

**OFFICIAL STATEMENT DATED JANUARY 23, 2024**

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

**The Bonds have not been designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS - Not Qualified Tax-Exempt Obligations for Financial Institutions."**

NEW ISSUE – Book Entry Only

RATINGS: S&P Global Ratings (BAM Insured) ..... "AA"  
Moody's Investors Service, Inc. (Underlying) ..... "Baa2"  
See "MUNICIPAL BOND INSURANCE" and "RATINGS" herein.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3**

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

**\$20,015,000**  
**Unlimited Tax Utility Bonds**  
**Series 2024**

**\$12,100,000**  
**Unlimited Tax Road Bonds**  
**Series 2024**

**Interest accrues from: Date of Delivery**

**Dated: February 1, 2024**

**Due: March 1, as shown on inside cover**

The \$20,015,000 Unlimited Tax Utility Bonds, Series 2024 (the "Utility Bonds") and the \$12,100,000 Unlimited Tax Road Bonds, Series 2024 (the "Road Bonds," and together with the Utility Bonds, the "Bonds"), are solely obligations of Kaufman County Municipal Utility District No. 3 (the "District") and are not obligations of the State of Texas; Kaufman County, Texas; the City of Dallas, Texas; or any entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Kaufman County, Texas; the City of Dallas, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

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

Principal of the Bonds is payable to the registered owner(s) of the Bonds at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. The Bonds are dated February 1, 2024, and interest on the Bonds accrues from the initial date of delivery (on or about February 27, 2024) (the "Date of Delivery"), and is payable on September 1, 2024, and each March 1 and September 1 (each an "Interest Payment Date") thereafter until maturity or prior redemption to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each Interest Payment Date. The Bonds are issuable in principal denominations of \$5,000 or any integral multiple thereof in fully registered form only.

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

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



The Utility Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing water, wastewater and drainage facilities to serve the District (the "Utility System") and the Road Bonds constitute the third series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing road improvements to serve the District (the "Road System"), and, when issued, will constitute valid and binding obligations of the District payable from the proceeds of two separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied upon all taxable property within the District. See "THE BONDS – Source of Payment." Investment in the Bonds is subject to investment considerations as described herein. See "INVESTMENT CONSIDERATIONS."

The Utility Bonds are offered, when, as and if issued by the District to the winning bidder of the Utility Bonds (the "Utility Bonds Initial Purchaser") and the Road Bonds are offered, when, as and if issued by the District to the winning bidder of the Road Bonds (the "Road Bonds Initial Purchaser," and together with the Utility Bonds Initial Purchaser, the "Initial Purchaser"), subject, among other things, to the approval of the Attorney General of Texas and of Coats Rose, P.C., Dallas, Texas, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about February 27, 2024.

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

### \$20,015,000 Unlimited Tax Utility Bonds, Series 2024

#### \$11,440,000 Serial Bonds

Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 48620A (b)	Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 48620A (b)
2026	\$ 455,000	5.625%	3.400%	CA2	2035 (c)	\$ 700,000	5.000%	3.450%	CK0
2027	480,000	5.625%	3.300%	CB0	2036 (c)	735,000	4.000%	3.730%	CL8
2028	505,000	5.625%	3.300%	CC8	2037 (c)	770,000	4.000%	3.850%	CM6
2029	530,000	5.625%	3.300%	CD6	****	****	****	****	****
2030	555,000	5.625%	3.300%	CE4	2042 (c)	980,000	4.000%	4.150%	CS3
2031 (c)	580,000	5.625%	3.300%	CF1	2043 (c)	1,025,000	4.125%	4.200%	CT1
2032 (c)	610,000	5.625%	3.300%	CG9	2044 (c)	1,075,000	4.125%	4.240%	CU8
2033 (c)	640,000	5.500%	3.350%	CH7	2045 (c)	1,130,000	4.125%	4.270%	CV6
2034 (c)	670,000	5.000%	3.400%	CJ3					

#### \$8,575,000 Term Bonds

\$1,660,000 Term Bonds Due March 1, 2039 (c)(d), Interest Rate: 4.000% (Price: \$100.000) (a), CUSIP No. 48620A CP9 (b)  
 \$1,825,000 Term Bonds Due March 1, 2041 (c)(d), Interest Rate: 4.000% (Price: \$98.783) (a), CUSIP No. 48620A CR5 (b)  
 \$2,425,000 Term Bonds Due March 1, 2047 (c)(d), Interest Rate: 4.250% (Price: \$98.985) (a), CUSIP No. 48620A CX2 (b)  
 \$2,665,000 Term Bonds Due March 1, 2049 (c)(d), Interest Rate: 3.125% (Price: \$77.591) (a), CUSIP No. 48620A CZ7 (b)

### \$12,100,000 Unlimited Tax Road Bonds, Series 2024

#### \$8,830,000 Serial Bonds

Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 48620A (b)	Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 48620A (b)
2026	\$ 275,000	4.000%	3.400%	DA1	****	****	****	****	****
2027	290,000	4.000%	3.300%	DB9	2042 (c)	590,000	4.000%	4.150%	DS2
2028	305,000	4.000%	3.300%	DC7	2043 (c)	620,000	4.000%	4.200%	DT0
2029	320,000	4.000%	3.300%	DD5	2044 (c)	650,000	4.000%	4.240%	DU7
2030	335,000	4.000%	3.350%	DE3	2045 (c)	685,000	4.125%	4.270%	DV5
2031 (c)	350,000	4.000%	3.400%	DF0	2046 (c)	715,000	4.125%	4.300%	DW3
****	****	****	****	****	2047 (c)	750,000	4.250%	4.320%	DX1
2035 (c)	425,000	4.000%	3.620%	DK9	2048 (c)	785,000	4.250%	4.340%	DY9
2036 (c)	445,000	4.000%	3.730%	DL7	2049 (c)	825,000	4.250%	4.360%	DZ6
2037 (c)	465,000	4.000%	3.850%	DM5					

#### \$3,270,000 Term Bonds

\$1,160,000 Term Bonds Due March 1, 2034 (c)(d), Interest Rate: 4.000% (Price: \$102.653) (a), CUSIP No. 48620A DJ2 (b)  
 \$1,005,000 Term Bonds Due March 1, 2039 (c)(d), Interest Rate: 4.000% (Price: \$100.000) (a), CUSIP No. 48620A DP8 (b)  
 \$1,105,000 Term Bonds Due March 1, 2041 (c)(d), Interest Rate: 4.000% (Price: \$98.783) (a), CUSIP No. 48620A DR4 (b)

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems, Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on March 1, 2031, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on February 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*."
- (d) Subject to mandatory sinking fund redemption by lot or other customary method of random selection on March 1 in the years and in the amounts set forth herein under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

**USE OF INFORMATION IN OFFICIAL STATEMENT**

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

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Coats Rose, P.C. (“Bond Counsel”) for further information.

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, 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.”

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 “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”

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

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## **SALE AND DISTRIBUTION OF THE BONDS**

### **Award and Marketing of the Bonds**

After requesting competitive bids for the Utility Bonds, the District has accepted the bid resulting in the lowest net interest cost, which was tendered by SAMCO Capital Markets, Inc. (the "Utility Bonds Initial Purchaser"). The Utility Bonds Initial Purchaser has agreed to purchase the Utility Bonds, bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS" on the inside cover page of this Official Statement, at a price of 97.001693% of the principal amount thereof, which resulted in a net effective interest rate of 4.250968%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

After requesting competitive bids for the Road Bonds, the District has accepted the bid resulting in the lowest net interest cost, which was tendered by SAMCO Capital Markets, Inc. (the "Road Bonds Initial Purchaser"). The Road Bonds Initial Purchaser has agreed to purchase the Road Bonds, bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS" on the inside cover page of this Official Statement, at a price of 97.237741% of the principal amount thereof, which resulted in a net effective interest rate of 4.269785%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

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

### **Prices and Marketability**

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial 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 SEC under the Securities Act of 1933, as amended, in reliance upon exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

## **MUNICIPAL BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue a Municipal Bond Insurance Policy for each series of the Bonds (each a "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, 27<sup>th</sup> Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://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 ("S&P"), a business unit of S&P. An explanation of the significance of the rating and current reports may be obtained from S&P at [www.standardandpoors.com](http://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 September 30, 2023 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$502.8 million, \$217.0 million and \$285.8 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](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

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

#### *Additional Information Available from BAM*

**Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at [www.buildamerica.com/videos](http://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](http://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 are expected to receive an insured rating of "AA" from S&P solely in reliance upon the issuance of the municipal bond insurance Policy for each series of the Bonds 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 "Baa2" to the Bonds. An explanation of the ratings may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

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

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**OFFICIAL STATEMENT SUMMARY**

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

**THE BONDS**

The Issuer .....Kaufman County Municipal Utility District No. 3 (the “District”), a political subdivision of the State of Texas, is located approximately 21 miles east of downtown Dallas and wholly in the extraterritorial jurisdiction of the City of Dallas, Texas (the “City”), and within Kaufman County, Texas. See “THE DISTRICT.”

The Issue .....The District is issuing its \$20,015,000 Unlimited Tax Utility Bonds, Series 2024 (the “Utility Bonds”) and \$12,100,000 Unlimited Tax Road Bonds, Series 2024 (the “Road Bonds”). The Utility Bonds and the Road Bonds are herein referred to collectively as the “Bonds.” The Bonds are dated February 1, 2024 and mature on March 1 in each of the years and principal amounts set forth on the inside cover page. Interest accrues from the initial date of delivery (expected to be on or about February 27, 2024) (the “Date of Delivery”), at the rates per annum set forth on the inside cover page and is payable on September 1, 2024, and on each March 1 and September 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. 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 February 1, 2030, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. See “THE BONDS – Redemption Provisions – *Optional Redemption.*”

*Mandatory Redemption:* The Utility Bonds maturing on March 1 in the years 2039, 2041, 2047 and 2049 are term bonds (the “Utility Term Bonds”) and are subject to certain mandatory sinking fund redemption provisions as set forth herein under “THE BONDS – Redemption Provisions – *Mandatory Redemption.*” The Road Bonds maturing on March 1 in the years 2034, 2039 and 2041 are term bonds (the “Road Term Bonds”) and are subject to certain mandatory sinking fund redemption provisions as set forth herein under “THE BONDS – Redemption Provisions – *Mandatory Redemption.*” The Utility Term Bonds and the Road Term Bonds may be collectively referred to herein as the “Term Bonds.”

Source of Payment .....Principal of and interest on the Bonds are payable from the proceeds of two separate continuing direct annual ad valorem taxes, levied upon all taxable property within the District, each without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Kaufman County, Texas; the City; or any entity other than the District. See “THE BONDS – Source of Payment.”

Authority for Issuance.....The Utility Bonds are issued pursuant to an order by the Texas Commission on Environmental Quality (the “TCEQ”); Article XVI,



Section 59 of the Texas Constitution; the general laws of the State of Texas, particularly including Chapters 49 and 54, Texas Water Code, as amended; an order authorizing the issuance of the Utility Bonds (the "Utility Bond Order") adopted by the Board of Directors of the District (the "Board"); and an election held within the boundaries of the District on September 10, 2005.

The Road Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution; the general laws of the State of Texas, including particularly Chapters 49 and 54, Texas Water Code, as amended; Chapter 8194 of the Texas Special District Local Laws Code; an order authorizing the issuance of the Road Bonds (the "Road Bond Order") adopted by the Board; and elections held within the boundaries of the District on May 10, 2008 and May 4, 2019.

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

- Outstanding Bonds ..... The District has previously issued its \$4,425,000 Unlimited Tax Road Bonds, Series 2021 and \$11,705,000 Unlimited Tax Road Bonds, Series 2022. At the time of delivery of the Bonds, \$15,990,000 principal amount of such previously issued debt will remain outstanding (the "Outstanding Bonds").
- Payment Record..... The Utility Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing the Utility System and the Road Bonds constitute the third series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing the Road System. The District has never defaulted on the timely payment of principal and interest on its bonded indebtedness. See "THE BONDS – Source of Payment."
- Use of Proceeds of the Utility Bonds..... Proceeds from the sale of the Utility Bonds will be used to reimburse the Developers (herein defined) for the construction costs set out herein under "THE BONDS – Use and Distribution of Utility Bond Proceeds." Additionally, proceeds from the Utility Bonds will be used to pay developer interest, twelve (12) months of capitalized interest, and certain other costs associated with the issuance of the Utility Bonds. See "THE BONDS – Use and Distribution of Utility Bond Proceeds."
- Use of Proceeds of the Road Bonds ..... Proceeds from the sale of the Road Bonds will be used to reimburse the Developers (herein defined) for the construction costs set out herein under "THE BONDS – Use and Distribution of Road Bond Proceeds." Additionally, proceeds from the Road Bonds will be used to pay developer interest, nine (9) months of capitalized interest, and certain other costs associated with the issuance of the Road Bonds. See "THE BONDS – Use and Distribution of Road Bond Proceeds."
- Not Qualified Tax-Exempt Obligations ..... The District did not designate the Bonds as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Not Qualified Tax-Exempt Obligations."
- Municipal Bond Insurance ..... Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND INSURANCE."
- Ratings ..... S&P Global Ratings (BAM Insured): "AA." Moody's Investors Service, Inc. (Underlying): "Baa2." See "RATINGS."

Bond Counsel ..... Coats Rose, P.C., Dallas, Texas.  
 Disclosure Counsel ..... McCall, Parkhurst & Horton L.L.P., Houston, Texas.  
 Financial Advisor ..... Robert W. Baird & Co. Incorporated, Houston, Texas.  
 Paying Agent/Registrar ..... Zions Bancorporation, National Association (Amegy Bank Division),  
 Houston, Texas.

**THE DISTRICT**

Description..... The District, which contains approximately 708.69 acres of land, is located in the extraterritorial jurisdiction of the City in Kaufman County, approximately 21 miles east of the central downtown business district of the City. The District is generally bordered by University Drive to the north, FM 548 to the northeast, and existing residential development to the south and west. The District is located in the Forney Independent School District. See “THE DISTRICT – General” and “- Description.”

Authority..... The rights, powers, privileges, authority and functions of the District are established by (i) the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (ii) Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution; and (iii) Chapter 8194 of the Texas Special District Local Laws Code. The District is subject to the continuing supervision of the TCEQ. See “THE DISTRICT – General.”

The Developers ..... Devonshire (Dallas) ASLI VIII, LLC, a Delaware limited liability company (“Devonshire ASLI VIII”) and a wholly-owned subsidiary of Avanti Strategic Land Investors VIII, L.L.P., a Delaware limited liability limited partnership, is the original developer of a majority of the undeveloped land in Devonshire, including all of the undeveloped land within the District. Devonshire ASLI VIII has engaged Forney – RH, LLC, a Texas limited liability company and an affiliate of Haynes Development Company, a Texas based real estate investment and development company, to manage the development of Devonshire. To date, Devonshire ASLI VIII has developed approximately 143.63 acres (459 lots) as Devonshire Villages 9, 10, 11, and 14 within the District. Devonshire ASLI VIII is also developing 71.87 acres (178 lots) as Devonshire Villages 15, 16 and 18. Devonshire ASLI VIII and its related entities, Devonshire Annex Ranch ASLI VIII-IX LLC and Devonshire Annex West ASLI VIII-IX LLC, currently own no undeveloped but developable land within the District but have retained the right to reimbursement from the District for operating advances and certain costs of utilities and roads as described herein. Additionally, Devonshire ASLI VIII owns the remaining undevelopable land within the Devonshire development. See “THE DEVELOPERS – The Developers – Devonshire ASLI VIII.”

Meritage Homes of Texas, LLC (“Meritage”), an Arizona limited liability company, purchased approximately 88 acres of land within the District from Devonshire ASLI VIII. To-date, Meritage has developed approximately 88 acres (450 lots) as Briarwood Hills, Phases 1, 2 and 3. See “THE DEVELOPERS – The Developers – Meritage.”

Pulte Homes of Texas, L.P. (“Pulte”), a Texas limited partnership, purchased approximately 92 acres of land within the District from Devonshire ASLI VIII. To date, Pulte has developed approximately 64.42 acres (307 lots) as Arbordale, Phases 1 and 2 and is currently developing approximately 27.38 acres (156 lots) as Arbordale, Phase 3. See “THE DEVELOPERS – The Developers – *Pulte*.”

GRBK Edgewood LLC (“Green Brick”), a Texas limited liability company, purchased approximately 75 acres of land within the District from Devonshire ASLI VIII. To date, Green Brick has developed approximately 46.22 acres (225 lots) as Devonshire, Village 17. See “THE DEVELOPERS – The Developers – *Green Brick*.”

Ashton Woods USA LLC and History Maker Homes (“Ashton Woods/HistoryMaker”), under a joint venture, purchased approximately 129 acres of land within the District from Devonshire ASLI VIII, and subsequently sold the land to Jen Texas 28 LLC, a Texas limited liability company (“Jen Texas”), for purposes of developing the land and selling finished lots back to Ashton Woods and History Maker. Jen Texas has developed approximately 57.84 acres (284 lots) as Devonshire, Village 20. Jen Texas 28 LLC is a subsidiary of Jen Partners LLC which is managed by Jen Management LLC. See “THE DEVELOPERS – The Developers – *Jen Texas 28*.”

Lennar Homes of Texas Land and Construction, Ltd. (“Lennar”), a Texas limited partnership, purchased approximately 106 acres of land within the District from Devonshire ASLI VIII, and subsequently sold the land to LSMA Avanti, LLC, a Delaware limited liability company (“LSMA Avanti”), for purposes of developing the land and selling finished lots back to Lennar. LSMA Avanti has developed approximately 70.21 acres (351 lots) as Falcon Heights, Phases 1 and 2 and is currently developing approximately 35.64 acres (187 lots) as Falcon Heights, Phase 3. LSMA Avanti is managed by LSM LB IG JV, LLC, a Delaware limited liability company, and LSM LB INVESTORS, LLC, a Florida limited liability company, as its Administrative Member. See “THE DEVELOPERS – The Developers – *LSMA Avanti*.”

Devonshire ASLI VIII and its related entities, Meritage, Pulte, Green Brick, Jen Texas, and LSMA Avanti are collectively referred to herein as the “Developers.” See “THE DEVELOPERS” and “TAX DATA – Principal Taxpayers.”

Devonshire ..... The District is part of the approximately 1,177-acre master-planned community of “Devonshire.” Devonshire is comprised of the District, Kaufman County Municipal Utility District No. 2 (“KC MUD 2”) and Kaufman County Municipal Utility District No. 4 (“KC MUD 4”). The District, KC MUD 2 and KC MUD 4 are referred to herein as the “Devonshire Districts.” See “DEVONSHIRE.”

Development Status of the District..... The District consists of approximately 708.69 acres and is being developed as the single-family subdivisions of “Devonshire,” “Briarwood Hills,” “Arbordale,” and “Falcon Heights.” To date, approximately 470.67 acres (2,076 lots) have been developed with water distribution, sanitary sewer, and storm drainage facilities to serve Devonshire, Villages 9, 10A, 10B, 11, 14, 17 and 20; Briarwood Hills, Phases 1, 2 and 3; Arbordale, Phases 1 and 2; and Falcon

Heights, Phases 1 and 2. As of November 1, 2023, the District included 734 completed homes (of which 653 are occupied, 47 are unoccupied, and 17 are model homes), 362 homes under construction, and 980 vacant developed lots available for home construction. In addition, approximately 134.42 acres (521 lots) are currently under development as Devonshire, Villages 15, 16 and 18, Arbordale, Phase 3 and Falcon Heights, Phase 3. The remaining land within the District consists of approximately 71.17 undeveloped but developable acres, approximately 14 acres for recreational purposes (includes an amenity center), and approximately 18 undevelopable acres. See “STATUS OF DEVELOPMENT.”

Development Status of Devonshire..... To date, approximately 943.79 acres (3,420 lots) have been developed within Devonshire as Villages 1A, 1B, 1C, 2A, 2B, 2C, 2D, 3A, 3B, 3C, 4A, 4B, 4C, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 17, 19 and 20. As of November 1, 2023, Devonshire included 2,496 completed homes, 145 homes under construction, and 779 vacant developed lots. In addition, approximately 71.87 acres (234 lots) are currently under development within Devonshire as Villages 15, 16 and 18. In addition, Devonshire consists of an amenity center which lies on approximately 14 acres located within the District, an elementary school which lies on approximately 13 acres within KC MUD 4, and approximately 3 acres for recreational purposes within KC MUD 4. The remaining land within Devonshire consists of approximately 86.34 undeveloped but developable acres and approximately 45 undevelopable acres. See “DEVONSHIRE.”

Homebuilders Within the District..... Homebuilders active in the District include History Maker Homes, Pulte Homes, Meritage Homes, Bloomfield Homes, Highland Homes, Lennar Homes, Trophy Signature Homes and Impression Homes. The homes being marketed in the District range in price from approximately \$230,000 to \$600,000 and range in size from approximately 1,200 square feet to 4,300 square feet. See “STATUS OF DEVELOPMENT – Homebuilders within the District” and “THE DEVELOPERS.”

Regional Facilities ..... The Devonshire Joint Powers Agency (“Devonshire JPA”) was created by the District and the other Devonshire Districts to provide the water supply and the wastewater treatment capacity as well as the regional water distribution, regional wastewater collection trunk lines and regional storm water collection trunklines necessary to serve Devonshire (collectively, the “Master Facilities”). See “THE SYSTEM.”

**INVESTMENT CONSIDERATIONS**

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

**SELECTED FINANCIAL INFORMATION**  
**(UNAUDITED)**

2023 Taxable Assessed Valuation.....	\$ 249,545,850	(a)
Estimated Valuation as of November 1, 2023 .....	\$ 460,134,967	(b)
Direct Debt:		
The Outstanding Bonds.....	\$ 15,990,000	
The Utility Bonds .....	\$ 20,015,000	
The Road Bonds .....	<u>\$ 12,100,000</u>	
Total.....	\$ 48,105,000	
Estimated Overlapping Debt .....	<u>\$ 28,153,923</u>	(c)
Total Direct and Estimated Overlapping Debt .....	\$ 76,258,923	(c)
Direct Debt Ratio:		
As a percentage of the 2023 Taxable Assessed Valuation.....	19.28	%
As a percentage of the Estimate of Value as of November 1, 2023 .....	10.45	%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of the 2023 Taxable Assessed Valuation.....	30.56	%
As a percentage of the Estimate of Value as of November 1, 2023 .....	16.57	%
Utility System Debt Service Fund Balance (as of the Date of Delivery) .....	\$ 871,050	(d)
Road System Debt Service Fund Balance (as of December 18, 2023).....	\$ 482,371	(e)
General Operating Fund Balance (as of December 18, 2023) .....	\$ 376,829	
2023 Tax Rates		
Utility System Debt Service .....	\$0.200	
Road System Debt Service .....	0.490	
Maintenance & Operation .....	<u>0.310</u>	
Total.....	\$1.000	
Average Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2024–2049) .....	\$ 3,052,773	(f)
Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2046).....	\$ 3,246,309	(f)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Requirement (2024–2049) at 95% Tax Collections:		
Based on the 2023 Taxable Assessed Valuation.....	\$1.29	
Based on the Estimate of Value as of November 1, 2023.....	\$0.70	
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Requirement (2046) at 95% Tax Collections:		
Based on the 2023 Taxable Assessed Valuation.....	\$1.37	
Based on the Estimate of Value as of November 1, 2023.....	\$0.75	
Number of Single-Family Homes.....	1,096	(g)

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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 Kaufman Central Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."
  - (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of November 1, 2023, and includes an estimate of additional taxable value resulting from taxable improvements constructed in the District from January 1, 2023, through November 1, 2023. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
  - (c) See "DISTRICT DEBT - Estimated Overlapping Debt Statement."
  - (d) Represents twelve (12) months of capitalized interest which is expected to be deposited into the Utility System Debt Service Fund (defined herein) upon closing of the Utility Bonds. Neither Texas law nor the Utility 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 pledged only to pay the debt service on the Utility Bonds, and any other bonds issued for the purpose of acquiring or constructing the Utility System. Funds in the Utility System Debt Service Fund are not pledged to pay debt service on the Road Bonds, or any other bonds issued for the purpose of acquiring or constructing the Road System.
  - (e) Nine (9) months of capitalized interest is expected to be deposited into the Road System Debt Service Fund upon closing of the Road Bonds. Neither Texas law nor the Road Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund (defined herein). Funds in the Road System Debt Service Fund are pledged only to pay the debt service on the Outstanding Bonds (herein defined), the Road Bonds, and any other bonds issued for the purpose of acquiring or constructing the Road System. Funds in the Road System Debt Service Fund are not pledged to pay debt service on the Utility Bonds, or any other bonds issued for the purpose of acquiring or constructing the Utility System.
  - (f) See "DISTRICT DEBT - Debt Service Requirements."
  - (g) Approximate number of homes, including 362 under construction, within the District as of November 1, 2023.

**OFFICIAL STATEMENT**

**relating to**

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3**

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

**\$20,015,000**  
**Unlimited Tax Utility Bonds**  
**Series 2024**

**\$12,100,000**  
**Unlimited Tax Road Bonds**  
**Series 2024**

**INTRODUCTION**

This Official Statement provides certain information in connection with the issuance by Kaufman County Municipal Utility District No. 3 (the "District") of its \$20,015,000 Unlimited Tax Utility Bonds, Series 2024 (the "Utility Bonds") and its \$12,100,000 Unlimited Tax Road Bonds, Series 2024 (the "Road Bonds"). The Utility Bonds and Road Bonds are herein referred to collectively as the "Bonds."

The Utility Bonds are issued pursuant to an order by the Texas Commission on Environmental Quality (the "TCEQ"); Article XVI, Section 59 of the Texas Constitution; the general laws of the State of Texas, particularly including Chapters 49 and 54, Texas Water Code, as amended; an order authorizing issuance of the Utility Bonds (the "Utility Bond Order") adopted by the Board of Directors of the District (the "Board"); and an election held within the boundaries of the District on September 10, 2005.

The Road Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution; the general laws of the State of Texas, including particularly Chapters 49 and 54, Texas Water Code, as amended; Chapter 8194 of the Texas Special District Local Laws Code; an order authorizing the issuance of the Road Bonds (the "Road Bond Order") adopted by the Board; and elections held within the boundaries of the District on May 10, 2008 and May 4, 2019.

The Utility Bond Order and the Road Bond Order are collectively referred to herein as the "Bond Orders." Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Orders. 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. Copies of the Bond Orders may be obtained from the District upon request to Coats Rose, P.C., Dallas, Texas, Bond Counsel. The Bond Orders authorize the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds are dated February 1, 2024. Interest on the Bonds accrues from the initial date of delivery (on or about February 27, 2024) (the "Date of Delivery"), and is payable on September 1, 2024, and each March 1 and September 1 (each an "Interest Payment Date") until the earlier of maturity or redemption. The Bonds mature on March 1 of the years and in the amounts shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS" on the inside cover page hereof.

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

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

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

### **Book-Entry-Only System**

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

*The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission ("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 will be issued for each series and 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of AA+ by S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchase of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements



of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

#### *Use of Certain Terms in Other Sections of this Official Statement*

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

#### **Paying Agent/Registrar**

The Board has selected Zions Bancorporation, National Association (Amegy Bank Division), Houston, Texas, as the initial Paying Agent/Registrar for the Bonds. The initial designated payment office for the Bonds is located

in Houston, Texas. Provision is made in the Bond Orders for removal of the Paying Agent/Registrar, provided that no such removal shall be effective until a successor paying agent/registrar shall have accepted the duties of the Paying Agent/Registrar under the provisions of the Bond 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 SEC 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 15<sup>th</sup> day of the month (whether or not a business day) preceding such Interest Payment Date.

### **Registration, Transfer and Exchange**

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

### **Mutilated, Lost, Stolen or Destroyed Bonds**

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

### **Authority for Issuance**

The Utility Bonds are issued pursuant to an order by the TCEQ; Article XVI, Section 59 of the Texas Constitution; the general laws of the State of Texas, including particularly Chapters 49 and 54, Texas Water Code, as amended; the Utility Bond Order adopted by the Board; and an election held within the boundaries of the District on September 10, 2005.

The Road Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution; the general laws of the State of Texas, including particularly Chapters 49 and 54, Texas Water Code, as amended; Chapter 8194 of the Texas Special District Local Laws Code; the Road Bond Order adopted by the Board; and elections held within the boundaries of the District on May 10, 2008 and May 4, 2019.

### **Outstanding Bonds**

The District has previously issued its \$4,425,000 Unlimited Tax Road Bonds, Series 2021 and \$11,705,000 Unlimited Tax Road Bonds, Series 2022. At the time of delivery of the Bonds, \$15,990,000 principal amount of such previously issued debt will remain outstanding (the "Outstanding Bonds").

## Source of Payment

The Bonds are secured by and payable from the proceeds of two separate continuing annual ad valorem taxes, each without legal limitation as to rate or amount, levied upon all taxable property located within the District. In the Bond Orders, the District covenants to levy a sufficient tax to pay principal of interest on the Bonds, with full allowance being made for delinquencies, cost of collections, and certain fees. See "TAXING PROCEDURES." Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS." The Bonds are obligations solely of the District and are not obligations of the State of Texas; Kaufman County, Texas; the City; or any political subdivision or entity other than the District.

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

### *Mandatory Redemption*

The Utility Bonds maturing on March 1 in the years 2039, 2041, 2047 and 2049 are term bonds (the "Utility Term Bonds"). The Road Bonds maturing on March 1 in the years 2034, 2039 and 2041 are term Bonds (the "Road Term Bonds"). The Utility Term Bonds and the Road Term Bonds may be collectively referred to herein as the "Term Bonds." The Term Bonds shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), and in the principal amount set forth in the following schedule:

#### Utility Term Bonds

<u>\$1,660,000 Utility Term Bonds Maturing on March 1, 2039</u>	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2038	\$ 810,000
March 1, 2039 (Maturity)	\$ 850,000

  

<u>\$1,825,000 Utility Term Bonds Maturing on March 1, 2041</u>	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2040	\$ 890,000
March 1, 2041 (Maturity)	\$ 935,000

  

<u>\$2,425,000 Utility Term Bonds Maturing on March 1, 2047</u>	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2046	\$ 1,185,000
March 1, 2047 (Maturity)	\$ 1,240,000

\$2,665,000 Utility Term Bonds Maturing on March 1, 2049

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2048	\$ 1,300,000
March 1, 2049 (Maturity)	\$ 1,365,000

Road Term Bonds

\$1,160,000 Road Term Bonds Maturing on March 1, 2034

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2032	\$ 370,000
March 1, 2033	\$ 385,000
March 1, 2034 (Maturity)	\$ 405,000

\$1,005,000 Road Term Bonds Maturing on March 1, 2039

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2038	\$ 490,000
March 1, 2039 (Maturity)	\$ 515,000

\$1,105,000 Road Term Bonds Maturing on March 1, 2041

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2040	\$ 540,000
March 1, 2041 (Maturity)	\$ 565,000

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

**Issuance of Additional Debt**

The Utility Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a water, sewer, and drainage system to serve the District (the "Utility System") and the Road Bonds constitute the third series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing roads and improvements in aid thereof to serve the District (the "Road System"). At elections held on May 10, 2008 and May 4, 2019, voters of the District authorized a total of \$230,470,510 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Utility System, \$345,705,765 principal amount for the purpose of refunding bonds previously issued for the Utility System, \$172,484,238 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Road System, and \$258,726,357 principal amount for the refunding of bonds previously issued for the Road System.

Following the issuance of the Bonds, \$210,455,510 principal amount of unlimited tax bonds for the Utility System and \$144,254,238 principal amount of unlimited tax bonds for the Road System will remain authorized but unissued.

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

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

Election Date	Purpose	Amount Authorized	Issued to Date	Remaining Unissued
9/10/2005	Utility System	\$ 37,790,000	\$20,015,000 (a)	\$ 17,775,000
9/10/2005	Utility System Refunding	56,685,000	-	56,685,000
5/10/2008	Road System	17,520,000	17,520,000 (b)	-
5/10/2008	Road System Refunding	26,280,000	-	26,280,000
5/4/2019	Utility System	192,680,510	-	192,680,510
5/4/2019	Utility System Refunding	289,020,765	-	289,020,765
5/4/2019	Road System	154,964,238	10,710,000 (b)	144,254,238
5/4/2019	Road System Refunding	232,446,357	-	232,446,357

(a) The Utility Bonds.

(b) Includes a portion of the Road Bonds.

### Amendments to the Bond Orders

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

### Annexation

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

The District lies within the extraterritorial jurisdiction of the City. As such, under existing law, the District may be annexed for full purposes by the City without the District's consent, subject to compliance by the City with various requirements of Chapter 43 of the Texas Local Government Code, as amended. 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 of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

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

## **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 Orders, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Orders, 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 Orders. Except for mandamus, the Bond Orders do not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of defaults and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

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

## **Legal Investment and Eligibility to Secure Public Funds in Texas**

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

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

(b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.

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

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

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## Use and Distribution of Utility Bond Proceeds

Proceeds from the sale of the Utility Bonds will be used to reimburse the Developers for the Utility System improvements and associated rights-of-way costs set out below. Proceeds of the Utility Bonds will also be used to pay twelve (12) months of capitalized interest on the Utility Bonds, developer interest, and other costs of issuance associated with the Utility Bonds.

<u>Construction Costs</u>	<u>District's Share</u>
A. Developer Contribution Items	
1. Master District Connection Fee (Multiple Phases)	\$ 4,325,865
2. Devonshire, Phase 9 – W, WW, & D	1,518,152
3. Devonshire, Phase 10A – W, WW, & D	392,613
4. Devonshire, Phase 10B – W, WW, & D	2,233,874
5. Devonshire, Phase 14 – W, WW, & D	2,026,408
6. Briarwood, Phase 1 – W, WW, & D	2,189,945
7. Briarwood, Phase 2 – W, WW, & D	1,240,288
8. Arbordale, Phase 1 – W, WW, & D	<u>1,855,427</u>
Total Developer Contribution Items	<u>\$ 15,782,572</u>
B. District Items	
1. N/A	\$ -
Total District Items	<u>\$ -</u>
 <b>TOTAL CONSTRUCTION COSTS</b>	 <b>\$15,782,572</b>
 <u>Non-Construction Costs</u>	
A. Legal Fees	\$ 425,300
B. Fiscal Agent Fees	400,300
C. Interest Costs	
1. Capitalized Interest (12 Months)	871,050
2. Developer Interest	1,571,745
D. Bond Discount	600,111
E. Bond Engineering Report	75,000
F. Bond Issuance Expenses	49,307
G. Attorney General's Fee (0.10%)	9,500
H. TCEQ Bond Issuance Fee (0.25%)	50,038
I. Contingency (a)	<u>180,077</u>
 <b>TOTAL NON-CONSTRUCTION COSTS</b>	 <b>\$ 4,232,428</b>
 <b>TOTAL BOND ISSUE REQUIREMENT</b>	 <b>\$20,015,000</b>

(a) Represents the sum of the difference between actual and allotted Capitalized Interest and Bond Discount.

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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## Use and Distribution of Road Bond Proceeds

Proceeds from the sale of the Road Bonds will be used to reimburse the Developers for the Road System improvements and associated rights-of-way costs set out below. Proceeds of the Road Bonds will also be used to pay nine (9) months of capitalized interest on the Road Bonds, developer interest, and other costs of issuance associated with the Road Bonds.

<u>Construction Costs</u>	<u>District's Share</u>
1. Land Costs (ROW) (a)	\$ 2,946,448
2. Earthwork (b)	1,363,277
3. Paving (c)	4,628,992
4. Engineering (d)	<u>1,180,882</u>
<b>TOTAL CONSTRUCTION COSTS</b>	<b>\$10,119,599</b>
<u>Non-Construction Costs</u>	
A. Legal Fees	\$ 267,000
B. Fiscal Agent Fees	242,000
C. Interest Costs	
1. Capitalized Interest (9 Months)	368,738
2. Developer Interest	620,960
D. Bond Discount	334,233
E. Bond Engineering Report	40,000
F. Bond Issuance Expenses	29,566
G. Attorney General's Fee (0.10%)	9,500
H. Contingency (a)	<u>68,404</u>
<b>TOTAL NON-CONSTRUCTION COSTS</b>	<b>\$ 1,980,401</b>
<b>TOTAL BOND ISSUE REQUIREMENT</b>	<b>\$12,100,000</b>

- (a) Includes land costs for Devonshire, Phases 14, 17 and 20, Briarwood Hills, Phase 3 and Arbordale, Phase 1.  
 (b) Includes earthwork costs for Devonshire, Phases 9, 14, 17 and 20, Briarwood Hills, Phase 3 and Arbordale, Phase 1.  
 (c) Includes paving costs for Devonshire, Phases 17 and 20, Briarwood Hills, Phase 3 and Arbordale, Phases 1 and 2.  
 (d) Includes engineering costs for Devonshire, Phases 14, 17 and 20, Briarwood Hills, Phase 3 and Arbordale, Phase 1.  
 (e) Represents the sum of the difference between actual and allotted Capitalized Interest and Bond Discount.

In the instance that estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses. In the instance that actual costs exceed previously approved estimated amounts and contingencies, 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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## 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 order of the TCEQ dated April 12, 2005. The District is vested with all of the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation to those conferred by Chapters 49 and 54, Texas Water Code, as amended. In addition, the District is 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; and the control and diversion of storm water. The District is also empowered to purchase, construct, operate and maintain roads. The District may operate and maintain a fire department, independently or with one 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 the extraterritorial jurisdiction of the City of Dallas in Kaufman County, approximately 21 miles east of the central downtown business district of the City. The District is located approximately 3 miles northeast of the intersection of State Highway 80 and Farm-to-Market 548. The District is generally bordered by University Drive to the north, FM 548 to the northeast, and existing residential development to the south and west. The District is located in the Forney Independent School District.

At the time of creation, the District contained approximately 279.667 acres and after various annexations now contains approximately 708.69 acres.

### Management of the District

The District is governed by a Board of five directors and has control over, management, and supervision of all affairs of the District. None of the present members of the Board reside within the District but all members of the Board own real property located within the boundaries of the District. All directors serve four-year staggered terms:

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
J. Cullen Aderhold	President	2024
Blake Arnold	Vice President	2026
Patrick Allen	Secretary	2024
Deren Wilcox	Assistant Secretary	2024
Austin Villejo	Assistant Secretary	2026

The District does not have any employees but contracts for certain necessary services as described below:

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

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

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

Auditor: As required by the Texas Water Code, the District has engaged 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 July 31, 2023, 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 Johnson Volk Consulting, Inc. (the "Engineer").

Bond Counsel: Coats Rose, P.C. ("Bond Counsel") serves as bond counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and

delivery of the Bonds. In addition, Coats Rose, P.C. serves as general counsel to the District on matters other than the issuance of bonds.

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: Robert W. Baird & Co. Incorporated serves as the District’s financial advisor (the “Financial Advisor”). The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold, and delivered and, therefore, such fee is contingent upon the 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.

### STATUS OF DEVELOPMENT

The District consists of approximately 708.69 acres and is being developed as the single-family subdivisions of “Devonshire,” “Briarwood Hills,” “Arbordale,” and “Falcon Heights.” To date, approximately 470.67 acres (2,076 lots) have been developed with water distribution, sanitary sewer, and storm drainage facilities to serve Devonshire, Villages 9, 10, 11, 14,17 and 20; Arbordale, Phases 1 and 2; Falcon Heights, Phases 1 and 2; and Briarwood Hills, Phases 1, 2 and 3. As of November 1, 2023, the District included 734 completed homes (of which 653 are occupied, 47 are unoccupied, and 17 are model homes), 362 homes under construction, and 980 vacant developed lots available for home construction.

In addition, approximately 134.42 acres (521 lots) are currently under development as Devonshire, Villages 15, 16 and 18, Arbordale, Phase 3 and Falcon Heights, Phase 3. The remaining land within the District consists of approximately 71.17 undeveloped but developable acres, approximately 14 acres for recreational purposes (includes an amenity center), and approximately 18 undevelopable acres.

The table below summarizes the development within the District as of November 1, 2023, by section.

Subdivision	Section Acreage	Section Lots	Homes Completed	Homes Construction	Vacant Lots
Devonshire, Village 9	41.08	159	157	1	1
Devonshire, Village 10A	4.49	14	8	-	6
Devonshire, Village 10B	30.69	90	79	3	8
Devonshire, Village 11 (a)	2.89	26	26	-	-
Devonshire, Village 14	64.48	170	32	25	113
Devonshire, Village 17	46.22	225	28	19	178
Devonshire, Village 20	57.84	284	35	38	211
Arbordale, Phase 1	42.48	175	100	55	20
Arbordale, Phase 2	21.94	132	-	-	132
Falcon Heights, Phase 1	36.50	188	13	103	72
Falcon Heights, Phase 2	33.71	163	-	-	163
Briarwood Hills, Phase 1	35.64	145	138	-	7
Briarwood Hills, Phase 2	26.04	142	107	32	3
Briarwood Hills, Phase 3	26.67	163	11	86	66
Totals	470.67	2,076	734	362	980
Single-Family Under Development	134.42				
Recreation	14.61				
Undevelopable	17.82				
Remaining Developable	<u>71.17</u>				
District Total	708.69				

(a) Only a portion of the lots in Village 11 are within the District, a total of 44 homes are within the District and Kaufman Municipal Utility District No. 2.

**Homebuilders within the District**

Homebuilders active in the District include History Maker Homes, Pulte Homes, Meritage Homes, Bloomfield Homes, Highland Homes, Lennar Homes, Trophy Signature Homes and Impression Homes. The homes being marketed in the District range in price from approximately \$230,000 to \$600,000 and range in size from approximately 1,200 square feet to 4,300 square feet.

**DEVONSHIRE**

The District is part of the approximately 1,177-acre master-planned community of “Devonshire.” Devonshire is comprised of the District, Kaufman County Municipal Utility District No. 2 (“KC MUD 2”) and Kaufman County Municipal Utility District No. 4 (“KC MUD 4”). The District, KC MUD 2 and KC MUD 4 are referred to herein as the “Devonshire Districts.”

To date, approximately 943.79 acres (3,420 lots) have been developed within Devonshire as Villages 1A, 1B, 1C, 2A, 2B, 2C, 2D, 3A, 3B, 3C, 4A, 4B, 4C, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 17, 19 and 20. As of November 1, 2023, Devonshire included 2,496 completed homes, 145 homes under construction, and 779 vacant developed lots. In addition, approximately 71.87 acres (234 lots) are currently under development within Devonshire as Villages 15, 16 and 18. In addition, Devonshire consists of an amenity center which lies on approximately 14 acres located within the District, an elementary school which lies on approximately 13 acres within KC MUD 4, and approximately 3 acres for recreational purposes within KC MUD 4. The remaining land within Devonshire consists of approximately 86.34 undeveloped but developable acres and approximately 45 undevelopable acres.

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**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT**

**(January 2024)**



**PHOTOGRAPHS TAKEN IN THE DISTRICT  
(January 2024)**



## THE DEVELOPERS

### The Role of a Developer

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

### The Developers

#### *- Devonshire ASLI VIII -*

Devonshire (Dallas) ASLI VIII, LLC, a Delaware limited liability company ("Devonshire ASLI VIII") and a wholly-owned subsidiary of Avanti Strategic Land Investors VIII, L.L.P., a Delaware limited liability limited partnership, is the original developer of a majority of the undeveloped land in Devonshire, including all of the undeveloped land within the District. Devonshire ASLI VIII has engaged Forney – RH, LLC, a Texas limited liability company and an affiliate of Haynes Development Company, a Texas based real estate investment and development company, to manage the development of Devonshire. To date, Devonshire ASLI VIII has developed approximately 143.63 acres (459 lots) as Devonshire Villages 9, 10, 11, and 14 within the District. Devonshire ASLI VIII is also developing 71.87 acres (178 lots) as Devonshire Villages 15, 16 and 18. Devonshire ASLI VIII and its related entities, Devonshire Annex Ranch ASLI VIII-IX LLC and Devonshire Annex West ASLI VIII-IX LLC, currently own no undeveloped but developable land within the District but have retained the right to reimbursement from the District for operating advances and certain costs of utilities and roads as described herein. Additionally, Devonshire ASLI VIII owns the remaining undevelopable land within the Devonshire development.

#### *- Meritage -*

Meritage Homes of Texas, LLC ("Meritage"), an Arizona limited liability company, purchased approximately 88 acres of land within the District from Devonshire ASLI VIII. To-date, Meritage has developed approximately 88 acres (450 lots) as Briarwood Hills, Phases 1, 2 and 3.

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

- Pulte -

Pulte Homes of Texas, L.P. (“Pulte”), a Texas limited partnership, purchased approximately 92 acres of land within the District from Devonshire ASLI VIII. To date, Pulte has developed approximately 64.42 acres (307 lots) as Arbordale, Phases 1 and 2 and is currently developing approximately 27.38 acres (156 lots) as Arbordale, Phase 3.

Pulte is a subsidiary of PulteGroup, Inc., which is a publicly traded company on the New York Stock Exchange and a national homebuilder. PulteGroup, Inc. files annual, quarterly, and current reports, proxy statements, and other information with the SEC. PulteGroup, Inc.’s SEC filings are available to the public over the internet at the SEC’s website at <http://www.sec.gov>. You may also read and copy any document that has been filed with the SEC at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information regarding the operation of the Public Reference Room. In addition, PulteGroup, Inc. makes available on its website <http://www.pultegroupinc.com> its annual reports on form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K (and any amendments to those reports) filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as practicable after they have been electronically filed with the SEC. Unless otherwise specified, information contained on PulteGroup, Inc.’s website, available by hyperlink from PulteGroup, Inc.’s website or on the SEC’s website, is not incorporated into this Official Statement. The District has not obtained any representations from PulteGroup, Inc. concerning its publicly available filings or undertaken any review thereof and assumes no responsibility for the information contained therein.

- Green Brick -

GRBK Edgewood LLC (“Green Brick”), a Texas limited liability company, purchased approximately 75 acres of land within the District from Devonshire ASLI VIII. To date, Green Brick has developed approximately 46.22 acres (225 lots) as Devonshire, Village 17.

Green Brick is a subsidiary of Green Brick Partners, Inc., which is a publicly traded company on the New York Stock Exchange and a national homebuilder. Green Brick Partners, Inc. files annual, quarterly, and current reports, proxy statements, and other information with the SEC. Green Brick Partners, Inc.’s SEC filings are available to the public over the internet at the SEC’s website at <http://www.sec.gov>. You may also read and copy any document that has been filed with the SEC at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information regarding the operation of the Public Reference Room. In addition, Green Brick Partners, Inc. makes available on its website <http://www.greenbrickpartners.com> its annual reports on form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K (and any amendments to those reports) filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as practicable after they have been electronically filed with the SEC. Unless otherwise specified, information contained on Green Brick Partners, Inc.’s website, available by hyperlink from Green Brick Partners, Inc.’s website or on the SEC’s website, is not incorporated into this Official Statement. The District has not obtained any representations from Green Brick Partners, Inc. concerning its publicly available filings or undertaken any review thereof and assumes no responsibility for the information contained therein.

- Jen Texas 28 -

Ashton Woods USA LLC and History Maker Homes (“Ashton Woods/HistoryMaker”), under a joint venture, purchased approximately 129 acres of land within the District from Devonshire ASLI VIII, and subsequently sold the land to Jen Texas 28 LLC, a Texas limited liability company (“Jen Texas”), for purposes of developing the land and selling finished lots back to Ashton Woods and History Maker. Jen Texas has developed approximately 57.84 acres (284 lots) as Devonshire, Village 20. Jen Texas is a subsidiary of Jen Partners LLC which is managed by Jen Management LLC.



- LSMA Avanti -

Lennar Homes of Texas Land and Construction, Ltd. (“Lennar”), a Texas limited partnership, purchased approximately 106 acres of land within the District from Devonshire ASLI VIII, and subsequently sold the land to LSMA Avanti, LLC, a Delaware limited liability company (“LSMA Avanti”), for purposes of developing the land and selling finished lots back to Lennar. LSMA Avanti has developed approximately 70.21 acres (351 lots) as Falcon Heights, Phases 1 and 2 and is currently developing approximately 35.64 acres (187 lots) as Falcon Heights, Phase 3. LSMA Avanti is managed by LSM LB IG JV, LLC, a Delaware limited liability company, and LSM LB INVESTORS, LLC, a Florida limited liability company, as its Administrative Member.

Devonshire ASLI VIII and its related entities, Meritage, Pulte, Green Brick, Jen Texas, and LSMA Avanti are collectively referred to herein as the “Developers.”

**Lot-Sales Contracts**

Devonshire ASLI VIII has entered into lot-sales contracts with each of Bloomfield Homes and Highland Homes. The contracts for the sale of lots with the builders require that earnest money be deposited with a title company, typically 10% of the total price of the completed lots. The sales contracts establish certain required lot purchases quarterly, with the earnest money deposit being returned to the builders upon purchase of the last lots under each contract. Generally, a developer’s sole remedy for builders not purchasing lots in accordance with the contracts is cancellation of the contract and retention of the remaining earnest money on deposit.

According to Devonshire ASLI VIII, each of the builders is in compliance with their respective lot-sales contracts. As of November 1, 2023, the total number of lots contracted and purchased by each builder is listed below:

<u>Homebuilder</u>	<u>Total Lots Contracted</u>	<u>Total Lots Purchased</u>
Bloomfield Homes	85	85
Highland Homes	<u>85</u>	<u>55</u>
Totals	170	140

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

Pulte, Green Brick, Ashton Woods/HistoryMaker and Lennar are the sole homebuilders within each of their respective developments.

**THE SYSTEM**

**Regulation**

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

**Description of the Utility System**

*- Water Supply and Distribution -*

The District’s water supply is provided by the Devonshire Joint Powers Agency (“Devonshire JPA”). The Devonshire JPA has contracted with High Point Water Supply Corporation (“HPWSC”) to provide water service to Devonshire. HPWSC receives fresh water from the City of Forney, which, in turn, receives water from the

North Texas Municipal Water District (the "NTMWD"). The Devonshire JPA has paid HPWSC for water facilities that directly benefit Devonshire, including the District, consisting of an 800,000-gallon ground storage tank, two 51,000-gallon pressure tanks, two (2) 2,200 gallon per minute booster pumps, and trunk water distribution lines. There is an additional agreement for new improvements to the water system including an elevated storage tank, which is currently under construction. A portion of the additional capacity has been reserved for the subject development. The Devonshire JPA has contracted for enough capacity to serve approximately 5,525 equivalent single-family connections ("ESFCs") for the development of the Devonshire Districts. The District does not receive any revenues from the sale of water. Water supply for the District is provided by HPWSC and all revenues from the collection of charges for water services are paid directly to HPWSC.

*- Wastewater Treatment -*

The District's wastewater treatment services are provided by the Devonshire JPA. The Devonshire JPA has contracted with the City of Forney, which has contracted with the NTMWD for wastewater service for Devonshire. The District's wastewater flows through trunk lines connected to an interceptor line owned and operated by NTMWD. Ultimately, the District's wastewater flows to the South Mesquite Regional Wastewater Treatment Plant (the "WWTP"), which is owned and operated by NTMWD. Through the Second Amendment to the Wastewater Service Contract, the Devonshire JPA has contracted for sufficient capacity to serve 5,587 ESFCs for the development of the Devonshire Districts, which is sufficient to support 4,528 currently active ESFCs within the Devonshire Districts.

*- Drainage -*

Stormwater runoff from the District drains (i) southeasterly to several points along FM 544 and eventually to Big Brushy Creek which feeds Cedar Creek Lake and (ii) west to Buffalo Creek which drains to the East Fork of the Trinity River.

*- Devonshire Joint Powers Agency-*

The Devonshire JPA is an administrative agency created through an Interlocal Contract between the Devonshire Districts, including the District, pursuant to Chapter 791 of the Texas Government Code. The Devonshire JPA oversees regional wastewater conveyance and treatment, water supply and conveyance, and storm sewer facilities (the "Master Facilities") and services to the Devonshire development. In particular, the Devonshire JPA administers the "Contract for Financing, Operation and Maintenance of Regional Water, Sanitary Sewer and Storm Sewer Facilities" entered into by the District and dated June 30, 2005, and identical contracts entered into by the KC MUD 4 and KC MUD 2 (the "Master District Contract"), with the District acting in its capacity as the "Master District." The construction of the Master Facilities is financed through connection charges collected by the Devonshire JPA from the District in its capacity as the Master District, KC MUD 4, and KC MUD 2 under the Master District Contract. The Devonshire JPA also administers the wastewater treatment contract with the City of Forney and the water supply contract with High Point Water Supply Corporation. The Devonshire JPA is governed by a five-member Board of Trustees. Two of the Trustees are appointed by KC MUD 4, one of the Trustees is appointed by the District, and two of the Trustees are appointed by the KC MUD 2.

Each Devonshire District 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. The Master Facilities will be constructed in stages to meet the needs of a continually expanding population within Devonshire. In the event that the Devonshire JPA fails to meet its obligations under the Master District Contract to provide Master Facilities, each of the other Devonshire Districts has the right pursuant to its Master District Contract to design, acquire, construct, or expand the Master Facilities needed to provide service to such district, and convey such Master Facilities to the Devonshire JPA in consideration of payment by the Devonshire JPA of the actual capital costs expended by such district for such Master Facilities.

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

the Devonshire Districts 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 Devonshire JPA.

Pursuant to its 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 its Master District Contract, including the District's pro rata share of the Devonshire JPA's monthly charges. All sums payable by the District pursuant to its 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, its Master District Contract provides that the Devonshire JPA shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in the Master Facilities by the District in addition to the Devonshire JPA's other remedies. As a practical matter, the District has no alternative provider of these services rendered under its Master District Contract.

### **Description of the Road System**

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

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### Historical Operations of the Utility System

The following statement sets forth in condensed form the District's historical operations of the Utility System. Such summary has been prepared by the Financial Advisor for inclusion herein, based upon information obtained from the District's audited financial statements for the fiscal years ending July 31 in the years 2019 through 2023. Reference is made to such statement for further and more complete information. See "APPENDIX A."

	For Fiscal Year Ended July 31,				
	2023	2022	2021	2020	2019
<b>Revenues</b>					
Property Taxes	\$ 256,432	\$ 235,046	\$ 138,845	\$ 253	\$ -
Wastewater Service (b)	165,067	136,323	28,956	487	487
Inspection Fees	230,227	62,195	82,000	32,000	-
Miscellaneous	<u>8,703</u>	<u>198</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	\$ 660,429	\$ 433,762	\$ 249,801	\$ 32,740	\$ 487
<b>Expenditures</b>					
Professional Fees	\$ 101,431	\$ 101,381	\$ 84,534	\$ 57,761	\$ 50,856
Contracted Services	47,917	45,994	19,339	10,211	1,749
Purchased Wastewater Service	115,374	81,247	20,949	1,058	370
Repairs and Maintenance	88,123	18,536	7,894	1,718	-
Other	<u>103,687</u>	<u>38,308</u>	<u>48,515</u>	<u>26,315</u>	<u>8,243</u>
Total Expenditures	\$ 456,532	\$ 285,466	\$ 181,231	\$ 97,063	\$ 61,218
Excess Revenues (Expenditures)	\$ 203,897	\$ 148,296	\$ 68,570	\$ (64,323)	\$ (60,731)
Developer Advances	\$ -	\$ -	\$ 27,000	\$ 71,000	\$ 56,000
Beginning Fund Balance	\$ 239,109	\$ 90,813	\$ (4,757)	\$ (11,434)	\$ (6,703)
Ending Fund Balance	\$ 443,006	\$ 239,109	\$ 90,813	\$ (4,757)	\$ (11,434)

(a) The District does not receive any revenues from the sale of water. Water supply for the District is provided by HPWSC and all revenues from the collection of charges for water services are paid directly to HPWSC.

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## INVESTMENT CONSIDERATIONS

### General

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

### Factors Affecting Taxable Values and Tax Payments

**Economic Factors:** The rate of development within the District is directly related to the vitality of the residential, commercial, retail and multi-family housing development industry in the Dallas-Fort Worth metropolitan area. New construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. New construction can also be affected by energy availability and costs, including oil and gasoline prices, upon which the Texas economy is heavily dependent. Decreased levels of such construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District. See "STATUS OF DEVELOPMENT."

**Dependence on Major Taxpayers and the Developers:** As reflected in this Official Statement under the caption "TAX DATA – Principal Taxpayers," the District's ten principal taxpayers as of January 1, 2023, owned approximately 24.74% of the assessed value of property, located in the District. In addition, the Developers owned approximately 17.70% of the assessed value of property located in the District as of January 1, 2023. The District cannot represent that its tax base will in the future be (i) distributed among a significantly larger number of taxpayers or (ii) less concentrated in property owned by a relatively small number of property owners than it is currently. Failure by one or more of the District's principal property owners to make full and timely payments of taxes due may have an adverse effect on the investment quality or security of the Bonds. If any one or more of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meet its debt service requirements, the availability of which is uncertain. See "INVESTMENT CONSIDERATIONS – Tax Collections and Foreclosure Remedies" below and "THE DEVELOPERS" herein.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners.

**Developers' Obligations to the District:** There is no commitment by or legal requirement of the Developers or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any owner of property to proceed at any particular pace with the construction of homes or commercial improvements in the District. Moreover, there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, in the District. Failure to construct taxable improvements would restrict the rate of growth of taxable values in the District and result in higher tax rates.

**Maximum Impact on District Tax Rate:** Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners within the District to pay their taxes. The taxable assessed valuation as of January 1, 2023, of all taxable property located within the District is \$249,545,850 and the estimate of value as of November 1, 2023, is \$460,134,967. See "TAX DATA." After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds and the Bonds (2046) is \$3,246,309,

and the average annual debt service requirement on the Outstanding Bonds and the Bonds (2024–2049) is \$3,052,773. Assuming no decrease to the District’s taxable assessed valuation as of January 1, 2023, debt service tax rates of \$1.37 and \$1.29 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no decrease from the estimate of value as of November 1, 2023, debt service tax rates of \$0.75 and \$0.70 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. See “DISTRICT DEBT – Debt Service Requirements” and “TAX DATA – Tax Rate Calculations.”

Increases in the District’s tax rate to rates substantially higher than the levels discussed above may have an adverse impact upon future development of the District, the sale and construction of property within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District.

### **Vacant Developed Lots**

As of November 1, 2023, approximately 980 developed lots within the District remained available for construction. Failure of the Developers and/or builders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of the District issued in the future. Future increases in value will result primarily from the construction of homes by builders. The District makes no representation that the lot sales and building program will be successful.

### **Tax Collections and Foreclosure Remedies**

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

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

### **Registered Owners’ Remedies**

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

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

### **Bankruptcy Limitation to Registered Owners' Rights**

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

Notwithstanding noncompliance by the District with Texas law requirements, the District could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until 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 appealable, 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 petitioning District were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district. The District may not be placed into bankruptcy involuntarily.

### **Competitive Nature of Residential Housing Market**

The residential housing industry in the Dallas, Texas, area is very competitive, and the District can give no assurance that the building programs which are planned by any homebuilder(s) will be continued or completed. The respective competitive position of the homebuilders listed herein and any other developer or homebuilder(s) which might attempt future home building or development projects in the District, the sale of developed lots or in the construction and sale of single-family residential units, are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

### **Potential Impact of Natural Disaster**

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

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

## **Future Debt**

At an election held within the District on September 10, 2005, voters of the District authorized the District's issuance of: \$37,790,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System; and \$56,685,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System. At an election held within the District on May 10, 2008, voters of the District authorized the District's issuance of: \$17,520,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; and \$26,280,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System. At an election held within the District on May 4, 2019, voters of the District authorized the District's issuance of: \$192,680,510 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System; \$154,964,238 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$289,020,765 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; and \$232,446,357 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$210,455,510 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System; \$345,705,765 principal amount for the purpose of refunding bonds issued by the District for the Utility System; \$144,254,238 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; and \$258,726,357 principal amount for the purpose of refunding bonds issued by the District for the Road System.

According to the Engineer, following the issuance of the Bonds, the District will owe the Developers approximately \$15,000,000 for expenditures to construct the Road System on behalf of the District and \$36,000,000 for expenditures to construct the Utility System on behalf of the District.

Based on present engineering costs estimates and on development plans supplied by the Developers, in the opinion of the Engineer, following the issuance of the Bonds, the remaining principal amount of authorized but unissued bonds will be sufficient to fully reimburse the Developers 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.

Additional bonds may hereafter be approved by the voters of the District. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt to property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

## **Marketability of the Bonds**

The District has no understanding with the winning bidder for each series of the Bonds (the "Initial Purchaser") regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price 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 Orders on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS - Opinion."

## **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. TCEQ approval of the Road Bonds is not required and, therefore, no engineering report or bond application has been submitted to the TCEQ and neither the Road Bonds, the project, nor the feasibility of the District will be reviewed, considered or approved by the TCEQ with respect to the Road Bonds.



## **Changes in Tax Legislation**

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

## **Environmental Regulations**

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

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

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

*Air Quality Issues.* Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the TCEQ may impact new industrial, commercial and residential development in the 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 or other type of special purpose district, 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 or other types of special purpose 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 or other types of special purpose districts must comply may have an impact on the special purpose 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 and other types of special purpose districts, including the Regional District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

### **Bond Insurance Risk Factors**

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

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**DISTRICT DEBT**  
**(UNAUDITED)**

2023 Taxable Assessed Valuation.....	\$ 249,545,850	(a)
Estimated Valuation as of November 1, 2023 .....	\$ 460,134,967	(b)
Direct Debt:		
The Outstanding Bonds.....	\$ 15,990,000	
The Utility Bonds .....	\$ 20,015,000	
The Road Bonds .....	<u>\$ 12,100,000</u>	
Total.....	\$ 48,105,000	
Estimated Overlapping Debt .....	<u>\$ 28,153,923</u>	(c)
Total Direct and Estimated Overlapping Debt .....	\$ 76,258,923	(c)
Direct Debt Ratio:		
As a percentage of the 2023 Taxable Assessed Valuation.....	19.28	%
As a percentage of the Estimate of Value as of November 1, 2023 .....	10.45	%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of the 2023 Taxable Assessed Valuation.....	30.56	%
As a percentage of the Estimate of Value as of November 1, 2023 .....	16.57	%
Utility System Debt Service Fund Balance (as of the Date of Delivery) .....	\$ 871,050	(d)
Road System Debt Service Fund Balance (as of December 18, 2023).....	\$ 482,371	(e)
General Operating Fund Balance (as of December 18, 2023) .....	\$ 376,829	
2023 Tax Rates		
Utility System Debt Service .....	\$0.200	
Road System Debt Service .....	0.490	
Maintenance & Operation .....	<u>0.310</u>	
Total.....	\$1.000	
Average Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2024–2049) .....	\$ 3,052,773	(f)
Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2046).....	\$ 3,246,309	(f)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Requirement (2024–2049) at 95% Tax Collections:		
Based on the 2023 Taxable Assessed Valuation.....	\$1.29	
Based on the Estimate of Value as of November 1, 2023.....	\$0.70	
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Requirement (2046) at 95% Tax Collections:		
Based on the 2023 Taxable Assessed Valuation.....	\$1.37	
Based on the Estimate of Value as of November 1, 2023.....	\$0.75	
Number of Single-Family Homes.....	1,096	(g)

- 
- (a) Represents the taxable assessed valuation as of January 1, 2023, of all taxable property in the District, as provided by the Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."
  - (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of November 1, 2023, and includes an estimate of additional taxable value resulting from taxable improvements constructed in the District from January 1, 2023, through November 1, 2023. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
  - (c) See "DISTRICT DEBT - Estimated Overlapping Debt Statement."
  - (d) Represents twelve (12) months of capitalized interest which is expected to be deposited into the Utility System Debt Service Fund upon closing of the Utility Bonds. Neither Texas law nor the Utility 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 pledged only to pay the debt service on the Utility Bonds, and any other bonds issued for the purpose of acquiring or constructing the Utility System. Funds in the Utility System Debt Service Fund are not pledged to pay debt service on the Road Bonds, or any other bonds issued for the purpose of acquiring or constructing the Road System.
  - (e) Nine (9) months of capitalized interest is expected to be deposited into the Road System Debt Service Fund upon closing of the Road Bonds. Neither Texas law nor the Road Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are pledged only to pay the debt service on the Outstanding Bonds, the Road Bonds, and any other bonds issued for the purpose of acquiring or constructing the Road System. Funds in the Road System Debt Service Fund are not pledged to pay debt service on the Utility Bonds, or any other bonds issued for the purpose of acquiring or constructing the Utility System.
  - (f) See "DISTRICT DEBT - Debt Service Requirements."
  - (g) Approximate number of homes, including 362 under construction, within the District as of November 1, 2023.

**Estimated Overlapping Debt Statement**

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

Taxing Jurisdiction	Outstanding Debt November 30, 2023	Overlapping	
		Percent	Amount
Kaufman County	\$ 180,050,000	1.18%	\$ 2,133,387
Forney Independent School District	1,133,762,925	2.30 %	<u>26,020,536</u>
Total Estimated Overlapping Debt			\$28,153,923
Direct Debt (a)			<u>\$48,105,000</u>
Total Direct and Estimated Overlapping Debt (a)			\$76,258,923

(a) Includes the Bonds and the Outstanding Bonds.

**Debt Ratios**

Direct Debt Ratio (a):		
As a percentage of the 2023 Taxable Assessed Valuation.....		19.28 %
As a percentage of the Estimate of Value as of November 1, 2023 .....		10.45 %
Direct and Estimated Overlapping Debt Ratio (a):		
As a percentage of the 2023 Taxable Assessed Valuation.....		30.56 %
As a percentage of the Estimate of Value as of November 1, 2023 .....		16.57 %

(a) Includes the Bonds and the Outstanding Bonds.

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### Debt Service Requirements

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

Year Ending 12/31	Outstanding Debt Service	Plus: The Bonds				Total Combined Debt Service
		The Utility Bonds		The Road Bonds		
		Principal	Interest	Principal	Interest	
2024	\$ 895,481	\$ -	\$ 445,203	\$ -	\$ 251,288	\$ 1,591,972
2025	1,157,406	-	871,050	-	491,650	2,520,106
2026	1,143,781	455,000	858,253	275,000	486,150	3,218,184
2027	1,139,169	480,000	831,956	290,000	474,850	3,215,975
2028	1,128,381	505,000	804,253	305,000	462,950	3,205,584
2029	1,121,419	530,000	775,144	320,000	450,450	3,197,013
2030	1,113,231	555,000	744,628	335,000	437,350	3,185,209
2031	1,098,869	580,000	712,706	350,000	423,650	3,165,225
2032	1,095,850	610,000	679,238	370,000	409,250	3,164,338
2033	1,091,075	640,000	644,481	385,000	394,150	3,154,706
2034	1,091,969	670,000	610,131	405,000	378,350	3,155,450
2035	1,086,581	700,000	575,881	425,000	361,750	3,149,213
2036	1,085,019	735,000	543,681	445,000	344,350	3,153,050
2037	1,087,206	770,000	513,581	465,000	326,150	3,161,938
2038	1,083,022	810,000	481,981	490,000	307,050	3,172,053
2039	1,082,463	850,000	448,781	515,000	286,950	3,183,194
2040	1,080,394	890,000	413,981	540,000	265,850	3,190,225
2041	1,081,688	935,000	377,481	565,000	243,750	3,202,919
2042	1,076,469	980,000	339,181	590,000	220,650	3,206,300
2043	1,079,134	1,025,000	298,441	620,000	196,450	3,219,025
2044	1,074,538	1,075,000	255,128	650,000	171,050	3,225,716
2045	1,068,259	1,130,000	209,650	685,000	143,922	3,236,831
2046	1,070,100	1,185,000	161,163	715,000	115,047	3,246,309
2047	819,000	1,240,000	109,631	750,000	84,363	3,002,994
2048	820,000	1,300,000	62,969	785,000	51,744	3,019,713
2049	-	1,365,000	21,328	825,000	17,531	2,228,859
	\$ 26,670,503	\$ 20,015,000	\$ 12,789,903	\$ 12,100,000	\$ 7,796,694	\$ 79,372,100

Average Annual Debt Service Requirement (2024–2049) .....\$3,052,773  
 Maximum Annual Debt Service Requirement (2046).....\$3,246,309

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## **TAXING PROCEDURES**

### **Property Tax Code and County-Wide Appraisal District**

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

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

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

### **Property Subject to Taxation by the District**

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would

be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. For the 2023 tax year, the District adopted an exemption of \$20,000 for persons 65 years of age or older or disabled.

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

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

### **Residential Homestead Exemption**

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

### **Valuation of Property for Taxation**

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

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not

fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use, open space land, and timberland.

### **Disaster Exemption**

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State 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.

### **Notice and Hearing Procedures**

The Tax Code establishes procedures for providing notice and the opportunity for a hearing for taxpayers in the event of certain proposed tax increases and provides for taxpayers referenda which could result in the repeal of certain tax increases. The District is required to publish a notice of a public hearing regarding the tax rate proposed to be levied in the current year and comparing the proposed tax rate to the tax rate set in the preceding year.

### **Rollback of Operation and Maintenance Tax Rate**

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

#### *Special Taxing Units*

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

### *Developed Districts*

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

### *Developing Districts*

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

### *The District*

A determination as to the District's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Supervisors on an annual basis. For the 2023 tax year, the Board has made a determination that the District is a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

### **District and Taxpayer Remedies**

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

### **Tax Abatement**

Kaufman County may designate all or part of the area within the District as a reinvestment zone. The District and Kaufman 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.

## **Levy and Collection of Taxes**

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

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

### **District's Rights in the Event of Tax Delinquencies**

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

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

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## TAX DATA

### General

Taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds and the Outstanding Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Orders to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, not to exceed \$1.00 per \$100 of assessed valuation, for operation and maintenance purposes. For the 2023 tax year, the District has levied a total tax rate of \$1.00 per \$100 of assessed valuation comprised of a maintenance and operations tax rate of \$0.31 per \$100 of assessed valuation, a Utility System debt service tax rate of \$0.20 per \$100 of assessed valuation, and a Road System debt service tax rate of \$0.49 per \$100 of assessed valuation.

### 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).
Maintenance:	\$1.00 per \$100 of assessed valuation.

### Historical Tax Collections

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

Tax Year	Certified Taxable Value	Tax Rate (a)	Adjusted Tax Levy	Collections Current Year	Current Year Ending 9/30	Collections 11/30/2023
2019	\$ 25,310	\$1.000	\$ 253	100.00%	2020	100.00%
2020	\$ 13,886,275	\$1.000	\$ 138,863	99.99%	2021	100.00%
2021	\$ 35,610,282	\$1.000	\$ 356,103	100.00%	2022	100.00%
2022	\$ 98,092,853	\$1.000	\$ 980,929	99.32%	2023	99.35%
2023	\$249,545,850	\$1.000	\$2,495,459	10.06% (b)	2024	10.06% (b)

(a) See “- Tax Rate Distribution” below.

(b) In process of collections.

### Tax Rate Distribution

	2023	2022	2021	2020	2019
Utility System Debt Service	\$ 0.200	\$ -	\$ -	\$ -	\$ -
Road System Debt Service	0.490	0.775	0.340	-	-
Maintenance and Operations	1.000	1.000	1.000	1.000	1.000
Total	\$ 1.000	\$ 1.000	\$1.000	\$ 1.000	\$ 1.000

**Analysis of Tax Base**

The following table illustrates the District’s total taxable assessed value in the 2019 through 2023 tax years by type of property.

Type of Property	2023 Assessed Valuation	2022 Assessed Valuation	2021 Assessed Valuation	2020 Assessed Valuation	2019 Assessed Valuation (a)
Land	\$ 109,477,420	\$ 46,490,300	\$ 26,199,746	\$ 19,976,142	\$ 23,000
Improvements	153,916,301	61,194,293	14,501,186	288,430	1,640
Personal Property	103,707	23,404	91,061	2,280	1,670
Exemptions (b)	(13,951,578)	(9,615,144)	(5,181,711)	(6,338,577)	(1,000)
<b>Total</b>	<b>\$ 249,545,850</b>	<b>\$ 98,092,853</b>	<b>\$ 35,610,282</b>	<b>\$ 13,886,275</b>	<b>\$ 25,310</b>

(a) First year the District levied taxes.  
 (b) See "Exemptions and Special Valuations" below.

**Exemptions and Special Valuations**

To date, the District has not granted a general residential homestead exemption. According to the Appraisal District, as of January 1, 2023, approximately 10.664 acres of land within the District were designated for agricultural use, inventory, open space, or timberland. For the 2023 tax year, the District adopted an exemption of \$20,000 for persons 65 years of age or older or disabled.

**Principal Taxpayers**

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2023, from original certification of the 2023 tax rolls by Appraisal District:

Taxpayer	Type of Property	Assessed Valuation 2023 Tax Roll	Percent of 2023 Tax Roll
Devonshire Dallas ASLI VIII LLC (a)	Land & Improvements	\$ 14,245,556	5.71%
Pulte Homes Of Texas LP (a) (b)	Land & Improvements	12,272,344	4.92%
Meritage Homes of Texas LLC (a) (b)	Land & Improvements	7,918,696	3.17%
Bloomfield Homes LP (b)	Land & Improvements	6,775,545	2.72%
Highland Homes Dallas LLC (b)	Land & Improvements	4,821,906	1.93%
LSMA Avanti LLC (a)	Land & Improvements	4,610,782	1.85%
SFR Fund VI Borrower LLC	Land & Improvements	4,178,132	1.67%
GRBK Edgewood LLC (a)	Land & Improvements	3,140,638	1.26%
Jen Texas 28 LLC (a)	Land & Improvements	1,986,683	0.80%
Impression Homes LLC (b)	Land & Improvements	1,786,442	0.72%
<b>Total</b>		<b>\$ 61,736,724</b>	<b>24.74%</b>

(a) See "THE DEVELOPERS" herein.  
 (b) See "STATUS OF DEVELOPMENT – Homebuilders within the District" herein.

**Tax Rate Calculations**

The tax rate calculations set forth below are presented to indicate the debt service tax rates per \$100 of taxable assessed valuation that would be required to meet certain debt service requirements on the Bonds and the Outstanding Bonds if no growth in the District’s tax base occurs beyond the taxable assessed valuation as of January 1, 2023 (\$249,545,850), or the estimate of value as of November 1, 2023 (\$460,134,967). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirement (2024–2049)	\$3,052,773
Debt Service Tax Rate of \$1.29 on the 2023 Taxable Assessed Valuation produces	\$3,058,184
Debt Service Tax Rate of \$0.70 on the Estimate of Value as of November 1, 2023 produces	\$3,059,898
Maximum Annual Debt Service Requirement (2046)	\$3,246,309
Debt Service Tax Rate of \$1.37 on the 2023 Taxable Assessed Valuation produces	\$3,247,839
Debt Service Tax Rate of \$0.75 on the Estimate of Value as of November 1, 2023 produces	\$3,278,462

## 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 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.

	2023 Tax Rate Per \$100 of Assessed Value
The District	\$1.000000
Kaufman County	\$0.328958
Forney Independent School District	\$1.289200
Kaufman County Road and Bridge	\$0.082500
Kaufman County Emergency Service District No. 6	\$0.038650
Total Estimated Tax Rate	\$2.739308

## LEGAL MATTERS

### Legal Opinions

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

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

### No 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.



## **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.

## **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, except that such interest is taken into account in determining the annual adjusted financial statement of income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986 (the "Code")) for the purpose of determining the alternative minimum tax imposed on corporations, 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** designated as “qualified tax-exempt obligations” within the meaning of section 265(b) of the Code.

## **CONTINUING DISCLOSURE OF INFORMATION**

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

### **Annual Reports**

The District will provide certain updated financial information and operating data via EMMA annually. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings “DISTRICT DEBT” (except under the subheading “Estimated Overlapping Debt Statement”), “TAX DATA,” and “APPENDIX A.” The District will update and provide this information to EMMA within six months after the end of each of its fiscal years. 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 EMMA within such six-month period, and audited financial statements when the audit report becomes available.

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

### **Event Notices**

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701

TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term “material” when used in this paragraph shall have the meanings ascribed to them under federal securities laws. Neither the Bonds nor the Bond Orders make any provision for debt service reserves or liquidity enhancement. The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

### **Availability of Information**

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](http://www.emma.msrb.org).

### **Limitations and Amendments**

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District 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 SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next

provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

### **Compliance with Prior Undertakings**

The District has complied in all material respects with its previous continuing disclosure agreement made in accordance with SEC Rule 15c2-12.

## **OFFICIAL STATEMENT**

### **General**

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

The District's audited financial statements for the year ended July 31, 2023, were prepared by McCall Gibson Swedlund Barfoot PLLC, and have been included herein as "APPENDIX A." McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountant, has consented to the publication of such financial statements in this Preliminary 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 "THE DEVELOPERS," "DEVONSHIRE," and "STATUS OF DEVELOPMENT" has been provided by the Developers and has been included herein in reliance upon the authority and knowledge of such party concerning the matters described therein.

The information contained in this Official Statement relating to engineering and to the description of the Utility System and Road System generally and, in particular, the engineering information included in the sections captioned "THE DISTRICT," "THE SYSTEM," and "STATUS OF DEVELOPMENT" 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 Kaufman Central 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.

### **MISCELLANEOUS**

All estimates, statements and assumptions in this Official Statement and the Appendices hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

This Official Statement was approved by the Board of Directors of Kaufman County Municipal Utility District No. 3 as of the date shown on the cover page hereof.

/s/ J. Cullen Aderhold  
President, Board of Directors  
Kaufman County Municipal Utility District No. 3

ATTEST:

/s/ Patrick Allen  
Secretary, Board of Directors  
Kaufman County Municipal Utility District No. 3

**APPENDIX A**  
**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT**

**KAUFMAN COUNTY MUNICIPAL  
UTILITY DISTRICT NO. 3**

**KAUFMAN COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**JULY 31, 2023**





**KAUFMAN COUNTY MUNICIPAL  
UTILITY DISTRICT NO. 3**

**KAUFMAN COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**JULY 31, 2023**



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**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
*Certified Public Accountants*

13100 Wortham Center Drive  
Suite 235  
Houston, Texas 77065-5610  
(713) 462-0341  
Fax (713) 462-2708

PO Box 29584  
Austin, TX 78755-5126  
(512) 610-2209  
[www.mgsbpllc.com](http://www.mgsbpllc.com)  
E-Mail: [mgsb@mgsbpllc.com](mailto:mgsb@mgsbpllc.com)

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Kaufman County Municipal Utility District No. 3  
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. 3 (the "District") as of and for the year ended July 31, 2023, 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 July 31, 2023, 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. 3

### **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

December 18, 2023



**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2023**

Management’s discussion and analysis of the financial performance of Kaufman County Municipal Utility District No. 3 (the “District”) provides an overview of the District’s financial activities for the fiscal year ended July 31, 2023. 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 the District’s assets and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

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

**FUND FINANCIAL STATEMENTS**

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

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2023**

**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 \$2,802,434 as of July 31, 2023. A portion of the District's net position reflects its net investment in capital assets which includes land and roads as well as the water, wastewater and drainage facilities less any debt used to acquire those assets that is still outstanding.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2023**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

The following is a comparative analysis of government-wide changes in net position:

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2023</u>	<u>2022</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 2,044,514	\$ 512,190	\$ 1,532,324
Capital Assets (Net of Accumulated Depreciation)	<u>55,409,396</u>	<u>13,647,051</u>	<u>41,762,345</u>
Total Assets	<u>\$ 57,453,910</u>	<u>\$ 14,159,241</u>	<u>\$ 43,294,669</u>
Due to Developer	\$ 43,779,438	\$ 10,640,618	\$ (33,138,820)
Bonds Payable	16,105,368	4,399,518	(11,705,850)
Other Liabilities	<u>371,538</u>	<u>104,741</u>	<u>(266,797)</u>
Total Liabilities	<u>\$ 60,256,344</u>	<u>\$ 15,144,877</u>	<u>\$ (45,111,467)</u>
Net Position:			
Net Investment in Capital Assets	\$ (3,416,546)	\$ (999,281)	\$ (2,417,265)
Restricted	546,257	151,356	394,901
Unrestricted	<u>67,855</u>	<u>(137,711)</u>	<u>205,566</u>
Total Net Position	<u>\$ (2,802,434)</u>	<u>\$ (985,636)</u>	<u>\$ (1,816,798)</u>

The following table provides a summary of the District's operations for the years ending July 31, 2023, and July 31, 2022.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2023</u>	<u>2022</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 1,022,643	\$ 356,103	\$ 666,540
Charges for Services	395,294	198,518	196,776
Other Revenues	<u>27,459</u>	<u>396</u>	<u>27,063</u>
Total Revenues	<u>\$ 1,445,396</u>	<u>\$ 555,017</u>	<u>\$ 890,379</u>
Total Expenses	<u>3,262,194</u>	<u>666,741</u>	<u>(2,595,453)</u>
Change in Net Position	\$ (1,816,798)	\$ (111,724)	\$ (1,705,074)
Net Position, Beginning of Year	<u>(985,636)</u>	<u>(873,912)</u>	<u>(111,724)</u>
Net Position, End of Year	<u>\$ (2,802,434)</u>	<u>\$ (985,636)</u>	<u>\$ (1,816,798)</u>

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2023**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS**

The District's combined fund balances as of July 31, 2023, were \$1,978,861, an increase of \$1,526,422 from the prior year.

The General Fund fund balance increased by \$203,897, primarily due to maintenance tax revenues and service revenues exceeding operating and administrative costs.

The Debt Service Fund fund balance increased by \$657,465, primarily due to the receipt of capitalized interest from the sale of Series 2022 Road Bonds and the structure of the District's outstanding bond debt.

The Capital Projects Fund fund increased by \$665,060. The District sold its Series 2022 Road Bonds and used the proceeds to reimburse Developers and fund current year capital costs.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were \$65,236 less than budgeted revenues and actual expenditures were \$117,427 more than budgeted expenditures which resulted in a total negative variance of \$182,663. See the budget to actual comparison for more information.

**CAPITAL ASSETS**

Capital assets as of July 31, 2023, total \$55,409,396, (net of accumulated depreciation) and include land and roads as well as the water, wastewater and drainage facilities. The District acquired various infrastructure financed by its Developers through the current and future issuance of bonds.

Capital Assets At Year-End			
	2023	2022	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 2,174,778	\$ 2,174,778	\$
Capital Assets Subject to Depreciation:			
Roads	18,903,544	5,655,164	13,248,380
Water System	11,148,546	2,211,643	8,936,903
Wastewater System	12,676,245	1,923,241	10,753,004
Drainage System	11,684,567	2,027,044	9,657,523
Less Accumulated Depreciation	(1,178,284)	(344,819)	(833,465)
Total Net Capital Assets	\$ 55,409,396	\$ 13,647,051	\$ 41,762,345

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2023**

**LONG-TERM DEBT ACTIVITY**

As of July 31, 2023, the District had total bond debt payable of \$15,990,000. The changes in the debt position of the District during the fiscal year ended July 31, 2023, are summarized as follows:

Bond Debt Payable, August 1, 2022	\$ 4,425,000
Add: Bond Sale	11,705,000
Less: Bond Principal Paid	<u>(140,000)</u>
Bond Debt Payable, July 31, 2023	<u>\$ 15,990,000</u>

The Series 2022 Road Bonds carry an insured rating of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corp. 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. 3, c/o Coats Rose, P.C., 16000 North Dallas Parkway, Suite 350, Dallas, Texas 75248.



**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**JULY 31, 2023**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash	\$ 135,714	\$ 19,817
Investments	281,556	842,198
Property Taxes Receivable	1,669	5,751
Due from Other Funds	8,204	
Due from Devonshire Joint Powers Agency	75,380	
Advance for Joint Operations	385	
Land		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<b>\$ 502,908</b>	<b>\$ 867,766</b>
<b>LIABILITIES</b>		
Accounts Payable	\$ 58,233	\$
Accrued Interest Payable		
Due to Developer		
Due to Other Funds		8,204
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
<b>TOTAL LIABILITIES</b>	<b>\$ 58,233</b>	<b>\$ 8,204</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	\$ 1,669	\$ 5,751
<b>FUND BALANCES/NET POSITION</b>		
<b>FUND BALANCES</b>		
Nonspendable: Operating Advance	\$ 385	\$
Restricted for Authorized Construction		
Restricted for Debt Service		853,811
Unassigned	442,621	
<b>TOTAL FUND BALANCES</b>	<b>\$ 443,006</b>	<b>\$ 853,811</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 502,908</b>	<b>\$ 867,766</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 682,044	\$ 837,575	\$	\$ 837,575
	1,123,754		1,123,754
	7,420		7,420
	8,204	(8,204)	
	75,380		75,380
	385		385
		2,174,778	2,174,778
		53,234,618	53,234,618
<u>\$ 682,044</u>	<u>\$ 2,052,718</u>	<u>\$ 55,401,192</u>	<u>\$ 57,453,910</u>
\$	\$ 58,233	\$	\$ 58,233
		313,305	313,305
		43,779,438	43,779,438
	8,204	(8,204)	
		145,000	145,000
		15,960,368	15,960,368
<u>\$ - 0 -</u>	<u>\$ 66,437</u>	<u>\$ 60,189,907</u>	<u>\$ 60,256,344</u>
<u>\$ - 0 -</u>	<u>\$ 7,420</u>	<u>\$ (7,420)</u>	<u>\$ - 0 -</u>
\$	\$ 385	\$ (385)	\$
682,044	682,044	(682,044)	
	853,811	(853,811)	
	442,621	(442,621)	
<u>\$ 682,044</u>	<u>\$ 1,978,861</u>	<u>\$ (1,978,861)</u>	<u>\$ - 0 -</u>
<u>\$ 682,044</u>	<u>\$ 2,052,718</u>		
		\$ (3,416,546)	\$ (3,416,546)
		546,257	546,257
		67,855	67,855
		<u>\$ (2,802,434)</u>	<u>\$ (2,802,434)</u>

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

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JULY 31, 2023**

Total Fund Balances - Governmental Funds		\$ 1,978,861
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.</p>		55,409,396
<p>Deferred inflows of resources related to property tax revenues for the 2022 tax levy became part of recognized revenue in the governmental activities of the District.</p>		7,420
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:</p>		
Due to Developer	\$ (43,779,438)	
Accrued Interest Payable	(313,305)	
Bonds Payable	(16,105,368)	(60,198,111)
Total Net Position - Governmental Activities		\$ (2,802,434)

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

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**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JULY 31, 2023**

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Property Taxes	\$ 256,432	\$ 758,791
Wastewater Service	165,067	
Inspection Fees	230,227	
Investment and Miscellaneous Revenues	8,703	18,756
<b>TOTAL REVENUES</b>	<b>\$ 660,429</b>	<b>\$ 777,547</b>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 101,431	\$
Contracted Services	47,917	8,332
Purchased Wastewater Service	115,374	
Repairs and Maintenance	88,123	
Depreciation		
Other	103,687	796
Capital Outlay		
Developer Interest		
Debt Service:		
Bond Issuance Costs		
Bond Principal		140,000
Bond Interest		285,833
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 456,532</b>	<b>\$ 434,961</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES</b>	<b>\$ 203,897</b>	<b>\$ 342,586</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Bond Premium	\$	\$
Proceeds from Issuance of Long-Term Debt		314,879
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ - 0 -</b>	<b>\$ 314,879</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 203,897</b>	<b>\$ 657,465</b>
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION - AUGUST 1, 2022</b>	<b>239,109</b>	<b>196,346</b>
<b>FUND BALANCES/NET POSITION - JULY 31, 2023</b>	<b>\$ 443,006</b>	<b>\$ 853,811</b>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 1,015,223	\$ 7,420	\$ 1,022,643
	165,067		165,067
	230,227		230,227
	27,459		27,459
<u>\$ - 0 -</u>	<u>\$ 1,437,976</u>	<u>\$ 7,420</u>	<u>\$ 1,445,396</u>
\$	\$ 101,431	\$	\$ 101,431
	56,249		56,249
	115,374		115,374
	88,123		88,123
		833,465	833,465
465	104,948		104,948
9,456,989	9,456,989	(9,456,989)	
275,386	275,386		275,386
1,134,357	1,134,357		1,134,357
	140,000	(140,000)	
	285,833	267,028	552,861
<u>\$ 10,867,197</u>	<u>\$ 11,758,690</u>	<u>\$ (8,496,496)</u>	<u>\$ 3,262,194</u>
<u>\$ (10,867,197)</u>	<u>\$ (10,320,714)</u>	<u>\$ 8,503,916</u>	<u>\$ (1,816,798)</u>
\$ 142,136	\$ 142,136	\$ (142,136)	\$
11,390,121	11,705,000	(11,705,000)	
<u>\$ 11,532,257</u>	<u>\$ 11,847,136</u>	<u>\$ (11,847,136)</u>	<u>\$ - 0 -</u>
\$ 665,060	\$ 1,526,422	\$ (1,526,422)	\$
		(1,816,798)	(1,816,798)
16,984	452,439	(1,438,075)	(985,636)
<u>\$ 682,044</u>	<u>\$ 1,978,861</u>	<u>\$ (4,781,295)</u>	<u>\$ (2,802,434)</u>

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

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JULY 31, 2023**

Net Change in Fund Balances - Governmental Funds	\$ 1,526,422
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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.	7,420
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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.	(833,465)
--	-----------

Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	9,456,989
---	-----------

Governmental funds report bond premiums as other financing sources in the year paid. However, in the Statement of Net Position, the bond premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	(142,136)
---	-----------

Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, these payments are reported as decreases in long-term liabilities.	140,000
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Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(267,028)
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Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	<u>(11,705,000)</u>
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Change in Net Position - Governmental Activities	<u>\$ (1,816,798)</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. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2023**

**NOTE 1. CREATION OF DISTRICT**

Kaufman County Municipal Utility District No. 3 was created April 12, 2005, by order of the Texas Commission on Environmental Quality (the “Commission”), as a conservation and reclamation district created under and essential to accomplishing the purposes of Section 59, Article XVI of the Texas Constitution. The District is under the oversight of the Commission. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants, and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, roads, solid waste collection and disposal, including recycling. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its organizational meeting on June 30, 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.

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.



**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2023**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

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

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 a 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.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2023**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental Funds (Continued)

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

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

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

Basis of Accounting

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

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

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 owes the General Fund \$8,204 for maintenance tax collections as of the current fiscal year end.

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 expenses in the government-wide

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2023**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets (Continued)

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	45

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 not amended. The Schedule of Revenues, Expenditure and Changes in Fund Balance – Budget and Actual – General Fund presents the budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that the directors are considered 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.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2023**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus (Continued)

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

Fund balances in governmental funds are classified using the following hierarchy:

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

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

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

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

*Unassigned*: all other spendable amounts in the General Fund.

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.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2023**

**NOTE 3. LONG-TERM DEBT**

	<u>Road Series 2021</u>	<u>Road Series 2022</u>
Amount Outstanding – July 31, 2023	\$ 4,285,000	\$ 11,705,000
Interest Rates	2.00%-2.875%	5.00%-7.50%
Maturity Dates	March 1, 2024/2046	March 1, 2025/2048
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	March 1, 2026*	March 1, 2028*

\* Or any date thereafter at a price of par plus unpaid accrued interest, in whole or in part, at the option of the District. Series 2021 Road term bonds maturing on March 1, 2046 are subject to mandatory redemption by random selection beginning March 1, 2043. Series 2022 Road term bonds maturing on March 1, 2038, 2040, 2042, 2044, 2046, and 2048 are subject to mandatory redemption by random selection beginning March 1, 2037, 2039, 2041, 2043, 2045, and 2047, respectively.

Current year transactions regarding bonds payable are summarized in the following table:

	<u>August 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>July 31, 2023</u>
Bonds Payable	\$ 4,425,000	\$ 11,705,000	\$ 140,000	\$ 15,990,000
Unamortized Discounts	(25,482)		(1,080)	(24,402)
Unamortized Premium		142,136	2,366	139,770
Bonds Payable, Net	<u>\$ 4,399,518</u>	<u>\$ 11,847,136</u>	<u>\$ 141,286</u>	<u>\$ 16,105,368</u>
		Amount Due Within One Year		\$ 145,000
		Amount Due After One Year		<u>15,960,368</u>
		Bonds Payable, Net		<u>\$ 16,105,368</u>

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2023**

**NOTE 3. LONG-TERM DEBT (Continued)**

As of July 31, 2023, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 145,000	\$ 751,931	\$ 896,931
2025	420,000	749,031	1,169,031
2026	430,000	725,781	1,155,781
2027	450,000	701,781	1,151,781
2028	465,000	676,556	1,141,556
2029-2033	2,620,000	2,968,367	5,588,367
2034-2038	3,190,000	2,311,931	5,501,931
2039-2043	3,925,000	1,561,813	5,486,813
2044-2048	4,345,000	609,278	4,954,278
	<u>\$ 15,990,000</u>	<u>\$ 11,056,469</u>	<u>\$ 27,046,469</u>

The District has authorized but unissued bonds in the amount \$230,470,510 for water, sewer and drainage purposes, \$156,354,238 for road purposes, \$345,705,765 for utility system refunding bonds, and \$258,726,357 for road refunding bonds.

During the year ended July 31, 2023, the District levied an ad valorem debt service tax rate of \$0.775 per \$100 of assessed valuation which resulted in a tax levy of \$760,217 on the adjusted taxable valuation of \$98,092,524 for the 2022 tax year. The bond order requires 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.

**NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS**

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

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

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2023**

**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 \$837,575 and the bank balance was \$921,814. The District was not exposed to custodial credit risk at year-end.

Cash balances at year end are summarized in the following table:

	Cash
GENERAL FUND	\$ 135,714
DEBT SERVICE FUND	19,817
CAPITAL PROJECTS FUND	682,044
TOTAL DEPOSITS	\$ 837,575

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.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2023**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not SEC-registered. The Texas Comptroller of Public Accounts has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures its portfolio assets at amortized cost as does the District for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District’s investment in TexPool is rated AAAM by Standard and Poor’s. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

As of July 31, 2023, the District had the following investments and maturities:

Funds and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 281,556	\$ 281,556
<u>DEBT SERVICE FUND</u>		
TexPool	842,198	842,198
TOTAL INVESTMENTS	\$ 1,123,754	\$ 1,123,754

Restrictions

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

All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.



**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2023**

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended July 31, 2023, is summarized in the following table:

	August 1, 2022	Increases	Decreases	July 31, 2023
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 2,174,778	\$ - 0 -	\$ - 0 -	\$ 2,174,778
<b>Capital Assets Subject to Depreciation</b>				
Roads	\$ 5,655,164	\$ 13,248,380	\$	\$ 18,903,544
Water System	2,211,643	8,936,903		11,148,546
Wastewater System	1,923,241	10,753,004		12,676,245
Drainage System	2,027,044	9,657,523		11,684,567
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 11,817,092</u>	<u>\$ 42,595,810</u>	<u>\$ - 0 -</u>	<u>\$ 54,412,902</u>
<b>Less Accumulated Depreciation</b>				
Roads	\$ 171,860	\$ 293,998	\$	\$ 465,858
Water System	66,708	151,152		217,860
Wastewater System	51,173	218,177		269,350
Drainage System	55,078	170,138		225,216
<b>Total Accumulated Depreciation</b>	<u>\$ 344,819</u>	<u>\$ 833,465</u>	<u>\$ - 0 -</u>	<u>\$ 1,178,284</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 11,472,273</u>	<u>\$ 41,762,345</u>	<u>\$ - 0 -</u>	<u>\$ 53,234,618</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 13,647,051</u>	<u>\$ 41,762,345</u>	<u>\$ - 0 -</u>	<u>\$ 55,409,396</u>

**NOTE 7. MAINTENANCE TAX**

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. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater systems or for any other lawful purpose. During the current fiscal year, the District levied an ad valorem maintenance tax rate of \$0.225 per \$100 of assessed valuation, which resulted in a tax levy of \$220,708 on the adjusted taxable valuation of \$98,092,524 for the 2022 tax year.

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 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. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2023**

**NOTE 8. CONTRACT WITH DEVONSHIRE JOINT POWERS AGENCY**

On June 30, 2005, the District executed a 50-year contract with Kaufman County Municipal Utility District No. 2 and Kaufman County Municipal Utility District No. 4 for the financing, operation and maintenance of the Master District's regional water, sanitary sewer and drainage facilities. The contract was amended and assigned to the Devonshire Joint Powers Agency ("Agency"). The Agency administers the contract for the Participants. The districts are authorized to levy a tax sufficient to make payments required under the contract with the Master District.

The District's water supply is provided by the Agency. The Agency has contracted with High Point Special Utility District ("High Point") to provide water service to the Agency. High Point receives fresh water from the City of Forney, Texas ("the City"), which, in turn, receives water from North Texas Municipal Water District ("NTMWD"). The Agency has paid High Point for water facilities that directly benefit the Agency, including the District, consisting of an 800,000-gallon ground storage tank, two 51,000-gallon pressure tanks, two 2,200 gallons per minute booster pumps and trunk water distribution lines.

The District's wastewater service is provided by the Agency. The Agency has contracted with the City, which has contracted with NTMWD for wastewater service to the Agency. The District's wastewater flows through trunk lines connected to an interceptor line owned and operated by NTMWD. Ultimately, the District's wastewater flows to the South Mesquite Regional Wastewater Treatment Plant (the "WWTP"), which is owned and operated by NTMWD. The Agency owns and operates the facilities which it finances through connection charges paid by each Participant. The Agency bills each Participant its share of the monthly operating charges based on a current monthly unit cost per connection of \$29.53 times the number of residential and commercial connections for each Participant. The District funded its share of the operating reserve in the amount of \$385.

**NOTE 9. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, error and omission and natural disasters for which the District carries commercial insurance. There have been no significant changes in coverage from the prior year and there have been no settlements in the past three years.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2023**

**NOTE 10. UNREIMBURSED DEVELOPER COSTS**

The District executed financing agreements which call for the Developers to pay for engineering and construction costs related to the District’s water, sewer, and drainage facilities as well as roads. The District anticipates reimbursing the Developers from the proceeds of future bond sales. Current year changes to unreimbursed costs are summarized in the following table:

Due to Developers, August 1, 2022	\$ 10,640,618
Add: Current Year Additions	42,595,809
Less: Current Year Reimbursements	<u>(9,456,989)</u>
Due to Developers, July 31, 2023	<u>\$ 43,779,438</u>

**NOTE 11. BOND SALE**

On November 22, 2022, the District closed on the sale of its \$11,705,000 Series 2022 Unlimited Tax Road Bonds. The District used the bond proceeds to reimburse Developers for land costs as well as road system improvements and rights-of-way costs for Arbordale 1, Falcon Heights 1, Briarwood Hills 1 and 2, and Devonshire 10B, 14, and 17. Proceeds were also used to pay six months’ capitalized interest, Developers’ interest, and bond issuance costs.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3**

**REQUIRED SUPPLEMENTARY INFORMATION**

**JULY 31, 2023**



**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACUAL – GENERAL FUND**  
**FOR THE YEAR ENDED JULY 31, 2023**

	Original and Final Budget	Actual	Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	<u>(Negative)</u>
<b>REVENUES</b>			
Property Taxes	\$ 425,665	\$ 256,432	\$ (169,233)
Wastewater Service	200,000	165,067	(34,933)
Inspection Fees	100,000	230,227	130,227
Investment and Miscellaneous Revenues	<u>                    </u>	<u>8,703</u>	<u>8,703</u>
<b>TOTAL REVENUES</b>	<u>\$ 725,665</u>	<u>\$ 660,429</u>	<u>\$ (65,236)</u>
<b>EXPENDITURES</b>			
Service Operations:			
Professional Fees	\$ 91,500	\$ 101,431	\$ (9,931)
Contracted Services	38,785	47,917	(9,132)
Purchased Wastewater Service	113,925	115,374	(1,449)
Repairs and Maintenance	26,500	88,123	(61,623)
Other	<u>68,395</u>	<u>103,687</u>	<u>(35,292)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 339,105</u>	<u>\$ 456,532</u>	<u>\$ (117,427)</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 386,560	\$ 203,897	\$ (182,663)
<b>FUND BALANCE - AUGUST 1, 2022</b>	<u>239,109</u>	<u>239,109</u>	<u>                    </u>
<b>FUND BALANCE - JULY 31, 2023</b>	<u>\$ 625,669</u>	<u>\$ 443,006</u>	<u>\$ (182,663)</u>

See accompanying independent auditor's report.

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**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3**

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE  
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

**JULY 31, 2023**





**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3  
SERVICES AND RATES  
FOR THE YEAR ENDED JULY 31, 2023**

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

<u>      </u>	Retail Water	<u>      </u>	Wholesale Water	<u>  X  </u>	Drainage
<u>  X  </u>	Retail Wastewater	<u>      </u>	Wholesale Wastewater	<u>      </u>	Irrigation
<u>      </u>	Parks/Recreation	<u>      </u>	Fire Protection	<u>  X  </u>	Security
<u>  X  </u>	Solid Waste/Garbage	<u>      </u>	Flood Control	<u>  X  </u>	Roads
<u>  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 rates below are based on the rate order approved on March 22, 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>
WASTEWATER:	\$ 40.61	-0-	Y		
District employs winter averaging for wastewater usage?					<u>      </u> <u>  X  </u> Yes      No
Total monthly charges per 10,000 gallons usage Wastewater:	\$40.61				

**b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)**

	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Total Water Connections	<u>      **      </u>	<u>      **      </u>		<u>      **      </u>
Total Wastewater Connections	<u>      483      </u>	<u>      483      </u>	x 1.0	<u>      483      </u>

**3. TOTAL WATER CONSUMPTION: \*\***

\*\* The District's water supply is provided through the Devonshire Joint Powers Agency. The Agency has contracted with High Point Special Utility District to provide water service to the Agency. High Point receives fresh water from the City of Forney, Texas, which, in turn, receives water from the North Texas Municipal Water District.

See accompanying independent auditor's report.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3  
SERVICES AND RATES  
FOR THE YEAR ENDED JULY 31, 2023**

**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 Dallas, 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. 3  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED JULY 31, 2023**

PROFESSIONAL FEES:	
Auditing and Bond Related	\$ 14,000
Engineering	27,688
Legal	<u>59,743</u>
TOTAL PROFESSIONAL FEES	<u>\$ 101,431</u>
PURCHASED SERVICES FOR RESALE	<u>\$ 115,374</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 9,724
Operations and Billing	9,617
Security	<u>28,576</u>
TOTAL CONTRACTED SERVICES	<u>\$ 47,917</u>
TOTAL UTILITIES	<u>\$ 4,277</u>
REPAIRS AND MAINTENANCE	<u>\$ 88,123</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 4,428
Insurance	7,352
Website and Other	<u>3,118</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 14,898</u>
OTHER EXPENDITURES:	
Connection and Inspection Fees	\$ 83,830
Regulatory Assessment	<u>682</u>
INSPECTION FEES	<u>\$ 84,512</u>
TOTAL EXPENDITURES	<u><u>\$ 456,532</u></u>

See accompanying independent auditor's report.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3**  
**INVESTMENTS**  
**JULY 31, 2023**

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 281,556	\$ - 0 -
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 842,198	\$ - 0 -
TOTAL - ALL FUNDS				<u>\$ 1,123,754</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED JULY 31, 2023**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
AUGUST 1, 2022	\$	-0-	\$	-0-
Adjustments to Beginning				
Balance		<u>37,393</u>	\$	37,393
			<u>4,325</u>	\$ 4,325
Original 2022 Tax Levy	\$	221,817	\$	764,037
Adjustment to 2022 Tax Levy		<u>(1,109)</u>		<u>220,708</u>
			<u>(3,820)</u>	<u>760,217</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 258,101		\$ 764,542
 TAX COLLECTIONS:				
Prior Years	\$	37,393	\$	4,325
Current Year		<u>219,039</u>		<u>256,432</u>
			<u>754,466</u>	<u>758,791</u>
 TAXES RECEIVABLE -				
JULY 31, 2023		<u>\$ 1,669</u>		<u>\$ 5,751</u>
 TAXES RECEIVABLE BY				
YEAR:				
2022		<u>\$ 1,669</u>		<u>\$ 5,751</u>

See accompanying independent auditor's report.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED JULY 31, 2023**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>PROPERTY VALUATIONS:</b>				
Land	\$ 46,515,050	\$ 26,199,746	\$ 19,976,142	\$ 23,000
Improvements	61,240,360	14,501,186	288,430	1,640
Personal Property	23,404	91,061	2,280	1,670
Exemptions	<u>(9,686,290)</u>	<u>(5,181,711)</u>	<u>(6,380,577)</u>	<u>(1,000)</u>
<b>TOTAL PROPERTY VALUATIONS</b>	<b><u>\$ 98,092,524</u></b>	<b><u>\$ 35,610,282</u></b>	<b><u>\$ 13,886,275</u></b>	<b><u>\$ 25,310</u></b>
<b>TAX RATES PER \$100 VALUATION:</b>				
Debt Service	\$ 0.775	\$ 0.34	\$ 0.00	\$ 0.00
Maintenance	<u>0.225</u>	<u>0.66</u>	<u>1.00</u>	<u>1.00</u>
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<b><u>\$ 1.000</u></b>	<b><u>\$ 1.00</u></b>	<b><u>\$ 1.00</u></b>	<b><u>\$ 1.00</u></b>
<b>ADJUSTED TAX LEVY*</b>	<b><u>\$ 980,925</u></b>	<b><u>\$ 356,103</u></b>	<b><u>\$ 138,863</u></b>	<b><u>\$ 253</u></b>
<b>PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED</b>	<b><u>99.24 %</u></b>	<b><u>100.00 %</u></b>	<b><u>100.00 %</u></b>	<b><u>100.00 %</u></b>

\* 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.

See accompanying independent auditor's report.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**JULY 31, 2023**

SERIES - 2021 ROAD

Due During Fiscal Years Ending July 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2024	\$ 145,000	\$ 105,175	\$ 250,175
2025	150,000	102,275	252,275
2026	150,000	99,275	249,275
2027	155,000	96,275	251,275
2028	155,000	93,175	248,175
2029	160,000	90,075	250,075
2030	165,000	86,875	251,875
2031	165,000	83,575	248,575
2032	170,000	80,275	250,275
2033	175,000	76,662	251,662
2034	180,000	72,725	252,725
2035	180,000	68,450	248,450
2036	185,000	63,950	248,950
2037	190,000	59,325	249,325
2038	195,000	54,575	249,575
2039	200,000	49,456	249,456
2040	205,000	44,206	249,206
2041	210,000	38,569	248,569
2042	215,000	32,794	247,794
2043	225,000	26,881	251,881
2044	230,000	20,413	250,413
2045	235,000	13,800	248,800
2046	245,000	7,044	252,044
2047			
2048			
	<u>\$ 4,285,000</u>	<u>\$ 1,465,825</u>	<u>\$ 5,750,825</u>

See accompanying independent auditor's report.



**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**JULY 31, 2023**

SERIES - 2022 ROAD

Due During Fiscal Years Ending July 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2024	\$	\$ 646,756	\$ 646,756
2025	270,000	646,756	916,756
2026	280,000	626,506	906,506
2027	295,000	605,506	900,506
2028	310,000	583,381	893,381
2029	325,000	560,131	885,131
2030	340,000	535,756	875,756
2031	355,000	510,256	865,256
2032	375,000	483,631	858,631
2033	390,000	461,131	851,131
2034	410,000	441,631	851,631
2035	430,000	421,131	851,131
2036	450,000	399,631	849,631
2037	475,000	377,131	852,131
2038	495,000	353,382	848,382
2039	520,000	328,631	848,631
2040	545,000	302,632	847,632
2041	575,000	275,381	850,381
2042	600,000	246,632	846,632
2043	630,000	216,631	846,631
2044	660,000	184,345	844,345
2045	690,000	150,519	840,519
2046	725,000	115,157	840,157
2047	760,000	78,000	838,000
2048	800,000	40,000	840,000
	<u>\$ 11,705,000</u>	<u>\$ 9,590,644</u>	<u>\$ 21,295,644</u>

See accompanying independent auditor's report.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**JULY 31, 2023**

ANNUAL REQUIREMENTS  
FOR ALL SERIES

Due During Fiscal Years Ending July 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2024	\$ 145,000	\$ 751,931	\$ 896,931
2025	420,000	749,031	1,169,031
2026	430,000	725,781	1,155,781
2027	450,000	701,781	1,151,781
2028	465,000	676,556	1,141,556
2029	485,000	650,206	1,135,206
2030	505,000	622,631	1,127,631
2031	520,000	593,831	1,113,831
2032	545,000	563,906	1,108,906
2033	565,000	537,793	1,102,793
2034	590,000	514,356	1,104,356
2035	610,000	489,581	1,099,581
2036	635,000	463,581	1,098,581
2037	665,000	436,456	1,101,456
2038	690,000	407,957	1,097,957
2039	720,000	378,087	1,098,087
2040	750,000	346,838	1,096,838
2041	785,000	313,950	1,098,950
2042	815,000	279,426	1,094,426
2043	855,000	243,512	1,098,512
2044	890,000	204,758	1,094,758
2045	925,000	164,319	1,089,319
2046	970,000	122,201	1,092,201
2047	760,000	78,000	838,000
2048	800,000	40,000	840,000
	<u>\$ 15,990,000</u>	<u>\$ 11,056,469</u>	<u>\$ 27,046,469</u>

See accompanying independent auditor's report.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3**  
**CHANGES IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED JULY 31, 2023**

Description	Original Bonds Issued	Bonds Outstanding August 1, 2022
Kaufman County Municipal Utility District No. 3 Unlimited Tax Road Bonds - Series 2021	\$ 4,425,000	\$ 4,425,000
Kaufman County Municipal Utility District No. 3 Unlimited Tax Road Bonds - Series 2022	11,705,000	
<b>TOTAL</b>	<b>\$ 16,130,000</b>	<b>\$ 4,425,000</b>

Bond Authority:	Utility System Bonds	Utility System Refunding Bonds	Road System Bonds	Road System Refunding Bonds
Amount Authorized by Voters	\$ 230,470,510	\$ 345,705,765	\$ 172,484,238	\$ 258,726,357
Amount Issued			16,130,000	
Remaining to be Issued	\$ 230,470,510	\$ 345,705,765	\$ 156,354,238	\$ 258,726,357

Debt Service Fund cash and investment balances as of July 31, 2023: \$ 862,015

Average annual debt service payment (principal and interest) for remaining term  
of all debt: \$ 1,081,859

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

See accompanying independent auditor's report.

Current Year Transactions

<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding July 31, 2023</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 140,000	\$ 107,975	\$ 4,285,000	Zions Bancorporation, NA Houston, TX
<u>11,705,000</u>		<u>177,858</u>	<u>11,705,000</u>	Zions Bancorporation, NA Houston, TX
<u>\$ 11,705,000</u>	<u>\$ 140,000</u>	<u>\$ 285,833</u>	<u>\$ 15,990,000</u>	

See accompanying independent auditor's report.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND - FIVE YEARS**

	Amounts		
	2023	2022	2021
<b>REVENUES</b>			
Property Taxes	\$ 256,432	\$ 235,046	\$ 138,845
Wastewater Service	165,067	136,323	28,956
Inspection Fees	230,227	62,195	82,000
Investment and Miscellaneous Revenues	<u>8,703</u>	<u>198</u>	
<b>TOTAL REVENUES</b>	<u>\$ 660,429</u>	<u>\$ 433,762</u>	<u>\$ 249,801</u>
<b>EXPENDITURES</b>			
Professional Fees	\$ 101,431	\$ 101,381	\$ 84,534
Contracted Services	47,917	45,994	19,339
Purchased Wastewater Service	115,374	81,247	20,949
Repairs and Maintenance	88,123	18,536	7,894
Other	<u>103,687</u>	<u>38,308</u>	<u>48,515</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 456,532</u>	<u>\$ 285,466</u>	<u>\$ 181,231</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 203,897</u>	<u>\$ 148,296</u>	<u>\$ 68,570</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer Advances	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 27,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 203,897	\$ 148,296	\$ 95,570
<b>BEGINNING FUND BALANCE (DEFICIT)</b>	<u>239,109</u>	<u>90,813</u>	<u>(4,757)</u>
<b>ENDING FUND BALANCE (DEFICIT)</b>	<u>\$ 443,006</u>	<u>\$ 239,109</u>	<u>\$ 90,813</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues						
2020	2019	2023	2022	2021	2020	2019		
\$ 253	\$	38.7 %	54.2 %	55.6 %	0.8 %		%	
487	487	25.0	31.4	11.6	1.5	100.0		
32,000		34.9	14.3	32.8	97.7			
		1.4	0.1					
<u>\$ 32,740</u>	<u>\$ 487</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	
\$ 57,761	\$ 50,856	15.4 %	23.4 %	33.8 %	176.4 %	10,442.7 %		
10,211	1,749	7.3	10.6	7.7	31.2	359.1		
1,058	370	17.5	18.7	8.4	3.2	76.0		
1,718		13.3	4.3	3.2	5.2			
<u>26,315</u>	<u>8,243</u>	<u>15.7</u>	<u>8.8</u>	<u>19.4</u>	<u>80.4</u>	<u>1,692.6</u>		
<u>\$ 97,063</u>	<u>\$ 61,218</u>	<u>69.2 %</u>	<u>65.8 %</u>	<u>72.5 %</u>	<u>296.4 %</u>	<u>12,570.4 %</u>		
<u>\$ (64,323)</u>	<u>\$ (60,731)</u>	<u>30.8 %</u>	<u>34.2 %</u>	<u>27.5 %</u>	<u>(196.4) %</u>	<u>(12,470.4) %</u>		
<u>\$ 71,000</u>	<u>\$ 56,000</u>							
\$ 6,677	\$ (4,731)							
<u>(11,434)</u>	<u>(6,703)</u>							
<u>\$ (4,757)</u>	<u>\$ (11,434)</u>							

See accompanying independent auditor's report.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2023	2022	2021
<b>REVENUES</b>			
Property Taxes	\$ 758,791	\$ 121,075	\$
Investment and Miscellaneous Revenues	<u>18,756</u>	<u>198</u>	<u></u>
<b>TOTAL REVENUES</b>	<u>\$ 777,547</u>	<u>\$ 121,273</u>	<u>\$ - 0 -</u>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 8,728	\$ 3,984	\$ 10
Debt Service Principal	140,000		
Debt Service Interest and Fees	<u>286,233</u>	<u>82,896</u>	<u></u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 434,961</u>	<u>\$ 86,880</u>	<u>\$ 10</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 342,586</u>	<u>\$ 34,393</u>	<u>\$ (10)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Issuance of Long-Term Debt	<u>\$ 314,879</u>	<u>\$ - 0 -</u>	<u>\$ 161,963</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 657,465	\$ 34,393	\$ 161,953
<b>BEGINNING FUND BALANCE</b>	<u>196,346</u>	<u>161,953</u>	<u></u>
<b>ENDING FUND BALANCE</b>	<u>\$ 853,811</u>	<u>\$ 196,346</u>	<u>\$ 161,953</u>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<u>483</u>	<u>239</u>	<u>148</u>

See accompanying independent auditor's report.





**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 3**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**JULY 31, 2023**

District Mailing Address - Kaufman County Municipal Utility District No. 3  
c/o Coats Rose, P.C.  
16000 North Dallas Parkway, Suite 350  
Dallas, TX 75248

District Telephone Number - (972) 982-8450

<b>Board Members</b>	Term of Office (Elected or <u>Appointed</u> )	Fees of Office for the year ended <u>July 31, 2023</u>	Expense Reimbursements for the year ended <u>July 31, 2023</u>	<u>Title</u>
Cullen Aderhold	05/20 05/24 (Elected)	\$ 971	\$ 71	President
Blake Arnold	05/22 05/26 (Elected)	\$ 900	\$ 153	Vice President
Patrick Allen	05/20 05/24 (Elected)	\$ 1,121	\$ 92	Secretary
Deren Wilcox	05/20 05/24 (Elected)	\$ 300	\$ -0-	Assistant Secretary
Austin Villejo	11/22 05/26 (Appointed)	\$ 671	\$ 79	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 31, 2023

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution. 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. 3**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**JULY 31, 2023**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended July 31, 2023</u>	<u>Title</u>
Coats Rose, P.C.	12/19/11	\$ 59,743 \$ 262,865	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	07/23/19	\$ 12,000 \$ 19,500	Auditor Bond Related
L & S District Services, LLC	12/11/11	\$ 10,624	Bookkeeper
Johnson Volk Consulting, Inc.	07/16/15	\$ 121,041	Engineer
Robert W. Baird & Co. Incorporated	07/16/15	\$ 236,859	Financial Advisor
Inframark, LLC	02/26/08	\$ 87,763	Operator
Debra Loggins		\$ -0-	Investment Officer

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

SPECIAL MEMBER

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

1 World Financial Center, 27<sup>th</sup> floor  
200 Liberty Street  
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN