“KCMUD 14”). Heartland is located 18 miles east of downtown Dallas, 8 miles east of Mesquite and 2 miles north of the City of Crandall. Heartland is bounded by US Interstate 20 on the north, FM 2757 on the south and FM 741 is adjacent to the project.

To date, approximately 1,196 acres (4,729 lots) have been developed with water distribution, sanitary sewer and storm drainage and road facilities within Heartland. As of September 1, 2023, there were 4,101 completed homes, 177 homes under construction, and 451 vacant developed lots. Additionally, approximately 22 acres (110 lots) are currently under development within Heartland. The remaining land within Heartland is comprised of approximately 27 acres for a middle school, approximately 188 undeveloped but developable acres, and approximately 107 undevelopable acres.

DEVELOPER

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 Developer

The principal developer of land within the District is UST Heartland, L.P., a Texas limited partnership ("UST"). UST was formerly known as HW Heartland, L.P. UST Heartland GP, LLC, a Texas limited liability company ("Heartland GP"), is the sole general partner of UST. UST Subpartnership II, L.P., a Delaware limited partnership ("USTII"), is the sole limited partner of UST. Each of UST II and Heartland GP are wholly owned by UST Joint Venture Opportunity I, L.P., a Delaware limited partnership ("UST JV"), formed to invest in industrial, commercial, residential, office, hotel, hospital, medical, sports arena, mixed use, condominium, timeshare, golf course, and recreation properties throughout the United States. The Developer is managed by UST Opportunity Corporation, a company owned by Lothar Estein who has over 40 years' experience in US real estate investments in the United States. UST currently owns approximately 188 developable acres, 110 lots under development, and 339 vacant developed lots within Heartland.

Lot Sales Contracts

The Developer has entered into lot sales contracts with each of HistoryMaker Homes, Chesmar Homes, Highland Homes, Impression Homes, Bloomfield Homes, Lennar Homes, Antares Homes, and KB Homes. The contracts for the sale of lots between UST and the builders require that earnest money be deposited with a title company and establish certain required purchases quarterly. UST's sole remedy for homebuilders not purchasing lots in accordance with the contracts is cancellation of the contract and retention of the earnest money on deposit. According to the Developer, each of the homebuilders is in compliance, in all material respects, with their respective lot sales contracts.

Development Manager

In July, 2013, UST engaged Huffines Management Partners, L.P. (d/b/a "Huffines Communities"), to perform management services related to the development of property within Heartland. Huffines Communities is in the business of managing and developing real property, including residential communities. Since its inception in 1985, Huffines Communities has owned, or has developed or managed for development, over 20,000 residential lots. Among its "signature" communities are: Waterview in Rowlett, Texas; Providence in Providence, Texas; Savannah in Savannah, Texas; and Inspiration in Collin County, Texas. Huffines Communities also has significant experience as the developer of master planned communities located within special districts in Texas similar to the District, having been involved with more than fifteen (15) special districts in the state. There is no assurance that Huffines Communities will continue to be the manager for the development of the property, as UST and Huffines Communities have the right, upon prior notice to the other and for certain other reasons, to terminate the management services agreement between them. Huffines Communities has no ownership in Heartland or UST.

**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken May 2023)**



**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken May 2023)**



THE SYSTEM

Regulation

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

Operation of the waterworks and sewer treatment facilities serving the District 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.

Master District Contract

The District is one of five (5) municipal utility districts, collectively comprising approximately 2,149 acres herein referred to as the "Service Area," created through the Texas Legislature: Kaufman County Municipal Utility District No. 9 ("KCMUD 9"), the District, KCMUD 11, Kaufman County Municipal Utility District No. 12 ("KCMUD 12"), and KCMUD 14 (originally named Kingsborough Municipal Utility District Nos. 2 through 5 and 1, respectively). The District, KCMUD 9, KCMUD 11, KCMUD 12 and KCMUD 14 are collectively referred to herein as the "Participants," or each a "Participant" individually. KCMUD 12 also acts as the "Master District" and has contracted with each of the Participants to provide water supply and wastewater treatment capacity, as well as the regional water distribution trunklines, regional wastewater collection trunklines, and regional stormwater collection trunklines (collectively, the "Master District Facilities") necessary to serve the Service Area.

On March 7, 2005, each of the Participants, including the District, entered into a "Contract for Financing, Operation and Maintenance of Regional Water, Sanitary Sewer and Drainage Facilities" ("Master District Contract") with the Master District relating to the Master District Facilities. The Master District Contract was approved by the voters of the District at an election held within the boundaries of the District on May 7, 2005. Each of the Participants have executed similar contracts with the Master District of which were approved by the voters of the Participants at elections held separately within the boundaries of each Participant.

Pursuant to the Master District Contract, the Master District is authorized to issue unlimited contract tax revenue bonds to complete the acquisition and construction of the Master District Facilities (the "Unlimited Contract Tax Revenue Bonds"). The Master District Contract provides that all Participants shall pay a pro rata share of debt service on the Unlimited Contract Tax Revenue Bonds issued by the Master District based upon each Participant's assessed valuation as a percentage of the total certified assessed valuation of the Service Area. Each Participant is obligated to make such payments from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by such Participant for such purpose on taxable property within its boundaries (the "Contract Tax"), which is not limited as to rate or amount, from revenues derived from the operations of such Participant's water distribution system and wastewater collection system, or from any other lawful source of such Participant's income. Each Participant's pro rata share of debt service requirements will be calculated annually by the Master District; however, the levy of a Contract Tax or other available means of payment is the sole responsibility of each Participant for the purpose of paying its pro rata share of debt service on Unlimited Contract Tax Revenue Bonds. See "INVESTMENT CONSIDERATIONS—Overlapping Master District Debt and Contract Tax" and "—Obligations to City of Mesquite."

The Master District has issued one series of Unlimited Contract Tax Revenue Bonds to finance the Master District Facilities. As of September 1, 2023, \$5,575,000 principal amount of such bonds remains outstanding. It is further expected that the Master District will issue additional Unlimited Contract Tax Revenue Bonds in the future. For the 2023 tax year, the District has levied a Contract Tax of \$0.0325 per \$100 of assessed valuation to pay its pro rata share of the debt service on Unlimited Contract Tax Revenue Bonds issued by the Master District.

Each Participant is responsible for constructing its internal water distribution, wastewater collection and storm drainage lines within its respective boundaries. The internal facilities are financed with unlimited ad valorem tax bonds sold by each district, such as the Bonds. The Master District Facilities will be constructed in

stages to meet the needs of a continually expanding population within the Service Area. In the event that the Master District fails to meet its obligations under the Master District Contract to provide Master District Facilities, each of the other Participants has the right pursuant to its Master District Contract to design, acquire, construct, or expand the Master District Facilities needed to provide service to such Participant, and convey such Master District Facilities to the Master District in consideration of payment by the Master District of the actual capital costs expended by such Participant for such Master District Facilities.

The District is further obligated to pay monthly charges for water and sewer services rendered pursuant to the Master District Contract. The monthly charges will be used to pay the District's share of operation and maintenance expenses of the Master District Facilities 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 each 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.

Agreement Regarding Wholesale Treated Water Service: Effective August 27, 2004, the Master District entered into an Agreement Regarding Wholesale Treated Water Service with the City of Mesquite (the "Wholesale Water Agreement"). Each of the Participants has been added as a party to such agreement. Pursuant to such agreement, the City of Mesquite agrees to provide water necessary for the full development of the Service Area, contingent upon the City of Mesquite being able to purchase water from the North Texas Municipal Water District ("NTMWD"). Each of the Participants pays the bulk rate per 1,000 gallons that the City of Mesquite is charged for purchasing treated water from NTMWD plus 40% per 1,000 gallons. Based upon the City of Mesquite's existing contracts, the City of Mesquite has sufficient water supply to serve all the existing lots within the Service Area as well as the additional development underway.

Agreement Regarding Wholesale Wastewater Treatment Service: Effective August 27, 2004, the Master District entered into an Agreement Regarding Wholesale Wastewater Treatment Service with the City of Mesquite (the "Wholesale Wastewater Agreement"). Each of the Participants has been added as a party to such agreement. Pursuant to such agreement, the City of Mesquite agrees to provide wastewater treatment capacity necessary for the full development of the Service Area, contingent upon the City of Mesquite being able to purchase wastewater treatment capacity from the NTMWD. Each of the Participants pays the bulk rate per 1,000 gallons that the City of Mesquite is charged for purchasing wastewater treatment services from NTMWD plus 40% per 1,000 gallons. Based upon the City of Mesquite's existing contracts, the City of Mesquite has sufficient wastewater treatment capacity to serve all the existing lots within the Service Area as well as the additional development underway.

Description of the Utility System

Water Supply and Distribution: The City of Mesquite is the wholesale water provider to the Service Area, including the District. The City of Mesquite, in turn, contracts with the NTMWD for the provision of treated water to the City in the volume set forth in the contract and to the extent such water is available. The Wholesale Water Agreement provides that the City of Mesquite will provide adequate water supply for all of the Service Area, including approximately 12,500 residential units, schools, commercial, civic and other associated uses. There is an existing 24-inch water line from the City of Mesquite to the Service Area pump station on the north

side of I-20. This water line has the capacity to serve approximately 12,500 ESFCs. See “—Master District Contract—*Agreement Regarding Wholesale Treated Water Service*” above.

Wastewater Treatment and Conveyance System: The City of Mesquite is the wholesale sewer provider to the Service Area. The City of Mesquite, in turn, has contracted with the NTMWD for service from NTMWD’s regional wastewater treatment plant. NTMWD has completed construction of a regional sewer line called Lower East Fork Interceptor System (“LEFIS”) along Mustang Creek southwest of the Service Area that will serve the Service Area as well as other future development in the Mustang Creek basin. See “—Master District Contract—*Agreement Regarding Wholesale Wastewater Treatment Service*” above.

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

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

Description of the Road System

Construction of the roads within the boundaries of the District has been financed with funds advanced by the Developer. The proceeds from the sale of bonds issued for the Road System will be used to reimburse the Developer for road improvements for the existing phases and future phases within the District. Roadways within the District are constructed of reinforced concrete with curbs on lime-stabilized subgrade. Roads vary in width, but are sized to accommodate the anticipated traffic demands of full build-out of the project. The District owns and maintains the roads within the District.

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Historical Operations of the Utility System

The figures for the fiscal years ending September 30 in the years 2019–2022, were obtained from the District’s annual financial reports, reference to which is hereby made. See “APPENDIX A.” The figures for the period ended September 13, 2023, are unaudited and have been obtained from the reports of the District’s bookkeeper. The District is required by statute to have a certified public accountant prepare and file an annual audit of its financial records with the TCEQ.

Revenues	Fiscal Year Ended				
	2023 (a)	2022	2021	2020	2019
Property Taxes	\$ 281,866	\$ 162,634	\$ 197,190	\$ 118,237	\$ 81,024
Water Service	470,915	428,187	183,490	63,203	2,219
Wastewater Service	271,542	194,533	95,755	38,383	1,803
Garbage Service	57,321	40,625	19,969	2,845	-
Connection & Inspection Fees	728,156	1,475,932	856,776	403,800	188,237
Investment & Miscellaneous	53,886	24,393	6,772	4,025	-
Total Revenues	\$ 1,863,686	\$ 2,326,304	\$ 1,359,952	\$ 630,493	\$ 273,283
Expenditures					
Professional Fees	\$ 155,933	\$ 138,675	\$ 159,674	\$ 72,553	\$ 24,635
Contracted Services	348,477	120,403	69,731	19,162	4,362
Purchased Master District Services	492,923	679,951	310,687	100,985	-
Utilities	28,830	31,495	9,314	4,481	968
Repairs & Maintenance	219,872	233,872	123,552	19,627	11,937
Other	93,637	176,560	159,070	82,357	38,839
Capital Outlay	248,080	-	71,202	-	-
Total Expenditures	\$ 1,587,753	\$ 1,380,956	\$ 903,230	\$ 299,165	\$ 80,741
Net Revenues (Deficits)	\$ 275,933	\$ 945,348	\$ 456,722	\$ 331,328	\$ 192,542
Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -	\$ 15,000
Beginning Fund Balance	\$ 1,948,848	\$ 1,003,500	\$ 546,778	\$ 215,450	\$ 7,908
Ending Fund Balance	\$ 2,224,781	\$ 1,948,848	\$ 1,003,500	\$ 546,778	\$ 215,450

(a) Unaudited; as of September 13, 2023.

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

Economic Factors Affecting Taxable Values and Tax Payments

The rate of development within the District is directly related to the vitality of the single-family housing market in the Dallas and Mesquite metropolitan areas. 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 in excess of 931 single-family homes are either completed or under construction within the District, the District cannot predict the pace or magnitude of any future development in the District. See “DEVELOPMENT STATUS OF THE DISTRICT.”

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

Dependence on Major Taxpayers and the Developer: The ten principal taxpayers represent \$55,038,056 or 22.78% of the District's 2023 Taxable Assessed Valuation (\$241,574,656), which represents ownership as of January 1, 2023. The Developer represents \$18,811,032 or 7.79% of such value. If these or other principal taxpayers were to default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds would be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its debt service fund. See "Tax Collections Limitations" in this section, "TAXING PROCEDURES—Levy and Collection of Taxes" and "TAX DATA—Principal Taxpayers."

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 2023 Taxable Assessed Valuation of property within the District (see "SELECTED FINANCIAL INFORMATION"), is \$241,574,656, and the Estimated Taxable Assessed Valuation as of September 1, 2023 is \$327,324,000. After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds and the Bonds will be \$2,063,178 (2045) and the average annual debt service requirement on the Outstanding Bonds and the Bonds will be \$1,967,757 (2024–2047, high years). Assuming no increase or decrease from the 2023 Taxable Assessed Valuation, tax rates of \$0.90 and \$0.86 per \$100 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 (see "DISTRICT DEBT—Debt Service Requirements"). Assuming no increase to nor decrease from the Estimated Taxable Assessed Valuation as of September 1, 2023, tax rates of \$0.67 and \$0.64 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively.

For the 2023 tax year, the District levied a total tax rate of \$1.00 per \$100 of assessed valuation composed of the following: \$0.3175 per \$100 of assessed valuation for maintenance and operations; \$0.6500 per \$100 of assessed valuation for Road System debt service; and \$0.0325 per \$100 of assessed valuation for Contract Tax.

Vacant Developed Lots: As of September 1, 2023, approximately 445 developed lots within the District remained available for construction. Future increases in value will result primarily from the construction of homes by homebuilders. The District makes no representation that the lot sales and building program will be successful.

Tax Collections Limitations

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

right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the registered owners of the Bonds (the "Registered 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.

Bankruptcy Limitation to Registered Owners' Rights

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

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

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

The District may not be placed into bankruptcy involuntarily.

Future Debt

Following the issuance of the Bonds, \$66,090,000 principal amount of unlimited tax bonds for Utility System purposes, \$25,195,000 principal amount of unlimited tax bonds for Road System purposes, \$112,500,000 principal amount of unlimited tax bonds for refunding Utility System bonds, and \$70,500,000 principal amount of unlimited tax bonds for refunding Road System bonds will remain authorized but unissued. See “THE BONDS—Authority for Issuance.” The District reserves in the Bond Order the right to issue the remaining authorized but unissued bonds plus such additional bonds as may hereafter be authorized by voters in the District. In addition, the District has the right to issue obligations, other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow money for any valid public purpose. The issuance of additional obligations may increase the District’s tax rate and adversely affect the security for and the investment quality and value of the Bonds. See “DEVELOPMENT STATUS OF THE DISTRICT.”

Following reimbursement to the Developer with the proceeds of the Bonds, the District will owe the Developer approximately \$9,400,000 for the expenditures to construct the Utility System and \$6,600,000 for the expenditures to construct the Road System to serve the developed land within the District.

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the Engineer (hereinafter defined), following the issuance of the Bonds, the remaining principal amount of authorized but unissued bonds will be sufficient to fully reimburse the Developer for the existing facilities and to finance the water, sewer and drainage facilities and roads necessary to serve the remaining undeveloped but developable land within the District.

The District anticipates issuing its fourth (4th) series of unlimited tax bonds for Road System purposes in the 4th quarter of 2023 or 1st quarter of 2024; however, the principal amount of such bonds has yet to be determined.

Overlapping Master District Debt and Contract Tax

The Master District is responsible for constructing or otherwise obtaining the Master District Facilities for the Service Area. Pursuant to the Master District Contract, the Master District is authorized to issue Unlimited Contract Tax Revenue Bonds sufficient to complete the acquisition and construction of the Master District Facilities to serve the Service Area. By execution of the Master District Contract, the District and each of the Participants are obligated to pay a pro rata share, based on the certified assessed valuation of property within the boundaries of each Participant, of debt service on the Unlimited Contract Tax Revenue Bonds issued by the Master District to finance the Master District Facilities. Each Participant is obligated to make such payments from the proceeds of an annual ad valorem Contract Tax, without legal limit as to rate or amount, levied by such Participant for such purpose on taxable property within its boundaries, from revenues derived from the operations of such Participant’s water distribution system and wastewater collection system, or from any other lawful source of such Participant’s income.

The Master District has issued one series of Unlimited Contract Tax Revenue Bonds, of which \$5,575,000 principal amount of such bonds remains outstanding as of September 1, 2023. The Master District is authorized, without additional voter approval, to issue Unlimited Contract Tax Revenue Bonds in an amount necessary to finance the Master District Facilities to serve the Service Area. The District cannot represent whether any of the development planned or occurring within the Service Area served by the Master District Facilities will be successful. The levy of a Contract Tax to substantially higher levels could have an adverse impact upon future development and upon development and home sales within the Service Area, including the District, and the ability of each Participant to collect, and the willingness of owners of property located within the Service Area to pay ad valorem taxes (including the Contract Tax). See “THE SYSTEM—Master District Contract.” For the 2023 tax year, the District levied a Contract Tax of \$0.0325 per \$100 of assessed valuation.

As of September 1, 2023, the Master District owed the Developer approximately \$11,124,000 for the Master District Facilities, of which \$2,097,000 is allocated to the District based on its share of the assessed valuation of the Participants.

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

valorem taxes. Bonds to be issued by the District for roads currently are not subject to such “economic feasibility rules” but are subject to a “no growth tax rate limitation” of \$2.50 per \$100 valuation imposed by the Office of the Attorney General of Texas. See “SELECTED FINANCIAL INFORMATION.”

Obligations to City of Mesquite

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

In April 2006, NTMWD issued bonds to construct a wastewater interceptor, within the vicinity of the Service Area, to serve the area within the Participants. The City of Mesquite and the City of Seagoville are the entities entitled to utilize capacity in the interceptor and are responsible for paying debt service on such bonds. The City of Mesquite has contracted with the Master District to obtain payment of amounts sufficient to cover their portion of the debt service and operating costs of the interceptor. In turn, the Master District collects payment from each internal Participant for their portion of the debt service. Currently, the Participants are obligated through the Master District’s contract with the City of Mesquite to pay 78.21% of the annual debt service. The City of Seagoville is paying the remaining annual debt service payments. To the extent that the City of Mesquite serves other wholesale customers in the future, such customers will pay a portion of the debt service currently being paid by the Participants. For the fiscal year ending September 30, 2022, the payments allocable to the Participants were \$1,018,020, and the projected payments allocable to the Participants for the fiscal year ending September 30, 2023 are approximately \$1,010,982. Such payments are secured by the unlimited taxing authority of the Participants. However, such payments currently are being made from net revenues of the Participants.

Future and Proposed Legislation

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

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 Developer will be continued or completed. The respective competitive positions of the Developer 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.

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

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions

to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing, and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

Air Quality Issues: Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the TCEQ may impact new industrial, commercial and residential development in the District and surrounding area. Under the Clean Air Act (“CAA”) Amendments of 1990, the Dallas-Fort Worth area (“DFW Area”)—Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Tarrant, and Wise Counties, and Rockwall County for the purposes of the 2008 Ozone Standards only—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion (“ppb”)) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While Texas has been able to demonstrate steady progress and improvements in air quality in the DFW Area, the DFW Area remains subject to CAA nonattainment requirements.

The DFW Area is currently designated as a serious ozone nonattainment area under the 1997 Ozone Standards. On June 24, 2019, the EPA proposed approval of redesignation of the DFW to “attainment” for the 1997 Ozone Standards, which would terminate the serious nonattainment area “anti-backsliding” requirements and leave the DFW Area subject only to the nonattainment area requirements under the 2008 Ozone Standard and the 2015 Ozone Standard.

On October 7, 2022, the EPA published final notice reclassifying the DFW Area from “serious” to “severe” under the 2008 Ozone Standard, effective November 7, 2022. As the DFW Area is now designated a “severe” nonattainment area, it must meet the attainment date of July 20, 2027 with an attainment year of 2026. The “severe” nonattainment classification 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.

On October 7, 2022, the EPA published final notice reclassifying the DFW Area from “marginal” to “moderate” under the 2015 Ozone Standard, effective November 7, 2022. The attainment deadline for the DFW Area under the 2015 Ozone Standard is August 3, 2024, with an attainment year of 2023.

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the DFW Area 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 DFW 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 DFW Area to reach attainment with the ozone standards by the EPA’s attainment deadlines. These additional controls could have a negative impact on the DFW Area’s economic growth and development. As a result of the DFW Area’s reclassification, the TCEQ must submit revisions of the SIP to the EPA no later than January 1, 2023, addressing the “moderate” nonattainment classification and by May 2024 addressing the “severe” nonattainment classification.

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

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

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

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

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

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

On May 25, 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of “waters of the United States” and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, “waters of the United States” includes only geographical features that are described in ordinary parlance as “streams, oceans, rivers, and lakes” and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection.

While the *Sackett* decision removed a great deal of uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction, operations of municipal utility districts, including the Regional District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

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.

2023 Legislative Session

The 88th Texas Legislature began on January 10, 2023 and ended on May 29, 2023 (the "88th Regular Legislative Session"). The Texas Legislature meets in regular session in odd numbered years for 140 days. When the Texas Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During this time, the Texas Legislature may enact laws that materially change current law as it relates to the District. On September 29, 2023, the Governor called the Third Special Session to begin on October 9, 2023. The District can make no representations or predictions regarding any actions the Texas Legislature has taken or may take concerning the substance or the effect of any legislation passed in a previous session or a future session of the Texas Legislature.

Bond Insurance Risk Factors

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

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

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

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

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

Neither the District nor the Initial Purchaser have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal of and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "MUNICIPAL BOND

INSURANCE” and “RATINGS” herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

LEGAL MATTERS

Legal Opinions

The District will furnish to the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The District will also furnish the approving legal opinion of Coats Rose, P.C., Dallas, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See “TAX MATTERS” below. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. Bond Counsel’s opinion will also address the matters described below.

In addition to serving as Bond Counsel, Coats Rose, P.C., also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond 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. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, Disclosure Counsel.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Legal Review

Bond Counsel has reviewed the information appearing in this Official Statement under “THE BONDS” (except for information under the subheadings “—Book-Entry-Only System” and “—Use and Distribution of Bond Proceeds”), “THE DISTRICT—General,” “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel’s limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

No-Litigation Certificate

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

proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the titles of the then present officers of the Board.

No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District subsequent to the date of sale from that set forth or contemplated in the 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 Registered Owners may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds is less than the principal amount thereof or one or more periods for the payment of interest on the Bonds 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 Bonds are **not** qualified as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Code.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to the EMMA annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “DISTRICT DEBT” (excluding the subsection titled “Estimated Overlapping Debt Statement”), “TAX DATA,” and “APPENDIX A.” The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2023.

Any information so provided shall be prepared in accordance with generally accepted auditing standards 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 the audit report becomes available.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District

or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order make any provision for debt service reserves or liquidity enhancement. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

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

Limitations and Amendments

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

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

Compliance with Prior Undertakings

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

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the District's records, the District Engineer, the Developer, the Tax Assessor/Collector, the Auditor, information publicly available from 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 September 30, 2022, were prepared by McCall Gibson Swedlund Barfoot PLLC, and have been included herein as "APPENDIX A." McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, has consented to the publication of such financial statements in this Official Statement.

Experts

The information contained in this Official Statement relating to development and the status of development within the District generally and, in particular, the information in the section captioned "DEVELOPER," "HEARTLAND," and "DEVELOPMENT STATUS OF THE DISTRICT" has been provided by the Developer 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 and the Road System generally and, in particular, the engineering information included in the sections captioned "THE DISTRICT" and "THE 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 from information publicly available from the Appraisal District, 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 an 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 to 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. 10 as of the date specified on the first page hereof.

/s/ John F. Giesler
President, Board of Directors
Kaufman County Municipal Utility District No. 10

ATTEST:

/s/ Kathy Bowen
Secretary, Board of Directors
Kaufman County Municipal Utility District No. 10

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

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

KAUFMAN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2022

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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

KAUFMAN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2022

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1-3
MANAGEMENT’S DISCUSSION AND ANALYSIS	4-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	9-10
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	11
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	12-13
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	14
NOTES TO THE FINANCIAL STATEMENTS	15-27
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND	29
SUPPLEMENTARY INFORMATION – REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	31-33
GENERAL FUND EXPENDITURES	34
INVESTMENTS	35
TAXES LEVIED AND RECEIVABLE	36-37
LONG-TERM DEBT SERVICE REQUIREMENTS	38-40
CHANGES IN LONG-TERM BOND DEBT	41-42
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND – FOUR YEARS	43-46
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	47-48

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kaufman County Municipal Utility District No. 10
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. 10 (the "District") as of and for the year ended September 30, 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 the District as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund be presented to supplement the basic financial statements. Such information 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.

Board of Directors
Kaufman County Municipal Utility District No. 10

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

A handwritten signature in black ink that reads "McCall Gibson Swedlund Barfoot PLLC". The signature is written in a cursive, flowing style.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

January 18, 2023

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Management's discussion and analysis of the financial performance of Kaufman County Municipal Utility District No. 10 provides an overview of the District's financial activities for the fiscal year ended September 30, 2022. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$346,424 as of September 30, 2022. A portion of the District's net position reflects its net investment in capital assets (land, roads, and landscaping as well as the water, wastewater and drainage facilities, less any debt used to acquire those assets that is still outstanding).

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following is a comparative analysis of government-wide changes in the Statement of Net Position as of September 30, 2022, and September 30, 2021.

Summary of Changes in the Statement of Net Position			
	2022	2021	Change Positive (Negative)
Current Assets	\$ 2,855,431	\$ 1,654,239	\$ 1,201,192
Capital Assets (Net of Depreciation)	<u>24,252,549</u>	<u>11,276,219</u>	<u>12,976,330</u>
Total Assets	<u>\$ 27,107,980</u>	<u>\$ 12,930,458</u>	<u>\$ 14,177,522</u>
Due to Developer	\$ 17,306,216	\$ 3,881,504	\$ (13,424,712)
Bonds Payable	9,736,728	9,741,544	4,816
Other Liabilities	<u>411,460</u>	<u>233,656</u>	<u>(177,804)</u>
Total Liabilities	<u>\$ 27,454,404</u>	<u>\$ 13,856,704</u>	<u>\$ (13,597,700)</u>
Net Position:			
Net Investment in Capital Assets	\$ (2,500,745)	\$ (2,056,289)	\$ (444,456)
Restricted	295,645	217,493	78,152
Unrestricted	<u>1,858,676</u>	<u>912,550</u>	<u>946,126</u>
Total Net Position	<u>\$ (346,424)</u>	<u>\$ (926,246)</u>	<u>\$ 579,822</u>

The following table provides a summary of the District's operations for the years ended September 30, 2022, and September 30, 2021.

Summary of Changes in the Statement of Activities			
	2022	2021	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 518,767	\$ 197,190	\$ 321,577
Service Revenues	2,139,277	1,155,990	983,287
Miscellaneous Revenues	<u>29,384</u>	<u>6,772</u>	<u>22,612</u>
Total Revenues	<u>\$ 2,687,428</u>	<u>\$ 1,359,952</u>	<u>\$ 1,327,476</u>
Expenses for Services	<u>2,107,606</u>	<u>2,079,701</u>	<u>(27,905)</u>
Change in Net Position	\$ 579,822	\$ (719,749)	\$ 1,299,571
Net Position, Beginning of Year	<u>(926,246)</u>	<u>(206,497)</u>	<u>(719,749)</u>
Net Position, End of Year	<u>\$ (346,424)</u>	<u>\$ (926,246)</u>	<u>\$ 579,822</u>

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of September 30, 2022, were \$2,463,636, an increase of \$1,035,541 from the prior year.

The General Fund fund balance increased by \$945,348, primarily due to property tax revenues and service revenues that exceeded operating expenditures.

The Debt Service Fund fund balance increased by \$91,083, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance decreased by \$890.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. The budget was amended to reflect anticipated changes to purchased master district services and repairs and maintenance costs. Actual revenues were \$874,299 more than budgeted revenues and actual expenditures were \$136,695 more than budgeted expenditures which resulted in a positive variance of \$737,604. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of September 30, 2022, total \$24,252,549 (net of accumulated depreciation) and include land, landscaping and roads as well as the water, wastewater and drainage systems. Current year capital asset additions included the purchase and/or construction of land, landscaping, roads and utility infrastructure which serves District customers.

Capital Assets At Year-End			
	2022	2021	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 2,222,691	\$ 755,725	\$ 1,466,966
Capital Assets Subject to Depreciation:			
Water System	2,313,091	1,753,016	560,075
Wastewater System	2,318,334	1,610,162	708,172
Drainage System	2,264,205	1,468,117	796,088
Roads	14,586,402	5,542,855	9,043,547
Irrigation and Landscaping	1,357,916	508,052	849,864
Less Accumulated Depreciation	(810,090)	(361,708)	(448,382)
Total Net Capital Assets	\$ 24,252,549	\$ 11,276,219	\$ 12,976,330

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

LONG-TERM DEBT ACTIVITY

At fiscal year end, the District had total bond debt payable of \$9,625,000. The changes in the debt position of the District during the fiscal year ended September 30, 2022, are summarized as follows:

Bond Debt Payable, October 1, 2021	\$ 9,625,000
Less: Bond Principal Paid	<u>- 0 -</u>
Bond Debt Payable, September 30, 2022	<u>\$ 9,625,000</u>

The Series 2020 Road Bonds do not carry underlying nor insured ratings. The Series 2021 Road Bonds carry an insured rating of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company. Credit enhanced ratings provided through bond insurance policies are subject to change based on changes to the ratings of the insurers.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Kaufman County Municipal Utility District No. 10, c/o Coats Rose, P.C., 16000 North Dallas Parkway, Suite 350, Dallas, TX 75248.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2022

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 2,241,881	\$ 78,860
Investments		245,000
Receivables:		
Property Taxes	778	1,691
Service Accounts	58,968	
Accrued Interest		720
Due from Other Funds	8,492	
Master District Facilities Operating Advance	28,833	
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 2,338,952	\$ 326,271
LIABILITIES		
Accounts Payable	\$ 344,366	\$
Accrued Interest Payable		
Due to Developer		
Due to Other Funds		8,492
Security Deposits	44,960	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 389,326	\$ 8,492
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 778	\$ 1,691
FUND BALANCES/NET POSITION		
FUND BALANCES		
Master District Facilities Operating Advance	\$ 28,833	\$
Restricted for Authorized Construction		
Restricted for Debt Service		316,088
Unrestricted	1,920,015	
TOTAL FUND BALANCES	\$ 1,948,848	\$ 316,088
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,338,952	\$ 326,271
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 198,700	\$ 2,519,441 245,000	\$	\$ 2,519,441 245,000
	2,469		2,469
	58,968		58,968
	720		720
	8,492	(8,492)	
	28,833		28,833
		2,222,691	2,222,691
		22,029,858	22,029,858
<u>\$ 198,700</u>	<u>\$ 2,863,923</u>	<u>\$ 24,244,057</u>	<u>\$ 27,107,980</u>
\$	\$ 344,366	\$	\$ 344,366
		22,134	22,134
		17,306,216	17,306,216
	8,492	(8,492)	
	44,960		44,960
		275,000	275,000
		9,461,728	9,461,728
<u>\$ -0-</u>	<u>\$ 397,818</u>	<u>\$ 27,056,586</u>	<u>\$ 27,454,404</u>
<u>\$ - 0 -</u>	<u>\$ 2,469</u>	<u>\$ (2,469)</u>	<u>\$ - 0 -</u>
\$	\$ 28,833	\$ (28,833)	\$
198,700	198,700	(198,700)	
	316,088	(316,088)	
	1,920,015	(1,920,015)	
<u>\$ 198,700</u>	<u>\$ 2,463,636</u>	<u>\$ (2,463,636)</u>	<u>\$ - 0 -</u>
<u>\$ 198,700</u>	<u>\$ 2,863,923</u>		
		\$ (2,500,745)	\$ (2,500,745)
		295,645	295,645
		1,858,676	1,858,676
		<u>\$ (346,424)</u>	<u>\$ (346,424)</u>

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

Total Fund Balances - Governmental Funds	\$	2,463,636
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		24,252,549
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Deferred inflows of resources related to property taxes receivable for the 2021 tax levy became part of recognized revenue in the governmental activities of the District.		2,469
--	--	-------

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

Due to Developer	\$ (17,306,216)	
Accrued Interest Payable	(22,134)	
Bonds Payable	<u>(9,736,728)</u>	<u>(27,065,078)</u>

Total Net Position - Governmental Activities	\$	<u>(346,424)</u>
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The accompanying notes to the financial statements are an integral part of this report.

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KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 162,634	\$ 353,664
Water Service	428,187	
Wastewater Service	194,533	
Garbage Service	40,625	
Connection and Inspection Fees	1,475,932	
Investment and Miscellaneous Revenues	24,393	4,991
TOTAL REVENUES	\$ 2,326,304	\$ 358,655
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 138,675	\$ 1,418
Contracted Services	120,403	7,235
Purchased Master District Services	679,951	
Utilities	31,495	
Repairs and Maintenance	233,872	
Depreciation		
Other	176,560	668
Debt Service:		
Bond Interest		258,251
TOTAL EXPENDITURES/EXPENSES	\$ 1,380,956	\$ 267,572
NET CHANGE IN FUND BALANCES	\$ 945,348	\$ 91,083
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - OCTOBER 1, 2021	1,003,500	225,005
FUND BALANCES/NET POSITION - SEPTEMBER 30, 2022	\$ 1,948,848	\$ 316,088

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$	\$ 516,298	\$ 2,469	\$ 518,767
	428,187		428,187
	194,533		194,533
	40,625		40,625
	1,475,932		1,475,932
	29,384		29,384
<u>\$ -0-</u>	<u>\$ 2,684,959</u>	<u>\$ 2,469</u>	<u>\$ 2,687,428</u>
\$	\$ 140,093	\$	\$ 140,093
	127,638		127,638
	679,951		679,951
	31,495		31,495
	233,872		233,872
		448,382	448,382
890	178,118		178,118
	258,251	9,806	268,057
<u>\$ 890</u>	<u>\$ 1,649,418</u>	<u>\$ 458,188</u>	<u>\$ 2,107,606</u>
\$ (890)	\$ 1,035,541	\$ (1,035,541)	\$
		579,822	579,822
<u>199,590</u>	<u>1,428,095</u>	<u>(2,354,341)</u>	<u>(926,246)</u>
<u>\$ 198,700</u>	<u>\$ 2,463,636</u>	<u>\$ (2,810,060)</u>	<u>\$ (346,424)</u>

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

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Net Change in Fund Balances - Governmental Funds	\$ 1,035,541
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	2,469
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Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(448,382)
--	-----------

Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(9,806)
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Change in Net Position - Governmental Activities	<u>\$ 579,822</u>
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The accompanying notes to the financial statements are an integral part of this report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1. CREATION OF DISTRICT

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

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

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

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

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

Government-Wide Financial Statements

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

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

The District has three governmental funds and considers each to be a major fund. The General Fund accounts for maintenance tax revenues, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

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

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. The Debt Service Fund recorded a payable to the General Fund of \$8,492 for maintenance taxes.

Capital Assets

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

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

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

Budgeting

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

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

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position. Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	<u>Road Series 2020</u>	<u>Road Series 2021</u>
Amount Outstanding – September 30, 2022	\$3,265,000	\$6,360,000
Interest Rates	1.75%-3.10%	2.00%-4.50%
Maturity Dates - Serially Beginning/Ending	March 1, 2023/2045	March 1, 2023/2046
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2025 *	March 1, 2026 *

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

As of September 30, 2022, the District had authorized but unissued bonds in the amount of \$37,375,000 for roads, \$75,000,000 for water, sewer and drainage facilities, \$112,500,000 for refunding water, sewer and drainage facilities bonds, and \$70,500,000 for refunding road bonds. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2022:

	October 1, 2021	Additions	Retirements	September 30, 2022
Bonds Payable	\$ 9,625,000	\$	\$	\$ 9,625,000
Unamortized Discounts	(27,092)		(1,179)	(25,913)
Unamortized Premiums	143,636		5,995	137,641
Bonds Payable, Net	\$ 9,741,544	\$ -0-	\$ 4,816	\$ 9,736,728
			Amount Due Within One Year	\$ 275,000
			Amount Due After One Year	9,461,728
			Bonds Payable, Net	\$ 9,736,728

Debt service requirements on the outstanding bonds are summarized in the following table:

Fiscal Year	Principal	Interest	Total
2023	\$ 275,000	\$ 260,656	\$ 535,656
2024	285,000	250,540	535,540
2025	295,000	239,987	534,987
2026	300,000	229,100	529,100
2027	315,000	217,772	532,772
2028-2032	1,735,000	922,893	2,657,893
2033-2037	2,040,000	697,240	2,737,240
2038-2042	2,385,000	424,605	2,809,605
2043-2046	1,995,000	99,175	2,094,175
	\$ 9,625,000	\$ 3,341,968	\$ 12,966,968

During the year ended September 30, 2022, the District levied an ad valorem debt service tax rate of \$0.685 per \$100 of assessed valuation, which resulted in a tax levy of \$355,355 on the adjusted taxable valuation of \$51,876,647 for the 2021 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

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

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

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$2,764,441 and the bank balance was \$2,774,397. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2022, as listed below:

	Cash	Certificate of Deposit	Total
GENERAL FUND	\$ 2,241,881	\$	\$ 2,241,881
DEBT SERVICE FUND	78,860	245,000	323,860
CAPITAL PROJECTS FUND	198,700		198,700
TOTAL DEPOSITS	\$ 2,519,441	\$ 245,000	\$ 2,764,441

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

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

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

Certificates of deposit are recorded at acquisition cost. As of September 30, 2022, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>DEBT SERVICE FUND</u>		
Certificate of Deposit	<u>\$ 245,000</u>	<u>\$ 245,000</u>

Restrictions

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 6. CAPITAL ASSETS

Capital asset activity for the current fiscal year is summarized in the following table:

	October 1, 2021	Increases	Decreases	September 30, 2022
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 755,725	\$ 1,466,966	\$ - 0 -	\$ 2,222,691
Capital Assets Subject to Depreciation				
Water System	\$ 1,753,016	\$ 560,075	\$	\$ 2,313,091
Wastewater System	1,610,162	708,172	\$	2,318,334
Drainage System	1,468,117	796,088	\$	2,264,205
Roads	5,542,855	9,043,547	\$	14,586,402
Irrigation and Landscaping	508,052	849,864	\$	1,357,916
Total Capital Assets Subject to Depreciation	\$ 10,882,202	\$ 11,957,746	\$ - 0 -	\$ 22,839,948
Less Accumulated Depreciation				
Water System	\$ 54,844	\$ 48,470	\$	\$ 103,314
Wastewater System	47,358	47,811	\$	95,169
Drainage System	56,367	46,147	\$	102,514
Roads	172,537	209,402	\$	381,939
Irrigation and Landscaping	30,602	96,552	\$	127,154
Total Accumulated Depreciation	\$ 361,708	\$ 448,382	\$ - 0 -	\$ 810,090
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 10,520,494	\$ 11,509,364	\$ - 0 -	\$ 22,029,858
Total Capital Assets, Net of Accumulated Depreciation	\$ 11,276,219	\$ 12,976,330	\$ - 0 -	\$ 24,252,549

NOTE 7. MAINTENANCE TAX

On May 7, 2005, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed \$1.00 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's systems and other operating and maintenance expenses. During the current fiscal year, the District levied an ad valorem maintenance tax rate of \$0.315 per \$100 of assessed valuation, which resulted in a tax levy of \$163,412 on the adjusted taxable valuation of \$51,876,647 for the 2021 tax year.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 8. CONTRACT WITH THE MASTER DISTRICT

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

The Master District entered into the Agreement Regarding Wholesale Treated Water Service and the Agreement Regarding Wholesale Wastewater Treatment Service with the City of Mesquite, Texas for the purpose of providing both water and wastewater treatment services. Each Participant has been added as additional parties to these agreements. Each Participant has contracted with the Master District to provide, receive, and transport its water supply, sanitary waste, and storm waters through the Master District facilities. The Master District bills each Participant its share of the monthly charges incurred by the Master District. Each Participant’s share of the monthly charges is determined by dividing the total number of equivalent single family residential connections for all Participants by the number of equivalent single-family connections for each Participant. During the year ended September 30, 2022, the District recorded expenditures of \$679,951 in relation to the purchased Master District services, operating and maintenance costs, and capital improvements. The District also funded its share of the operating reserve in the amount of \$28,833.

The Master District’s Developer has paid for the construction, engineering and related costs necessary to fund the construction of the Master District Facilities. These payments were made in accordance with financing agreements entered into between the Master District and its Developer. The Master District owns and operates the Master District facilities. The Master District finances the Master District facilities through the issuance of Master District bonds. Each Participant is responsible for its pro rata share of the debt service requirements on the Master District bonds. Pro rata shares will be calculated by dividing each Participant’s certified appraised value by the cumulative total of the certified values of all the Participants.

On May 7, 2005, the voters within the District approved the levy and collection of an annual contract tax imposed on all taxable property within the boundaries of the District at an unlimited amount per \$100 of assessed valuation for purposes of making payments pursuant to the Master District contract. By Order dated July 10, 2006, the Commission approved the levy of a contract tax by the District in a sufficient amount to make payments related to the above noted contracts. During the current fiscal year, the District did not levy a contract tax.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 8. CONTRACT WITH THE MASTER DISTRICT (Continued)

On June 16, 2022, the Master District sold its \$5,575,000 Series 2022 Unlimited Contract Tax Revenue Bonds. Future debt service requirements on the Master District Contract Tax Revenue Bonds outstanding as of year end are summarized in the following table:

Fiscal Year	Principal	Interest	Total
2023	\$	\$ 241,792	\$ 241,792
2024	145,000	241,794	386,794
2025	150,000	232,369	382,369
2026	155,000	222,619	377,619
2027	160,000	212,931	372,931
2028-2032	905,000	947,256	1,852,256
2033-2037	1,100,000	750,856	1,850,856
2038-2042	1,335,000	512,445	1,847,445
2043-2047	1,625,000	212,338	1,837,338
	<u>\$ 5,575,000</u>	<u>\$ 3,574,400</u>	<u>\$ 9,149,400</u>

The following summary financial data of the Kaufman County Municipal Utility District No. 12 Special Revenue Fund (Master District activity) is presented for the fiscal year ending September 30, 2022. Copies of financial statements on the Master District can be obtained by contacting the Master District's attorney.

Total Assets	\$ 3,010,806
Total Liabilities	<u>2,964,576</u>
Total Fund Balance	<u>\$ 46,230</u>
Total Revenues	\$ 7,836,510
Total Expenses	<u>7,836,510</u>
Change in Fund Balance	\$ -0-
Fund Balance – October 1, 2021	<u>46,230</u>
Fund Balance – September 30, 2022	<u>\$ 46,230</u>

NOTE 9. RISK MANAGEMENT

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 10. UNREIMBURSED DEVELOPER COSTS

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

Due to Developer, October 1, 2021	\$	3,881,504
Add: Current Year Additions		<u>13,424,712</u>
Due to Developer, September 30, 2022	\$	<u><u>17,306,216</u></u>

NOTE 11. SUBSEQUENT EVENT - BOND SALE

On or about October 20, 2022, subsequent to year-end, the District closed on the sale of its \$12,180,000 Series 2022 Unlimited Tax Road Bonds. The net proceeds were used to reimburse the Developer for road improvements and related engineering and land costs associated with Heartland, Phases 15, 17, 18, 19, 20, 21, 22 and 23. Additional proceeds funded capitalized interest, developer interest and bond issuance costs.

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KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2022

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Original Budget	Amended and Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 161,730	\$ 161,730	\$ 162,634	\$ 904
Water Service	180,000	180,000	428,187	248,187
Wastewater Service	95,000	95,000	194,533	99,533
Garbage Service	21,000	21,000	40,625	19,625
Connection and Inspection Fees	988,775	988,775	1,475,932	487,157
Investment and Miscellaneous Revenues	5,500	5,500	24,393	18,893
TOTAL REVENUES	\$ 1,452,005	\$ 1,452,005	\$ 2,326,304	\$ 874,299
EXPENDITURES				
Service Operations:				
Professional Fees	\$ 137,500	\$ 137,500	\$ 138,675	\$ (1,175)
Contracted Services	88,100	88,100	120,403	(32,303)
Purchased Master District Services	397,765	337,005	679,951	(342,946)
Repairs, Maintenance, Capital Outlay	548,220	441,890	233,872	208,018
Other	239,766	239,766	208,055	31,711
TOTAL EXPENDITURES	\$ 1,411,351	\$ 1,244,261	\$ 1,380,956	\$ (136,695)
NET CHANGE IN FUND BALANCE	\$ 40,654	\$ 207,744	\$ 945,348	\$ 737,604
FUND BALANCE - OCTOBER 1, 2021	1,003,500	1,003,500	1,003,500	
FUND BALANCE - SEPTEMBER 30, 2022	\$ 1,044,154	\$ 1,211,244	\$ 1,948,848	\$ 737,604

See accompanying independent auditor's report.

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KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

SEPTEMBER 30, 2022

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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

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

2. RETAIL SERVICE PROVIDERS

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

The below rates are based on the rate order approved August 24, 2022.

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

District employs winter averaging for wastewater usage?

<u> </u>	<u> X </u>
Yes	No

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

See accompanying independent auditor's report.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	696	690	x 1.0	690
1"	10	10	x 2.5	25
1½"			x 5.0	
2"	13	13	x 8.0	104
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>719</u>	<u>713</u>		<u>819</u>
Total Wastewater Connections	<u>688</u>	<u>687</u>	x 1.0	<u>687</u>

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

Gallons billed to customers: 59,277,000*

* The District is part of a jointly operated water system with other participants who receive water from the Kaufman County Municipal Utility District No. 12 Master District. The water systems as a whole has an accountability of 91.4%.

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Kaufman County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ in which District is located:

City of Crandall, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

PROFESSIONAL FEES:	
Auditing	\$ 13,000
Engineering	98,371
Legal	<u>27,304</u>
TOTAL PROFESSIONAL FEES	<u>\$ 138,675</u>
PURCHASED MASTER DISTRICT SERVICES	<u>\$ 679,951</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 11,138
Operations and Billing	49,008
Solid Waste Disposal	36,782
Management Fees	<u>23,475</u>
TOTAL CONTRACTED SERVICES	<u>\$ 120,403</u>
UTILITIES	<u>\$ 31,495</u>
REPAIRS AND MAINTENANCE	<u>\$ 233,872</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 5,975
Insurance	4,261
Website and Other	<u>4,966</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 15,202</u>
BOND ISSUANCE COSTS	<u>\$ 11,250</u>
OTHER EXPENDITURES:	
Connection and Inspection Fees	<u>\$ 150,108</u>
TOTAL EXPENDITURES	<u><u>\$ 1,380,956</u></u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
INVESTMENTS
SEPTEMBER 30, 2022

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>DEBT SERVICE FUND</u>					
Certificate of Deposit	XXXX4958	2.75%	02/22/23	<u>\$ 245,000</u>	<u>\$ 720</u>

See accompanying independent auditor’s report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
OCTOBER 1, 2021	\$	-0-	\$	-0-
Adjustments to Beginning				
Balance	<u> </u>	\$ -0-	<u> </u>	\$ -0-
Original 2021 Tax Levy	\$	164,304	\$	357,296
Adjustment to 2021 Tax Levy	<u> </u>	(892)	<u> </u>	(1,941)
		<u> 163,412</u>		<u> 355,355</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 163,412		\$ 355,355
 TAX COLLECTIONS:				
Prior Years	\$		\$	
Current Year	<u> 162,634</u>	<u> 162,634</u>	<u> 353,664</u>	<u> 353,664</u>
 TAXES RECEIVABLE -				
SEPTEMBER 30, 2022		<u> \$ 778</u>		<u> \$ 1,691</u>
 TAXES RECEIVABLE BY				
YEAR:				
2021		<u> \$ 778</u>		<u> \$ 1,691</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	2021	2020	2019	2018
PROPERTY VALUATIONS:				
Land	\$ 24,773,934	\$ 13,995,158	\$ 11,822,700	\$ 8,101,400
Improvements	28,294,497	6,157,430	950	950
Personal Property	16,792			
Exemptions	(1,208,576)	(157,018)		
TOTAL PROPERTY VALUATIONS	\$ 51,876,647	\$ 19,995,570	\$ 11,823,650	\$ 8,102,350
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.685	\$ 0.00	\$ 0.00	\$ 0.00
Maintenance	0.315	1.00	1.00	1.00
TOTAL TAX RATES PER \$100 VALUATION	\$ 1.000	\$ 1.00	\$ 1.00	\$ 1.00
ADJUSTED TAX LEVY*	\$ 518,767	\$ 199,956	\$ 118,237	\$ 81,024
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	99.52 %	100.00 %	100.00 %	100.00 %

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

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

See accompanying independent auditor’s report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2022

SERIES - 2020 ROAD

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2023	\$ 90,000	\$ 88,294	\$ 178,294
2024	95,000	86,615	181,615
2025	100,000	84,725	184,725
2026	100,000	82,725	182,725
2027	105,000	80,622	185,622
2028	110,000	78,310	188,310
2029	115,000	75,777	190,777
2030	120,000	73,015	193,015
2031	125,000	70,013	195,013
2032	130,000	66,760	196,760
2033	130,000	63,315	193,315
2034	140,000	59,600	199,600
2035	145,000	55,610	200,610
2036	150,000	51,330	201,330
2037	155,000	46,755	201,755
2038	160,000	42,030	202,030
2039	165,000	37,155	202,155
2040	170,000	32,130	202,130
2041	180,000	26,880	206,880
2042	185,000	21,312	206,312
2043	190,000	15,500	205,500
2044	200,000	9,455	209,455
2045	205,000	3,177	208,177
2046			
	<u>\$ 3,265,000</u>	<u>\$ 1,251,105</u>	<u>\$ 4,516,105</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2022

SERIES - 2021 ROAD

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2023	\$ 185,000	\$ 172,362	\$ 357,362
2024	190,000	163,925	353,925
2025	195,000	155,262	350,262
2026	200,000	146,375	346,375
2027	210,000	137,150	347,150
2028	215,000	127,588	342,588
2029	220,000	117,800	337,800
2030	225,000	109,756	334,756
2031	235,000	104,312	339,312
2032	240,000	99,562	339,562
2033	250,000	94,662	344,662
2034	255,000	89,612	344,612
2035	265,000	84,412	349,412
2036	270,000	78,893	348,893
2037	280,000	73,051	353,051
2038	285,000	66,868	351,868
2039	295,000	60,344	355,344
2040	305,000	53,404	358,404
2041	315,000	46,041	361,041
2042	325,000	38,441	363,441
2043	335,000	30,604	365,604
2044	345,000	22,313	367,313
2045	355,000	13,563	368,563
2046	365,000	4,563	369,563
	<u>\$ 6,360,000</u>	<u>\$ 2,090,863</u>	<u>\$ 8,450,863</u>

See accompanying independent auditor's report.

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KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2022

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2023	\$ 275,000	\$ 260,656	\$ 535,656
2024	285,000	250,540	535,540
2025	295,000	239,987	534,987
2026	300,000	229,100	529,100
2027	315,000	217,772	532,772
2028	325,000	205,898	530,898
2029	335,000	193,577	528,577
2030	345,000	182,771	527,771
2031	360,000	174,325	534,325
2032	370,000	166,322	536,322
2033	380,000	157,977	537,977
2034	395,000	149,212	544,212
2035	410,000	140,022	550,022
2036	420,000	130,223	550,223
2037	435,000	119,806	554,806
2038	445,000	108,898	553,898
2039	460,000	97,499	557,499
2040	475,000	85,534	560,534
2041	495,000	72,921	567,921
2042	510,000	59,753	569,753
2043	525,000	46,104	571,104
2044	545,000	31,768	576,768
2045	560,000	16,740	576,740
2046	365,000	4,563	369,563
	<u>\$ 9,625,000</u>	<u>\$ 3,341,968</u>	<u>\$ 12,966,968</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

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

Debt Service Fund cash and investment balances as of September 30, 2022: \$ 323,860

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 540,290

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding September 30, 2022</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$	\$ 89,081	\$ 3,265,000	Zions Bancorporation, NA Houston, Texas
		169,170	6,360,000	Zions Bancorporation, NA Houston, Texas
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 258,251</u>	<u>\$ 9,625,000</u>	

See accompanying independent auditor's report.

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

	Amounts		
	2022	2021	2020
REVENUES			
Property Taxes	\$ 162,634	\$ 197,190	\$ 118,237
Water Service	428,187	183,490	63,203
Wastewater Service	194,533	95,755	38,383
Garbage Service	40,625	19,969	2,845
Connection and Inspection Fees	1,475,932	856,776	403,800
Investment and Miscellaneous Revenues	24,393	6,772	4,025
TOTAL REVENUES	<u>\$ 2,326,304</u>	<u>\$ 1,359,952</u>	<u>\$ 630,493</u>
EXPENDITURES			
Professional Fees	\$ 138,675	\$ 159,674	\$ 72,553
Contracted Services	120,403	69,731	19,162
Purchased Master District Services	679,951	310,687	100,985
Utilities	31,495	9,314	4,481
Repairs and Maintenance	233,872	123,552	19,627
Other	176,560	159,070	82,357
Capital Outlay		71,202	
TOTAL EXPENDITURES	<u>\$ 1,380,956</u>	<u>\$ 903,230</u>	<u>\$ 299,165</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 945,348</u>	<u>\$ 456,722</u>	<u>\$ 331,328</u>
OTHER FINANCING SOURCES (USES)			
Developer Advances	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ 945,348	\$ 456,722	\$ 331,328
BEGINNING FUND BALANCE	<u>1,003,500</u>	<u>546,778</u>	<u>215,450</u>
ENDING FUND BALANCE	<u>\$ 1,948,848</u>	<u>\$ 1,003,500</u>	<u>\$ 546,778</u>

See accompanying independent auditor's report.

	Percentage of Total Revenues			
<u>2019</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
\$ 81,024	7.1 %	14.5 %	18.8 %	29.6 %
2,219	18.4	13.5	10.0	0.8
1,803	8.4	7.0	6.1	0.7
	1.7	1.5	0.5	
188,237	63.4	63.0	64.0	68.9
	1.0	0.5	0.6	
<u>\$ 273,283</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 24,635	6.0 %	11.7 %	11.5 %	9.0 %
4,362	5.2	5.1	3.0	1.6
	29.2	22.8	16.0	
968	1.4	0.7	0.7	0.4
11,937	10.1	9.1	3.1	4.4
38,839	7.6	11.7	13.1	14.2
		5.2		
<u>\$ 80,741</u>	<u>59.5 %</u>	<u>66.3 %</u>	<u>47.4 %</u>	<u>29.6 %</u>
\$ 192,542	<u>40.5 %</u>	<u>33.7 %</u>	<u>52.6 %</u>	<u>70.4 %</u>
\$ 15,000				
\$ 207,542				
<u>7,908</u>				
<u>\$ 215,450</u>				

See accompanying independent auditor's report.

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

	Amounts		
	2022	2021	2020
REVENUES			
Property Taxes	\$ 353,664	\$	\$
Penalty, Interest and Other	<u>4,991</u>	<u></u>	<u></u>
TOTAL REVENUES	<u>\$ 358,655</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
EXPENDITURES			
Tax Collection and Other Costs	\$ 7,921	\$ 20	\$
Debt Service Interest	<u>259,651</u>	<u>85,122</u>	<u></u>
TOTAL EXPENDITURES	<u>\$ 267,572</u>	<u>\$ 85,142</u>	<u>\$ - 0 -</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 91,083</u>	<u>\$ (85,142)</u>	<u>\$ - 0 -</u>
OTHER FINANCING SOURCES (USES)			
Proceeds From Issuance of Long-term Debt	\$ - 0 -	\$ 176,525	\$ 133,622
NET CHANGE IN FUND BALANCE	\$ 91,083	\$ 91,383	\$ 133,622
BEGINNING FUND BALANCE	<u>225,005</u>	<u>133,622</u>	<u></u>
ENDING FUND BALANCE	<u>\$ 316,088</u>	<u>\$ 225,005</u>	<u>\$ 133,622</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>713</u>	<u>352</u>	<u>136</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>687</u>	<u>335</u>	<u>136</u>

See accompanying independent auditor's report.

Percentage of Total Revenues				
2019	2022	2021	2020	2019
\$	98.5 %	%	%	%
<u>1.4</u>	<u>100.0 %</u>	<u>N/A %</u>	<u>N/A %</u>	<u>N/A %</u>
\$ - 0 -	2.2 %	%	%	%
<u>72.4</u>	<u>74.6 %</u>	<u>N/A %</u>	<u>N/A %</u>	<u>N/A %</u>
\$ - 0 -	25.4 %	N/A %	N/A %	N/A %
<u>25.4 %</u>	<u>N/A %</u>	<u>N/A %</u>	<u>N/A %</u>	<u>N/A %</u>
\$ - 0 -				
\$ - 0 -				
<u>36</u>				
<u>36</u>				

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2022

District Mailing Address - Kaufman County Municipal Utility District No. 10
c/o Coats Rose, P.C.
16000 North Dallas Parkway, Suite 350
Dallas, TX 75248

District Telephone Number - (972) 982-8455

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>September 30, 2022</u>	Expense Reimbursements for the year ended <u>September 30, 2022</u>	<u>Title</u>
John F. Giesler	05/20 05/24 (Elected)	\$ 1,200	\$ 133	President
Kathy Granzberg	05/20 05/24 (Elected)	\$ 1,050	\$ 67	Vice President
Kathy Bowen	05/22 05/26 (Elected)	\$ 1,200	\$ 66	Secretary
Gail Combs	05/20 05/24 (Elected)	\$ 1,050	\$ 293	Assistant Secretary
Paul Blight	05/22 05/26 (Elected)	\$ 1,050	\$ 120	Assistant Secretary

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

Submission date of most recent District Registration Form: January 6, 2023

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

See accompanying independent auditor’s report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 10
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2022

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2022</u>	<u>Title</u>
Coats Rose, P.C.	03/01/05	\$ 27,304	General Counsel
McCall Gibson Swedlund Barfoot PLLC	01/15/20	\$ 13,000	Auditor
L & S District Services, LLC	03/01/05	\$ 11,138	Bookkeeper/
Debra Loggins		\$ -0-	Investment Officer
Peloton Land Solutions, Inc.	11/20/19	\$ 90,473	Engineer
Robert W. Baird	05/16/18	\$ -0-	Financial Advisor
Inframark, LLC	11/14/18	\$ 239,504	Operator
Capital Consultants Management Corporation	11/20/19	\$ 44,466	Management Services

See accompanying independent auditor's report.

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN