

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
(KAUFMAN COUNTY, TEXAS)**

PRELIMINARY OFFICIAL STATEMENT

DATED: APRIL 25, 2023

**\$5,585,000
UNLIMITED TAX ROAD BONDS
SERIES 2023**

**BIDS TO BE SUBMITTED
9:30 A.M., CENTRAL TIME
MONDAY, JUNE 5, 2023**



Financial Advisor

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 25, 2023

This Preliminary Official Statement is subject to completion and amendment and is intended for the solicitation of initial bids to purchase the Bonds (herein defined). Upon the sale of the Bonds, the Official Statement will be completed and delivered to the Initial Purchaser (herein defined).

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

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

NEW ISSUE – Book Entry Only

RATING: Moody's Investors Service, Inc. (Underlying) "Baa2"
See "MUNICIPAL BOND INSURANCE AND RATING" herein.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

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

**\$5,585,000
UNLIMITED TAX ROAD BONDS
SERIES 2023**

Dated: July 1, 2023

Due: March 1, as shown on inside cover page

Interest Accrues From: Date of Delivery

The \$5,585,000 Unlimited Tax Road Bonds, Series 2023 (the "Bonds") are obligations of Kaufman County Municipal Utility District No. 4 (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 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 July 1, 2023, and interest on the Bonds accrues from the initial date of delivery (on or about July 6, 2023) (the "Date of Delivery"), and is payable on March 1, 2024, and each September 1 and March 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 inside cover.

The Bonds constitute the sixth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing roads and improvements in aid thereof to serve the District (the "Road System"). At various elections held within the District, voters of the District authorized the issuance of \$28,930,000 principal amount of unlimited tax bonds for the Road System and \$43,395,000 for the refunding of such bonds, \$49,050,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a water, sewer, and drainage system to serve the District (the "Utility System") and \$73,575,000 for the refunding of such bonds. Following the issuance of the Bonds, \$3,000,000 principal amount of unlimited tax bonds for the Road System and \$32,640,000 principal amount of unlimited tax bonds for the Utility System will remain authorized but unissued. See "THE BONDS."

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

The Bonds are offered when, as, and if issued by the District to the winning bidder of the Bonds (the "Initial Purchaser"), subject, among other things, to the approval of the Attorney General of Texas and of Coats Rose, P.C., Dallas, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about July 6, 2023.

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

\$5,585,000 Unlimited Tax Road Bonds, Series 2023

Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 48619D (b)	Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 48619D (b)
2025	\$ 140,000	___%	___%	—	2037 (c)	\$ 230,000	___%	___%	—
2026	145,000	___%	___%	—	2038 (c)	240,000	___%	___%	—
2027	155,000	___%	___%	—	2039 (c)	245,000	___%	___%	—
2028	160,000	___%	___%	—	2040 (c)	260,000	___%	___%	—
2029	165,000	___%	___%	—	2041 (c)	270,000	___%	___%	—
2030 (c)	175,000	___%	___%	—	2042 (c)	280,000	___%	___%	—
2031 (c)	180,000	___%	___%	—	2043 (c)	290,000	___%	___%	—
2032 (c)	185,000	___%	___%	—	2044 (c)	300,000	___%	___%	—
2033 (c)	195,000	___%	___%	—	2045 (c)	315,000	___%	___%	—
2034 (c)	205,000	___%	___%	—	2046 (c)	325,000	___%	___%	—
2035 (c)	210,000	___%	___%	—	2047 (c)	340,000	___%	___%	—
2036 (c)	220,000	___%	___%	—	2048 (c)	355,000	___%	___%	—

- (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 will be assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems, Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on March 1, 2030, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on July 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See “THE BONDS – Redemption Provisions.”

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (“SEC”), as amended, and in effect on the date of this Preliminary Official Statement, this document constitutes an “official statement” of the District with respect to the Bonds that has been deemed “final” by the District as of its date except for the omission of no more than information permitted by SEC Rule 15c2-12.

This document, when further supplemented by adding additional information specifying the interest rates and certain other information relating to the Bonds shall constitute a “final official statement” of the District with respect to the Bonds, as such term is defined in SEC Rule 15c2-12.

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, the other matters described in the Official Statement until delivery of the Bonds to the Initial Purchaser, and thereafter only as specified in “OFFICIAL STATEMENT – Updating the Official Statement.”

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

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SALE AND DISTRIBUTION OF THE BONDS

Award and Marketing of the Bonds

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

Prices and Marketability

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

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

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

Securities Laws

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

MUNICIPAL BOND INSURANCE AND RATING

The District has made an application to Assured Guaranty Municipal Corp. and Build America Mutual Assurance Company for a commitment for municipal bond insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by rating companies, other than Moody's Investors Service, Inc. ("Moody's"), will be at the option and expense of the Initial Purchaser. The District will pay the rating fees charged by Moody's.

Moody's has assigned an underlying rating of "Baa2" with stable outlook to the Bonds. An explanation of the ratings may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or

withdrawn entirely by Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned to the Bonds other than the rating of Moody's.

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OFFICIAL STATEMENT SUMMARY

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

THE BONDS

- The IssuerKaufman County Municipal Utility District No. 4 (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. The District is part of the approximately 1,038-acre master-planned community known as “Devonshire.” See “THE DISTRICT.”

- The IssueThe District’s \$5,585,000 Unlimited Tax Road Bonds, Series 2023 (the “Bonds”), are dated July 1, 2023, and mature on March 1 in the years and in the principal amounts as shown on the inside cover page hereof.

Interest on the Bonds accrues from the initial date of delivery (on or about July 6, 2023) (the “Date of Delivery”), at the rates shown on the inside cover page hereof and is payable on March 1, 2024, and on each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 of principal amount for any one maturity. See “THE BONDS – General.”

- Redemption.....The Bonds maturing on and after March 1, 2030, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on July 1, 2029, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. See “THE BONDS – Redemption Provisions.”

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

- Authority for Issuance.....The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution; the general laws of the State of Texas, particularly including Chapters 49 and 54, Texas Water Code, as amended; Chapter 8195 of the Texas Special District Local Laws Code; an order authorizing issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”); and an election held within the boundaries of the District on May 10, 2008.

The Bonds constitute the sixth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing roads and improvements in aid thereof to serve the District (the “Road System”). At various elections held within the District, voters of the District authorized \$28,930,000 principal amount of unlimited tax bonds for the Road System and \$43,395,000 for the refunding of such bonds and \$49,050,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a water, sewer, and drainage system to serve the District (the “Utility System”) and

\$73,575,000 for the refunding of such bonds. Following the issuance of the Bonds, \$3,000,000 principal amount of unlimited tax bonds for the Road System and \$32,640,000 principal amount of unlimited tax bonds for the Utility System will remain authorized but unissued. See "THE BONDS – Authority for Issuance."

- Outstanding Bonds The District has previously issued its \$2,995,000 Unlimited Tax Road Bonds, Series 2018; \$3,800,000 Unlimited Tax Utility Bonds, Series 2018; \$3,135,000 Unlimited Tax Road Bonds, Series 2019; \$2,645,000 Unlimited Tax Utility Bonds, Series 2019; \$2,025,000 Unlimited Tax Road Bonds, Series 2020; \$3,425,000 Unlimited Tax Utility Bonds, Series 2020; \$4,740,000 Unlimited Tax Road Bonds, Series 2021; \$7,450,000 Unlimited Tax Road Bonds, Series 2022; and \$6,540,000 Unlimited Tax Utility Bonds, Series 2022. As of closing of the Bonds, an aggregate of \$35,190,000 principal amount of unlimited tax bonds will remain outstanding (the "Outstanding Bonds").
- Payment Record..... The District has never defaulted on the timely payment of principal and interest on its Outstanding Bonds.
- Use and Distribution of Bond Proceeds Proceeds of the Bonds will be used to reimburse Devonshire ASLI VIII (hereinafter defined) for road improvements and related construction costs set out herein under "THE BONDS – Use and Distribution of Bond Proceeds." In addition, the proceeds of the Bonds will be used to pay for developer interest and to pay for certain costs associated with the issuance of the Bonds.
- Not Qualified Tax-Exempt Obligations The Bonds will not be designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Not Qualified Tax-Exempt Obligations."
- Municipal Bond Insurance and Rating..... The District has made an application to Assured Guaranty Municipal Corp. and Build America Mutual Assurance Company for a commitment for municipal bond insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by rating companies, other than Moody's Investors Service, Inc. ("Moody's"), will be at the option and expense of the Initial Purchaser. The District will pay the rating fees charged by Moody's.
Moody's has assigned an underlying credit rating of "Baa2" to the Bonds. See "MUNICIPAL BOND INSURANCE AND RATING."
- Bond Counsel Coats Rose, P.C., Dallas, Texas.
- Disclosure Counsel McCall, Parkhurst & Horton L.L.P., Houston, Texas.
- Financial Advisor..... Robert W. Baird & Co. Incorporated, Irving, Texas.
- Paying Agent/Registrar..... Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas.

THE DISTRICT

- Description..... The District, which contains approximately 444.2 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 located approximately 3 miles northeast of the intersection of State Highway 80 and Farm-to-Market 548. The District is bordered by undeveloped property to the southeast, Kaufman County Municipal Utility District No. 3 to the

northeast, existing residential development and undeveloped property to the southwest and Ranch Road to the northwest. 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 8195 of the Texas Special District Local Laws Code. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality (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 partnership, owns the remaining undeveloped land within Devonshire, including approximately 24.54 undeveloped but developable acres and approximately 49.91 undevelopable acres 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 further development of Devonshire. To date, Devonshire ASLI VIII has developed 703 single-family residential lots as Devonshire, Villages 3C, 4C, 5, 8, 13A and 19. In addition, Devonshire ASLI VIII is developing approximately 37.47 acres as Devonshire, Villages 12, 13B and 16 (136 single-family residential lots).

Beazer Homes Texas L.P., a Delaware limited partnership (“Beazer Homes”) purchased approximately 67 acres of land within the District from Devonshire ASLI VIII, on which it has developed 280 single-family residential lots as Devonshire, Villages 3B, 4B2, and 7. In addition, Beazer Homes is the active homebuilder within Devonshire, Village 7. The general partner of Beazer Homes is Beazer Homes Texas Holdings, Inc., and the limited partner of Beazer Homes is Beazer Homes Holding Corp.

Devonshire ASLI VIII and Beazer Homes are collectively referred to herein as the “Developers.” See “THE DEVELOPERS” and “TAX DATA – Principal Taxpayers.”

Devonshire The District is part of the approximately 1,176-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. 3 (“KC MUD 3” or the “Master District”). The District, KC MUD 2 and KC MUD 3 are referred to herein as the “Devonshire Districts.” See “DEVONSHIRE.”

Status of Development The District contains approximately 444.2 acres. To date, approximately 329.29 acres within the District have been developed as the single-family subdivisions of Devonshire, Villages 3A, 3B, 3C, 4A, 4B, 4C, 5, 6, 7, 8, 13A and 19 (1,300 lots). Additionally, approximately 37.47 acres are currently under development as Devonshire, Villages 12, 13B and 16 (136 lots). As of February 1, 2023, the District included 985 completed homes, 59 homes under

construction, and 256 vacant developed lots. In addition, the District contains approximately 24.54 undeveloped but developable acres, approximately 2.99 acres for recreational purposes, and approximately 49.91 undevelopable acres.

Homebuilders Within the District.....Homebuilders active in the District include Pulte Homes, Highland Homes, Shaddock Homes, Perry Homes and Beazer Homes. The homes being marketed in the District range in price from approximately \$350,000 to over \$500,000 and range in size from approximately 1,800 square feet to 4,500 square feet. See “STATUS OF DEVELOPMENT – Homebuilders in the District.”

Development Status of Devonshire.....To date, approximately 903.4 acres (3,313 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, 13A, 14 and 19. As of April 1, 2023, Devonshire included 2,250 completed homes, 84 homes under construction, and 979 vacant developed lots. In addition, approximately 88.6 acres (246 lots) are currently under development within Devonshire as Villages 12, 13B, 15 and 16. The remaining land within Devonshire consists of approximately 141.5 undeveloped but developable acres and approximately 43.2 undevelopable acres. Devonshire also contains an amenity center which lies on approximately 14 acres located within KC MUD 3 and approximately 3 acres for recreational purposes within the District. See “DEVONSHIRE.”

Regional Facilities.....The Devonshire Joint Powers Agency (“Devonshire JPA”) was created by the District and 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 UTILITY SYSTEM AND THE ROAD SYSTEM.”

INVESTMENT CONSIDERATIONS

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

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SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2022 Taxable Assessed Valuation.....	\$ 298,729,111	(a)
Estimate of Value as of February 1, 2023.....	\$ 387,356,250	(b)
Direct Debt:		
The Outstanding Bonds.....	\$ 35,190,000	(c)
The Bonds	<u>\$ 5,585,000</u>	
Total.....	\$ 40,775,000	
Estimated Overlapping Debt.....	<u>\$ 36,003,122</u>	(d)
Total Direct and Estimated Overlapping Debt	\$ 76,778,122	(d)
Direct Debt Ratio:		
As a percentage of the 2022 Taxable Assessed Valuation.....	13.65	%
As a percentage of the Estimate of Value as of February 1, 2023	10.53	%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of the 2022 Taxable Assessed Valuation.....	25.70	%
As a percentage of the Estimate of Value as of February 1, 2023	19.82	%
Utility System Debt Service Fund Balance (as of April 25, 2023).....	\$ 886,359	(e)
Road System Debt Service Fund Balance (as of April 25, 2023).....	\$ 875,436	(f)
General Operating Fund Balance (as of April 25, 2023).....	\$ 868,545	
2022 Tax Rate		
Utility System Debt Service	\$0.3500	(g)
Road System Debt Service	\$0.4300	(g)
Maintenance & Operation	<u>\$0.2200</u>	
Total.....	\$1.0000	
Estimated Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2023-2048).....	\$ 2,321,987	(h)
Estimated Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2042).....	\$ 2,659,954	(h)
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Estimated Average Annual Requirement (2023–2048) at 95% Tax Collections:		
Based on the 2022 Taxable Assessed Valuation.....	\$0.82	
Based on the Estimate of Value as of February 1, 2023	\$0.64	
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Estimated Maximum Annual Requirement (2042) at 95% Tax Collections:		
Based on the 2022 Taxable Assessed Valuation.....	\$0.94	
Based on the Estimate of Value as of February 1, 2023	\$0.73	
Number of Single-Family Homes.....	1,044	(i)

-
- (a) Represents the taxable assessed valuation as of January 1, 2022, of all taxable property in the District, as provided by the Appraisal District (hereinafter defined) upon certification of its 2022 tax rolls. See "TAX DATA" and "TAXING PROCEDURES."
 - (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of February 1, 2023, and includes an estimate of additional taxable value resulting from taxable improvements constructed in the District from January 1, 2022, through February 1, 2023. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
 - (c) As of the Date of Delivery.
 - (d) See "DISTRICT DEBT - Estimated Overlapping Debt Statement."
 - (e) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Road System (e.g. the Bonds).
 - (f) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Utility System.
 - (g) The District is authorized to levy separate taxes for payment of debt service on bonds issued by the District for the Utility System and for payment of debt service on bonds issued for the Road System; both such taxes are unlimited as to rate or amount. See "TAX DATA - Tax Rate Calculations" and "INVESTMENT CONSIDERATIONS - Future Debt."
 - (h) Debt service on the Bonds is estimated assuming an interest rate of 4.00%. See "DISTRICT DEBT - Debt Service Requirements."
 - (i) Approximate number of homes, including 59 homes under construction, within the District as of February 1, 2023.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

**\$5,585,000
UNLIMITED TAX ROAD BONDS
SERIES 2023**

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Kaufman County Municipal Utility District No. 4 (the "District") of its \$5,585,000 Unlimited Tax Road Bonds, Series 2023 (the "Bonds").

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution; the general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended; Chapter 8195 of the Texas Special District Local Laws Code; an order authorizing issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"); and an election held within the boundaries of the District on May 10, 2008.

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

THE BONDS

General

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

The Bonds are dated July 1, 2023, with interest payable on March 1, 2024, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. The Bonds mature on March 1 in the years and in the principal amounts as set forth on the inside cover page of this Official Statement and interest on the Bonds accrues from the initial date of delivery (on or about July 6, 2023) (the "Date of Delivery"), and thereafter from the most recent Interest Payment Date to which interest has been paid.

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

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

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

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in

disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

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

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

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

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issue as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Paying Agent/Registrar

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

Record Date

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

Registration, Transfer and Exchange

In the event the Book-Entry-Only system is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the principal payment office of the Paying Agent/Registrar in Houston, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the

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

Mutilated, Lost, Stolen or Destroyed Bonds

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

Authority for Issuance

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution; the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; Chapter 8195 of the Texas Special District Local Laws Code; the Bond Order adopted by the Board; and an election held within the boundaries of the District on May 10, 2008.

The Bonds constitute the sixth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing roads and improvements in aid thereof to serve the District (the "Road System"). At various elections held within the District, voters of the District authorized a total of \$28,930,000 principal amount of unlimited tax bonds for the Road System and \$43,395,000 for the refunding of such bonds and \$49,050,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a water, sewer, and drainage system to serve the District (the "Utility System") and \$73,575,000 for the refunding of such bonds. Following the issuance of the Bonds, \$3,000,000 principal amount of unlimited tax bonds for the Road System and \$32,640,000 principal amount of unlimited tax bonds for the Utility System will remain authorized but unissued.

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

<u>Election Date</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Amount Issued</u>	<u>Authorized But Unissued</u>
09/10/2005	Utility System	\$ 49,050,000	\$ 16,410,000	\$ 32,640,000
09/10/2005	Utility System Refunding	73,575,000	-	73,575,000
05/10/2008	Road System	28,930,000	25,930,000 (a)	3,000,000
05/10/2008	Road System Refunding	43,395,000	-	43,395,000

(a) Includes the Bonds.

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

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

Source of Payment

The Bonds are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. In the Bond Order, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, and certain fees. See "TAXING PROCEDURES." The Bonds are obligations solely of the District and are not obligations of the State of Texas; Kaufman County, Texas; the City of Dallas, Texas (the "City"); or any entity other than 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.

Redemption Provisions

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

Outstanding Bonds

The District has previously issued its \$2,995,000 Unlimited Tax Road Bonds, Series 2018; \$3,800,000 Unlimited Tax Utility Bonds, Series 2018; \$3,135,000 Unlimited Tax Road Bonds, Series 2019; \$2,645,000 Unlimited Tax Utility Bonds, Series 2019; \$2,025,000 Unlimited Tax Road Bonds, Series 2020; \$3,425,000 Unlimited Tax Utility Bonds, Series 2020; \$4,740,000 Unlimited Tax Road Bonds, Series 2021; \$7,450,000 Unlimited Tax Road Bonds, Series 2022; and \$6,540,000 Unlimited Tax Utility Bonds, Series 2022. As of the Date of Delivery, an aggregate of \$35,190,000 principal amount of unlimited tax bonds will remain outstanding (the "Outstanding Bonds").

Issuance of Additional Debt

The District's voters have authorized the District's issuance of a total of \$49,050,000 principal amount of unlimited tax bonds for the purpose constructing or acquiring the Utility System; \$73,575,000 for the refunding of bonds previously issued for the Utility System; \$28,930,000 principal amount of unlimited tax bonds for the purpose constructing or acquiring the Road System; and \$43,395,000 for the refunding of bonds previously issued for the Road System, and could authorize additional amounts.

Following the issuance of the Bonds, the District will owe the Developers approximately \$4,000,000 for expenditures to construct the Utility System and will owe Devonshire ASLI VIII approximately \$4,700,000 for its expenditures to construct the Road System that had been expended as of the date of this Official Statement. This does not include expenditures incurred on phases currently under development and such expenditures are expected to increase as development continues within the District.

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

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

Amendments to the Bond Order

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

Funds

The Bond Order confirms the District's fund for debt service on the Bonds, any previously issued unlimited tax bonds issued by the District for the Road System (the "Outstanding Road Bonds"), and any additional unlimited tax bonds issued by the District for the Road System (the "Road System Debt Service Fund"). The Road System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds, the Outstanding Road Bonds, and any additional unlimited tax bonds issued by the District for the Road System, is to be kept

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

In connection with the issuance of the Outstanding Bonds for the Utility System, the District has previously created its Utility System Debt Service Fund (the "Utility System Debt Service Fund"). The Utility System Debt Service Fund, which constitutes a trust fund for the benefit of the registered owners of the Outstanding Bonds issued for the Utility System, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Outstanding Bonds issued for the Utility System. Amounts on deposit in the Utility System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Outstanding Bonds issued for the Utility System. Amounts on deposit in the Utility System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Road System such as the Bonds.

Annexation

The District lies wholly within the extraterritorial jurisdiction of the City. Under current law, certain portions of the District may be annexed and dissolved by the City only if (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the land owners, consenting to annexation. If the District is annexed, the City must assume the District's assets and obligations (including the Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City is a policy-making matter within the discretion of the Mayors and City Councils 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. The Bond Order provides for the termination of the pledge of taxes to the Bonds upon annexation and dissolution by a city.

Consolidation

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

Defeasance

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

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

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

Registered Owners' Remedies

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

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

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Use and Distribution of Bond Proceeds

Proceeds of the Bonds will be used to reimburse Devonshire ASLI VIII (hereinafter defined) for road improvements and related construction costs set out below. In addition, the proceeds of the Bonds will be used to pay for developer interest and to pay for certain costs associated with the issuance of the Bonds.

<u>Construction Costs</u>	<u>District's Share</u>
1. Devonshire Village 8 – Land Costs	\$ 324,121
2. Devonshire Village 19 – Land Costs	679,189
3. Devonshire Village 7 – Paving	104,230
4. Devonshire Village 8 – Earthwork	309,837
5. Devonshire Village 8 – Paving	647,554
6. Devonshire Village 8 – Engineering	90,625
7. Devonshire Village 19 – Earthwork	132,918
8. Devonshire Village 19 – Paving	1,681,673
8. Devonshire Village 19 – Paving	27,250
8. Devonshire Village 19 – Paving	145,375
8. Devonshire Village 19 – Paving	97,737
8. Devonshire Village 19 – Paving	837,714
9. Devonshire Village 19 – Engineering	88,200
Less Surplus Funds	<u>(350,000)</u>
TOTAL CONSTRUCTION COSTS	<u>\$ 4,816,423</u>
<u>Non-Construction Costs</u>	
A. Legal Fees	\$ 136,700
B. Fiscal Agent Fees	111,700
C. Developer Interest	337,663
D. Underwriter's Discount (2.00%)	111,700
E. Bond Issuance Expenses	45,229
F. Bond Engineering Fee	20,000
G. Attorney General Fee	<u>5,585</u>
TOTAL NON-CONSTRUCTION COSTS	<u>\$ 768,577</u>
TOTAL BOND ISSUE REQUIREMENT	<u>\$ 5,585,000</u>

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

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

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TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

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

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

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

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District.

Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of one hundred percent (100%) is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization at no cost to the veteran. This exemption applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. The surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. For the 2023 tax year, the District adopted an exemption of \$20,000 for persons 65 years of age or older or disabled.

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

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

Tax Abatement

Kaufman County may designate all or part of the area within the District as a reinvestment zone. Thereafter, the District, at the option and discretion of the District, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt

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

Valuation of Property for Taxation

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

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

Reappraisal of Property after Disaster

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

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units

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

Developed Districts

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

Developing Districts

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

The District

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board on an annual basis. For the 2022 tax year, the District was classified as a Developing District by the Board. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District and Taxpayer Remedies

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

Levy and Collection of Taxes

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

Taxes are due September 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first

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

District's Rights in the Event of Tax Delinquencies

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

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

TAX DATA

General

Taxable property within the District is subject to the assessment, levy, and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds and the Outstanding Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements, and available funds. In addition, the District has the power and authority to levy an annual ad valorem tax, not to exceed \$1.00 per \$100 of assessed valuation, for operation and maintenance purposes. In 2022, the District levied a total tax rate of \$1.00 per \$100 of taxable assessed valuation composed of the following: a tax of \$0.3500 for payment of debt service for the Utility System, a tax of \$0.4300 for payment of debt service for the Road System, and a tax rate of \$0.2200 for payment of the District's expenditures for maintenance and operations.

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).
 Operation and Maintenance: \$1.00 per \$100 assessed valuation.

Historical Tax Collections

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

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Collections Current Year (b)	Current Year Ended 9/30	Collections 3/31/2023
2018	\$ 32,529,968	\$1.0000	\$ 325,300	99.66%	2019	100.00%
2019	63,394,545	1.0000	633,945	99.96	2020	100.00
2020	108,798,101	1.0000	1,087,981	100.00	2021	100.00
2021	180,229,112	1.0000	1,802,291	99.84	2022	99.84
2022	298,729,111	1.0000	2,987,291	98.63	2023	98.63

(a) Total tax rate per \$100 of assessed valuation for each respective tax year. See "Tax Rate Distribution."
 (b) Represents collections from October 1 of each respective tax year.

Tax Rate Distribution

	2022	2021	2020	2019	2018
Utility System Debt Service	\$0.3500	\$0.4250	\$0.4500	\$0.4000	\$0.1500
Road System Debt Service	0.4300	0.3300	0.3500	0.3100	0.1000
Maintenance & Operations	<u>0.2200</u>	<u>0.2450</u>	<u>0.2000</u>	<u>0.2900</u>	<u>0.7500</u>
	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000

Analysis of Tax Base

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

Property Type	2022 Assessed Valuation	2021 Assessed Valuation	2020 Assessed Valuation	2019 Assessed Valuation	2018 Assessed Valuation
Land	\$99,152,651	\$59,999,200	\$31,319,300	\$21,392,910	\$16,637,010
Improvements	227,002,540	128,887,454	79,183,001	42,367,315	15,972,920
Personal	119,104	127,746	184,140	228,580	248,490
Exemption	<u>(27,545,184)</u>	<u>(8,785,288)</u>	<u>(1,888,340)</u>	<u>(594,260)</u>	<u>(328,452)</u>
Total	\$298,729,111	\$180,229,112	\$108,798,101	\$63,394,545	\$32,529,968

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Principal Taxpayers

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

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2022 Taxable Assessed Value</u>	<u>% of Assessed Value</u>
Perry Homes LLC (a)	Land & Improvements	\$ 8,163,656	2.73%
Devonshire Dallas ASLI VIII LLC (b)	Land & Improvements	7,697,934	2.58%
Beazer Homes Texas LP (a)(b)	Land & Improvements	6,835,460	2.29%
Highland Homes Dallas LLC (a)	Land & Improvements	1,992,375	0.67%
FKH SFR Propco H LP	Land & Improvements	1,350,969	0.45%
SH Dev 2 Inc	Land & Improvements	999,496	0.33%
Opendoor Property Trust I	Land & Improvements	954,622	0.32%
MCH SFR Property I LLC	Land & Improvements	949,579	0.32%
Homeowner	Land & Improvements	904,154	0.30%
Stoneford TX LLC	Land & Improvements	750,307	0.25%
Total		\$ 30,598,552	10.24%

(a) See "STATUS OF DEVELOPMENT - Homebuilders in the District."

(b) See "THE DEVELOPERS."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation that would be required to meet certain debt service requirements on the Bonds and the Outstanding Bonds if no growth in the District occurs beyond the 2022 Taxable Assessed Valuation (\$298,729,111), the or the Estimate of Value as of February 1, 2023 (\$387,356,250). The following further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Estimated Average Annual Debt Service Requirement (2023-2048).....	\$ 2,321,987
Tax Rate of \$0.82 on the 2022 Taxable Assessed Valuation produces.....	\$ 2,327,100
Tax Rate of \$0.64 on the Estimate of Value as of February 1, 2023, produces.....	\$ 2,355,126
Estimated Maximum Annual Debt Service Requirement (2042)	\$ 2,659,954
Tax Rate of \$0.94 on the 2022 Taxable Assessed Valuation produces.....	\$ 2,667,651
Tax Rate of \$0.73 on the Estimate of Value as of February 1, 2023, produces.....	\$ 2,686,316

Estimated Overlapping Taxes

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

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

<u>Taxing Jurisdiction</u>	<u>2022 Tax Rate</u>
The District	\$1.000000
Kaufman County	\$0.345850
Forney Independent School District	\$1.354600
Kaufman County Road and Bridge	\$0.070412
Kaufman County Emergency Services District No. 6	<u>\$0.034830</u>
Total Tax Rate	\$2.805692

DISTRICT DEBT

2022 Taxable Assessed Valuation.....	\$ 298,729,111	(a)
Estimate of Value as of February 1, 2023.....	\$ 387,356,250	(b)
Direct Debt:		
The Outstanding Bonds.....	\$ 35,190,000	(c)
The Bonds	<u>\$ 5,585,000</u>	
Total.....	\$ 40,775,000	
Estimated Overlapping Debt.....	<u>\$ 36,003,122</u>	(d)
Total Direct and Estimated Overlapping Debt	\$ 76,778,122	(d)
Direct Debt Ratio:		
As a percentage of the 2022 Taxable Assessed Valuation.....	13.65	%
As a percentage of the Estimate of Value as of February 1, 2023	10.53	%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of the 2022 Taxable Assessed Valuation.....	25.70	%
As a percentage of the Estimate of Value as of February 1, 2023	19.82	%
Utility System Debt Service Fund Balance (as of April 25, 2023).....	\$ 886,359	(e)
Road System Debt Service Fund Balance (as of April 25, 2023)	\$ 875,436	(f)
General Operating Fund Balance (as of April 25, 2023).....	\$ 868,545	
2022 Tax Rate		
Utility System Debt Service	\$0.3500	(g)
Road System Debt Service	\$0.4300	(g)
Maintenance & Operation	<u>\$0.2200</u>	
Total.....	\$1.0000	
Estimated Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2023-2048)	\$ 2,321,987	(h)
Estimated Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2042).....	\$ 2,659,954	(h)
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Estimated Average Annual Requirement (2023–2048) at 95% Tax Collections:		
Based on the 2022 Taxable Assessed Valuation.....	\$0.82	
Based on the Estimate of Value as of February 1, 2023	\$0.64	
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Estimated Maximum Annual Requirement (2042) at 95% Tax Collections:		
Based on the 2022 Taxable Assessed Valuation.....	\$0.94	
Based on the Estimate of Value as of February 1, 2023	\$0.73	
Number of Single-Family Homes.....	1,044	(i)

-
- (a) Represents the taxable assessed valuation as of January 1, 2022, of all taxable property in the District, as provided by the Appraisal District upon certification of its 2022 tax rolls. See "TAX DATA" and "TAXING PROCEDURES."
 - (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of February 1, 2023, and includes an estimate of additional taxable value resulting from taxable improvements constructed in the District from January 1, 2022, through February 1, 2023. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
 - (c) As of the Date of Delivery.
 - (d) See "DISTRICT DEBT - Estimated Overlapping Debt Statement."
 - (e) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Road System (e.g. the Bonds).
 - (f) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Utility System.
 - (g) The District is authorized to levy separate taxes for payment of debt service on bonds issued by the District for the Utility System and for payment of debt service on bonds issued for the Road System; both such taxes are unlimited as to rate or amount. See "TAX DATA - Tax Rate Calculations" and "INVESTMENT CONSIDERATIONS - Future Debt."
 - (h) Debt service on the Bonds is estimated assuming an interest rate of 4.00%. See "DISTRICT DEBT - Debt Service Requirements."
 - (i) Approximate number of homes, including 59 homes under construction, within the District as of February 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.

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt March 31, 2023</u>	<u>Overlapping</u>	
		<u>Percent</u>	<u>Amount</u>
Kaufman County	\$180,050,000	1.56%	\$ 2,809,699
Forney Independent School District	952,061,067	3.49%	<u>33,193,423</u>
Total Estimated Overlapping Debt			\$36,003,122
The District (a).....			<u>\$40,775,000</u>
Total Direct & Estimated Overlapping Debt (a)			<u>\$76,778,122</u>

(a) Includes the Bonds.

Debt Ratios

Direct Debt Ratio:

As a percentage of the 2022 Taxable Assessed Valuation.....	13.65 %
As a percentage of the Estimate of Value as of February 1, 2023	10.53 %

Direct and Estimated Overlapping Debt Ratio:

As a percentage of the 2022 Taxable Assessed Valuation.....	25.70 %
As a percentage of the Estimate of Value as of February 1, 2023	19.82 %

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Debt Service Requirements

The following schedule sets forth the annual debt service requirements on the Outstanding Bonds, as well as the principal and estimated interest requirements of the Bonds, assuming an interest rate of 4.00%.

Calendar Year	Outstanding Debt Service	The Bonds			Total Debt Service
		Principal	Interest	Debt Service	
2023	\$ 606,321	\$ -	\$ -	\$ -	\$ 606,321
2024	2,244,564	-	260,633	260,633	2,505,197
2025	2,248,471	140,000	220,600	360,600	2,609,071
2026	2,251,544	145,000	214,900	359,900	2,611,444
2027	2,252,111	155,000	208,900	363,900	2,616,011
2028	2,255,154	160,000	202,600	362,600	2,617,754
2029	2,251,954	165,000	196,100	361,100	2,613,054
2030	2,249,107	175,000	189,300	364,300	2,613,407
2031	2,260,598	180,000	182,200	362,200	2,622,798
2032	2,259,810	185,000	174,900	359,900	2,619,710
2033	2,267,835	195,000	167,300	362,300	2,630,135
2034	2,269,519	205,000	159,300	364,300	2,633,819
2035	2,264,285	210,000	151,000	361,000	2,625,285
2036	2,271,816	220,000	142,400	362,400	2,634,216
2037	2,276,848	230,000	133,400	363,400	2,640,248
2038	2,279,479	240,000	124,000	364,000	2,643,479
2039	2,284,569	245,000	114,300	359,300	2,643,869
2040	2,286,748	260,000	104,200	364,200	2,650,948
2041	2,290,900	270,000	93,600	363,600	2,654,500
2042	2,297,354	280,000	82,600	362,600	2,659,954
2043	2,296,103	290,000	71,200	361,200	2,657,303
2044	1,841,228	300,000	59,400	359,400	2,200,628
2045	1,492,834	315,000	47,100	362,100	1,854,934
2046	1,195,844	325,000	34,300	359,300	1,555,144
2047	929,338	340,000	21,000	361,000	1,290,338
2048	-	355,000	7,100	362,100	362,100
Total	\$ 51,424,331	\$5,585,000	\$ 3,362,333	\$ 8,947,333	\$ 60,371,665

Estimated Average Annual Debt Service Requirement on the Bonds and the outstanding Bonds (2023-2048).....\$2,321,987

Estimated Maximum Annual Debt Service Requirement on the Bonds and the outstanding Bonds (2042).....\$2,659,954

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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 25, 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 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 State Highway 80 and Farm-to-Market 548. The District is bordered by undeveloped property to the southeast, Kaufman County Municipal Utility District No. 3 to the northeast, existing residential development and undeveloped property to the southwest and Ranch Road to the northwest. The District is located in the Forney Independent School District.

At the time of creation, the District contained approximately 332 acres and after various annexations now contains approximately 444.2 acres.

Management of the District

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

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Jimmy Perryman	President	2024
Oliver A. Robinson	Vice President	2026
Nathaniel Klein	Secretary	2024
Rhodes Baker	Assistant Secretary	2024
Jackie Ramos	Assistant Secretary	2026

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

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

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

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

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

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

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

such fees are contingent on the sale and delivery of the Bonds. Coats Rose, P.C. also acts as general counsel for the District.

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

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

STATUS OF DEVELOPMENT

The District contains approximately 444.2 acres. To date, approximately 329.29 acres within the District have been developed as the single-family subdivisions of Devonshire, Villages 3A, 3B, 3C, 4A, 4B, 4C, 5, 6, 7, 8, 13A and 19 (1,300 lots). Additionally, approximately 37.47 acres are currently under development as Devonshire, Villages 12, 13B and 16 (136 lots). As of February 1, 2023, the District included 985 completed homes, 59 homes under construction, and 256 vacant developed lots. In addition, the District contains approximately 24.54 undeveloped but developable acres, approximately 2.99 acres for recreational purposes, and approximately 49.91 undevelopable acres.

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

<u>Devonshire</u>	<u>Section Acreage</u>	<u>Section Lots</u>	<u>Homes Completed</u>	<u>Homes Under Construction</u>	<u>Vacant Lots</u>
Village 3A (a)	15.71	82	82	-	-
Village 3B (b)	16.18	82	76	1	5
Village 3C	10.51	6	2	-	4
Village 4A	24.18	83	83	-	-
Village 4B (c)	19.55	84	84	-	-
Village 4C	30.34	150	150	-	-
Village 5	22.74	113	113	-	-
Village 6	32.19	129	129	-	-
Village 7	31.14	137	111	16	10
Village 8	33.18	70	-	18	52
Village 13A	54.01	209	155	24	30
Village 19 (d)	37.47	155	-	-	155
Totals	329.29	1,300	985	59	256
Single-Family Under Development	37.47				
Recreation	2.99				
Undevelopable	49.91				
Remaining Developable	<u>24.54</u>				
District Total	444.20				

- (a) Comprised of Devonshire, Villages 3A1 and 3A2.
- (b) Comprised of Devonshire, Villages 3B1 and 3B2.
- (c) Comprised of Devonshire, Villages 4B1 and 4B2.
- (d) Village 19 lots were delivered April 1, 2023.

Homebuilders in the District

Homebuilders active in the District include Pulte Homes, Highland Homes, Shaddock Homes, Perry Homes and Beazer Homes. The homes being marketed in the District range in price from approximately \$350,000 to over \$500,000 and range in size from approximately 1,800 square feet to 4,500 square feet.

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(April 2023)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(April 2023)



DEVONSHIRE

The District is part of the approximately 1,038-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. 3 (“KC MUD 3” or the “Master District”). The District, KC MUD 2 and KC MUD 3 are referred to herein as the “Devonshire Districts.”

To date, approximately 903.4 acres (3,313 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, 13A, 14 and 19. As of April 1, 2023, Devonshire included 2,250 completed homes, 84 homes under construction, and 979 vacant developed lots. In addition, approximately 88.6 acres (246 lots) are currently under development within Devonshire as Villages 12, 13B, 15 and 16. The remaining land within Devonshire consists of approximately 141.5 undeveloped but developable acres and approximately 43.2 undevelopable acres. Devonshire also contains an amenity center which lies on approximately 14 acres located within KC MUD 3 and approximately 3 acres for recreational purposes within the District.

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 partnership, owns the remaining undeveloped land within Devonshire, including approximately 24.54 undeveloped but developable acres and approximately 49.91 undevelopable acres 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 further development of Devonshire. To date, Devonshire ASLI VIII has developed 703 single-family residential lots as Devonshire, Villages 3C, 4C, 5, 8, 13A and 19. In addition, Devonshire ASLI VIII is developing approximately 37.47 acres as Devonshire, Villages 12, 13B and 16 (136 single-family residential lots).

– Beazer Homes –

Beazer Homes Texas L.P., a Delaware limited partnership (“Beazer Homes”) purchased approximately 67 acres of land within the District from Devonshire ASLI VIII, on which it has developed 280 single-family residential lots as Devonshire, Villages 3B, 4B2, and 7. In addition, Beazer Homes was the homebuilder within Devonshire, Villages 3B and 4B2 and is the active homebuilder within Devonshire, Village 7. The general partner of Beazer Homes is Beazer Homes Texas Holdings, Inc., and the limited partner of Beazer Homes is Beazer Homes Holding Corp. The reimbursement owed by the District to Beazer Homes attributable to the phases developed by Beazer Homes have been assigned to Devonshire ASLI VIII.

Devonshire ASLI VIII and Beazer Homes are collectively referred to herein as the “Developers.”

Lot-Sales Contracts

Devonshire ASLI VIII has entered into lot sales contracts with Perry Homes and Highland Homes. Perry Homes has contracted for 424 lots in Phases 13A, 13B and 13C, of which Perry Homes has purchased 222 lots. Highland Homes has contracted for 70 lots in Devonshire Phase 8, of which Highland Homes has purchased 40 lots. According to Devonshire ASLI VIII, Perry Homes and Highland Homes are in compliance with their respective lot sales contracts.

THE UTILITY SYSTEM AND THE ROAD 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, a 51,000-gallon pressure tanks, two (2) 2,200-gallon per minute booster pumps, and trunk water distribution lines. The Devonshire JPA has contracted for enough capacity to serve approximately 3,013 equivalent single-family connections ("ESFCs") for the development of Devonshire, which is sufficient to support 1,145 currently active ESFCs within the District. 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 to 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 Devonshire, which is sufficient to support 1,145 currently active ESFCs within the District.

- 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 KC MUD 3 and KC MUD 2 (the "Master District Contract"), with KC MUD 3 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 Master District, the District, 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 the District, one of the Trustees is appointed by KC MUD 3, 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 Devonshire ASLI VIII, 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 System

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

	Fiscal Year Ending July 31				
	2022	2021	2020	2019	2018
Revenues					
Property Taxes	\$ 456,889	\$ 218,546	\$ 183,537	\$ 243,724	\$ 159,740
Wastewater Service (a)	368,097	190,270	186,792	107,698	69,159
Inspection Fees	85,000	250,495	135,000	148,289	117,000
Investments & Misc. Revenues	1,479	2,442	3,076	6,442	5,967
Total	\$ 911,465	\$ 661,753	\$ 508,405	\$ 506,153	\$ 351,866
Expenditures					
Professional Fees	\$ 69,770	\$ 44,295	\$ 47,047	\$ 45,099	\$ 28,111
Contracted Services	224,429	133,669	106,802	45,987	15,543
Purchased Wastewater Service	202,291	133,806	134,669	51,334	73,946
Utilities	31,906	25,641	20,266	20,493	9,051
Repairs & Maintenance	165,864	102,908	27,045	1,813	3,998
Other	59,934	155,122	127,702	120,558	93,591
Total	\$ 754,194	\$ 595,441	\$ 463,531	\$ 285,284	\$ 224,240
Net Revenues (Deficit)	\$ 157,271	\$ 66,312	\$ 44,874	\$ 220,869	\$ 127,626

(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 an annual ad valorem tax, 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 residential, commercial, retail and multi-family housing industry, not only due to general economic conditions, but also due to the particular factors discussed below.

Factors Affecting Taxable Values and Tax Payments

Competitive Nature of Residential Market: The rate of development within the District is directly related to the vitality of the single-family housing industry in the thirteen-county metropolitan area commonly known as the Dallas-Fort Worth Metroplex. New single-family residential construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of single-family residential construction would restrict the growth of property values in the District. Although, as of February 1, 2023, the District included 985 completed single-family homes and 59 homes under construction, the District cannot predict the pace or magnitude of any future development within the District, and the District can give no assurance that the building programs which are planned by the Developers will be continued or completed. The respective competitive positions of the Developers and any of the homebuilders are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Dependence on Major Taxpayers and the Developers: The District’s tax base is concentrated in a small number of taxpayers. As reflected in this Official Statement under the caption “TAX DATA – Principal Taxpayers,” the District’s ten principal taxpayers as of January 1, 2022, owned approximately 10.24% of the assessed value of property, including personal property, located in the District. In addition, the Developers owned approximately 4.87% of the assessed value of property located in the District as of January 1, 2022. 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.

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 homebuilder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on a landowner’s right to sell its land. Therefore, the District can make no representation about the profitability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See “STATUS OF DEVELOPMENT” and “THE DEVELOPERS.”

Maximum Impact on District Tax Rate: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The District’s January 1, 2022 Taxable Assessed Valuation is \$298,729,111,

and the Estimate of Value as of February 1, 2023, is \$387,356,250. After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds and the Bonds is estimated to be \$2,659,954 (2042), and the average annual debt service requirement on the Outstanding Bonds and the Bonds is estimated to be \$2,321,987 (2023-2048). See "DISTRICT DEBT – Debt Service Requirements."

Assuming no increase to nor decrease from the District's January 1, 2022 Taxable Assessed Valuation, tax rates of \$0.94 and \$0.82 per \$100 of taxable assessed valuation at a 95% collection rate would be necessary to pay the estimated maximum annual debt service requirement and the estimated average annual debt service requirement, respectively. Assuming no increase to nor decrease from the District's Estimate of Value as of February 1, 2023, tax rates of \$0.73 and \$0.64 per \$100 of taxable assessed valuation at a 95% tax collection rate would be necessary to pay the estimated maximum annual debt service requirement and the estimated average annual debt service requirement, respectively.

In 2022, the District levied a total tax rate of \$1.00 per \$100 of taxable assessed valuation composed of the following: a tax of \$0.3500 for payment of debt service for bonds issued for the Utility System, a tax of \$0.4300 for payment of debt service for bonds issued for the Road System and a tax of \$0.2200 for payment of the District's expenditures for maintenance and operations.

Vacant Developed Lots

As of February 1, 2023, approximately 256 developed lots within the District remained available for construction. Future increases in value will result primarily from the construction of homes by builders. The District makes no representation that the lot sales and building program will be successful.

Tax Collections and Foreclosure Remedies

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

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

Registered Owners' Remedies

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

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers

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

Bankruptcy Limitation to Registered Owners' Rights

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

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

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

The District may not be placed into bankruptcy involuntarily.

Future Debt

Following the issuance of the Bonds, \$3,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System to serve the District and \$43,395,000 for the refunding of such bonds and \$32,640,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and \$73,575,000 for the refunding of such bonds will remain authorized but unissued. In addition, the District has the right to issue obligations, other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow money for any valid public purpose. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt to property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Following the issuance of the Bonds, the District will owe the Developers approximately \$4,000,000 for expenditures to construct the Utility System and will owe Devonshire ASLI VIII approximately \$4,700,000 for its expenditures to construct the Road System that had been expended as of the date of this Official Statement. This does not include expenditures incurred on phases currently under development and such expenditures are expected to increase as development continues within the District.

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

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

Competitive Nature of Dallas Residential Market

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

Marketability of the Bonds

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

Continuing Compliance with Certain Covenants

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

Approval of the Bonds

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

Environmental Regulation

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

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

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

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

However, a ten (10)-county DFW area (“2008 DFW Area”) – Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Rockwall, Tarrant, and Wise Counties – has been designated a “moderate” nonattainment area under the eight (8)-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), with an attainment deadline of July 20, 2018. If the EPA ultimately determines that the 2008 DFW Area has

failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

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

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

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

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

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

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

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

In 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule (“CWR”) aimed at redefining “waters of the United States” over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal officially became final on December 23, 2019, but the repeal itself became the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule (“NWPR”), which contained a new definition of “waters of the United States.” The NWPR became effective June 22, 2020, and is the subject of ongoing litigation.

On June 9, 2021, the EPA and USACE announced plans to further revise the definition of “waters of the United States.” On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE made plans to replace it. On November 18, 2021, the EPA and USACE issued a Notice of Proposed Rulemaking to put back into place the pre-2015 definition of “waters of the United States,” and on December 7, 2021, the proposed rule was published in the Federal Register, with the public comment period closing on February 7, 2022. On December 30, 2022, the EPA and USACE finalized the proposed rule, effective as of March 20, 2023, which vacates and remands the NWPR released in 2020 and interprets “waters of the United States” consistent with the pre-2015 regulatory regime. The adoption of the new rule is the subject of litigation, including a suit filed in the United States District Court for the Southern District of Texas. Due to this existing and possible future litigation and regulatory action, there remains uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

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

Future and Proposed Legislation

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

2023 Legislation

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

Bond Insurance Risk Factors

The District has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. The District has yet to determine whether an insurance policy will be purchased with the Bonds. If an insurance policy is purchased, the following are investment considerations relating to bond insurance.

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under a bond insurance policy (the “Insurance Policy”) for such payments. However, in the event of any acceleration of the due date of such principal by reason of

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

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

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

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

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

LEGAL MATTERS

Legal Opinions

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

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

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

Opinion

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

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

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

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under

current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

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

State, Local and Foreign Taxes

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

Not Qualified Tax-Exempt Obligations

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

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

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

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

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten days after the occurrence of an event. The District will provide notice of

any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms "material" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under federal securities laws. Neither the Bonds nor the Bond Order make any provision for debt service reserves or liquidity enhancement. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from MSRB

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if by only (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any qualified professional unaffiliated with the District

(such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided. The District may also amend or repeal its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of such rule are invalid, and the District also may amend its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings

On April 28, 2020, the District issued its \$1,875,000 Bond Anticipation Note, Series 2020 (the “Series 2020 BAN”), and, due to an administrative oversight, did not timely file notice of such event as required under SEC Rule 15c2-12. On July 23, 2020, the District filed notice of the incurrence of the financial obligation resulting from its issuance of the Series 2020 BAN as well as notice of failure to timely provide notice of the incurrence of such financial obligation. The District has instituted procedures to ensure timely filing of all future material event notices. Except to the extent the preceding is deemed to be material, during the previous five years, the District is in compliance in all material respects with its previous undertakings pursuant to SEC Rule 15c2-12.

OFFICIAL STATEMENT

General

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

The District’s audited financial statements for the year ended July 31, 2022, were audited by McCall Gibson Swedlund Barfoot PLLC, and have been attached hereto as “APPENDIX A.” The Auditor has consented to the publication of such financial statements in this Official Statement.

Experts

The information contained in this Official Statement relating to development and the status of development within the District generally and, in particular, the information in the section captioned “THE DEVELOPERS – 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 generally and, in particular, the engineering information included in the sections captioned “THE DISTRICT” and “THE UTILITY SYSTEM AND THE ROAD SYSTEM” has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

Certification as to Official Statement

At the time of payment for and delivery of the Bonds, the District will furnish the Initial Purchaser a certificate, executed by the President and Secretary of the Board of Directors of the District, acting in their official

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

Updating the Official Statement

If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the “end of the underwriting period” (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the “end of the underwriting period”), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser. The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the “end of the underwriting period” within the meaning of the Rule), unless the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the “end of the underwriting period” as defined in the Rule.

CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of Kaufman County Municipal Utility District No. 4 as of the date specified on the cover page hereof.

/s/ _____
Jimmy Perryman
President, Board of Directors
Kaufman County Municipal Utility District No. 4

ATTEST:

/s/ _____
Nathaniel Klein
Secretary, Board of Directors
Kaufman County Municipal Utility District No. 4

APPENDIX A
AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

**KAUFMAN COUNTY MUNICIPAL
UTILITY DISTRICT NO. 4**

KAUFMAN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2022

**KAUFMAN COUNTY MUNICIPAL
UTILITY DISTRICT NO. 4**

KAUFMAN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kaufman County Municipal Utility District No. 4
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. 4 (the "District") as of and for the year ended July 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of July 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Board of Directors
Kaufman County Municipal Utility District No. 4

Correction of Error

As described in Notes 6 and 10 to the financial statements, the District's net position as of July 31, 2021, has been restated to account for certain misstatements. Our opinions are not modified with respect to this matter.

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.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

November 16, 2022

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2022**

Management's discussion and analysis of the financial performance of Kaufman County Municipal Utility District No. 4 (the "District") provides an overview of the District's financial activities for the fiscal year ended July 31, 2022. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position includes the District's assets, liabilities and, if applicable, deferred inflows and outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District 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, maintenance tax revenues, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2022**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$5,383,752 as of July 31, 2022. A portion of the District's net position reflects its net investment in capital assets (land, roads and capacity in the Devonshire Joint Powers Agency facilities as well as the District's water, wastewater and drainage facilities, less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of government-wide changes in net position. Note that prior period balances have been restated as discussed in Notes 6 and 10.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2022	2021	Change Positive (Negative)
Current and Other Assets	\$ 2,888,632	\$ 1,961,185	\$ 927,447
Capital Assets (Net of Accumulated Depreciation)	<u>28,140,163</u>	<u>21,041,766</u>	<u>7,098,397</u>
Total Assets	<u>\$ 31,028,795</u>	<u>\$ 23,002,951</u>	<u>\$ 8,025,844</u>
Due to Developer	\$	\$ 7,599,090	\$ 7,599,090
Bonds Payable	35,932,988	17,658,871	(18,274,117)
Other Liabilities	<u>479,559</u>	<u>303,937</u>	<u>(175,622)</u>
Total Liabilities	<u>\$ 36,412,547</u>	<u>\$ 25,561,898</u>	<u>\$ (10,850,649)</u>
Net Position:			
Net Investment in Capital Assets	\$ (7,072,946)	\$ (3,769,803)	\$ (3,303,143)
Restricted	920,416	599,895	320,521
Unrestricted	<u>768,778</u>	<u>610,961</u>	<u>157,817</u>
Total Net Position	<u>\$ (5,383,752)</u>	<u>\$ (2,558,947)</u>	<u>\$ (2,824,805)</u>

The following table provides a summary of the District's operations for the years ending July 31, 2022, and July 31, 2021. Note that prior period balances have been restated as discussed in Notes 6 and 10.

	Summary of Changes in the Statement of Activities		
	2022	2021	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,820,531	\$ 1,087,680	\$ 732,851
Charges for Services	453,097	440,765	12,332
Other Revenues	<u>8,047</u>	<u>9,331</u>	<u>(1,284)</u>
Total Revenues	\$ 2,281,675	\$ 1,537,776	\$ 743,899
Expenses for Services	<u>5,106,480</u>	<u>2,336,906</u>	<u>(2,769,574)</u>
Change in Net Position	\$ (2,824,805)	\$ (799,130)	\$ (2,025,675)
Net Position, Beginning of Year	<u>(2,558,947)</u>	<u>(1,759,817)</u>	<u>(799,130)</u>
Net Position, End of Year	<u>\$ (5,383,752)</u>	<u>\$ (2,558,947)</u>	<u>\$ (2,824,805)</u>

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of July 31, 2022, were \$2,725,293, which was an increase of \$847,327 from the prior year.

The General Fund fund balance increased by \$157,271 due to service revenues and tax revenues exceeding operating and administrative costs.

The Debt Service Fund fund balance increased by \$416,569 due to the structure of the District's outstanding debt and capitalized interest received during the current year.

The Capital Projects Fund fund balance increased by \$273,487, primarily due to surplus funds remaining from the sale of Series 2021 Road Bonds, 2022 Road Bonds, and Series 2022 Utility bonds (see Note 11).

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated General Fund budget for the current fiscal year. Actual revenues were \$150,980 higher than budgeted revenues and actual expenditures exceeded budgeted expenditures by \$16,481 which resulted in a positive variance of \$134,499. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of July 31, 2022, total \$28,140,163, (net of accumulated depreciation) and include land and roads as well as the water, wastewater and drainage facilities and the District's capacity interest in the Devonshire Joint Powers Agency facilities. The District acquired various infrastructure financed by its Developer (see also Notes 6 and 11).

Capital Assets At Year-End			
	2022	2021	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 5,267,974	\$ 4,298,392	\$ 969,582
Capital Assets Subject to Depreciation:			
Roads	9,536,673	4,588,140	4,948,533
Water System	3,860,114	3,865,916	(5,802)
Wastewater System	4,456,604	4,460,894	(4,290)
Drainage System	4,786,282	2,863,167	1,923,115
Capacity in Devonshire Joint Powers Agency	2,130,426	2,130,426	
Less Accumulated Depreciation	(1,897,910)	(1,165,169)	(732,741)
Total Net Capital Assets	\$ 28,140,163	\$ 21,041,766	\$ 7,098,397

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2022**

LONG-TERM DEBT ACTIVITY

As of July 31, 2022, the District had total bond debt payable of \$35,885,000. The changes in the debt position of the District during the fiscal year ended July 31, 2022, are summarized as follows:

Bond Debt Payable, August 1, 2021	\$ 17,675,000
Add: Bond Sales -	
Series 2021 Road	4,740,000
Series 2022 Utility	6,540,000
Series 2022 Road	7,450,000
Less: Bond Principal Paid	<u>520,000</u>
Bond Debt Payable, July 31, 2022	<u>\$ 35,885,000</u>

The District's bonds carry insured ratings of "AA" or "A2" by virtue of bond insurance issued by Build America Mutual Assurance Company or Assured Guaranty Municipal. The District carries an underlying rating of "Baa3". 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. 4, c/o Coats Rose, P.C., 14755 Preston Road, Suite 600, Dallas, Texas 75254.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2022

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 189,758	\$ 732,322
Investments	600,664	510,000
Receivables:		
Property Taxes	903	2,783
Accrued Interest		222
Other	507	
Due from Other Funds	9,938	
Due from Devonshire Joint Powers Agency	107,093	
Advance for Joint Operations	23,438	
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 932,301	\$ 1,245,327
LIABILITIES		
Accounts Payable	\$ 159,653	\$
Accrued Interest Payable		
Due to Other Funds		5,005
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 159,653	\$ 5,005
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 903	\$ 2,783
FUND BALANCES		
Nonspendable: Operating Advance	\$ 23,438	\$
Restricted for Authorized Construction		
Restricted for Debt Service		1,237,539
Unassigned	748,307	
TOTAL FUND BALANCES	\$ 771,745	\$ 1,237,539
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 932,301	\$ 1,245,327
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 720,942	\$ 1,643,022	\$	\$ 1,643,022
	1,110,664		1,110,664
	3,686		3,686
	222		222
	507		507
	9,938	(9,938)	
	107,093		107,093
	23,438		23,438
		5,267,974	5,267,974
		22,872,189	22,872,189
<u>\$ 720,942</u>	<u>\$ 2,898,570</u>	<u>\$ 28,130,225</u>	<u>\$ 31,028,795</u>
\$	\$ 159,653	\$	\$ 159,653
		319,906	319,906
4,933	9,938	(9,938)	
		695,000	695,000
		35,237,988	35,237,988
<u>\$ 4,933</u>	<u>\$ 169,591</u>	<u>\$ 36,242,956</u>	<u>\$ 36,412,547</u>
<u>\$ - 0 -</u>	<u>\$ 3,686</u>	<u>\$ (3,686)</u>	<u>\$ - 0 -</u>
\$	\$ 23,438	\$ (23,438)	\$
716,009	716,009	(716,009)	
	1,237,539	(1,237,539)	
	748,307	(748,307)	
<u>\$ 716,009</u>	<u>\$ 2,725,293</u>	<u>\$ (2,725,293)</u>	<u>\$ - 0 -</u>
<u>\$ 720,942</u>	<u>\$ 2,898,570</u>		
		\$ (7,072,946)	\$ (7,072,946)
		920,416	920,416
		768,778	768,778
		<u>\$ (5,383,752)</u>	<u>\$ (5,383,752)</u>

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

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JULY 31, 2022**

Fund Balances - Governmental Funds	\$	2,725,293
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		28,140,163
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Deferred inflows of resources related to property tax revenues for the 2021 tax levy became part of recognized revenue in the governmental activities of the District.		3,686
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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:

Accrued Interest Payable	\$ (319,906)	
Bonds Payable	<u>(35,932,988)</u>	<u>(36,252,894)</u>

Total Net Position - Governmental Activities	\$	<u>(5,383,752)</u>
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The accompanying notes to the financial statements are an integral part of this report.

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KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2022

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 456,889	\$ 1,361,742
Wastewater Service	368,097	
Inspection Fees	85,000	
Investment and Miscellaneous Revenues	1,479	6,478
TOTAL REVENUES	\$ 911,465	\$ 1,368,220
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 69,770	\$ 2,455
Contracted Services	224,429	20,382
Purchased Wastewater Service	202,291	
Utilities	31,906	
Repairs and Maintenance	165,864	
Depreciation		
Other	59,934	880
Capital Outlay		
Developer Interest		
Debt Service:		
Bond Issuance Costs		
Bond Principal		520,000
Bond and Bond Anticipation Note Interest		565,334
TOTAL EXPENDITURES/EXPENSES	\$ 754,194	\$ 1,109,051
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ 157,271	\$ 259,169
OTHER FINANCING SOURCES (USES)		
Bond Discount	\$	\$
Bond Premium		
Proceeds from Issuance of Long-Term Debt		157,400
TOTAL OTHER FINANCING SOURCES (USES)	\$ -0-	\$ 157,400
NET CHANGE IN FUND BALANCES	\$ 157,271	\$ 416,569
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION-AUGUST 1, 2021, AS ADJUSTED	614,474	820,970
FUND BALANCES/NET POSITION-JULY 31, 2022	\$ 771,745	\$ 1,237,539

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 1,818,631	\$ 1,900	\$ 1,820,531
	368,097		368,097
	85,000		85,000
90	8,047		8,047
<u>\$ 90</u>	<u>\$ 2,279,775</u>	<u>\$ 1,900</u>	<u>\$ 2,281,675</u>
\$	\$ 72,225	\$	\$ 72,225
	244,811		244,811
	202,291		202,291
	31,906		31,906
	165,864		165,864
		732,741	732,741
430	61,244	(3,870)	57,374
15,426,357	15,426,357	(15,426,357)	
1,238,188	1,238,188		1,238,188
1,669,440	1,669,440		1,669,440
	520,000	(520,000)	
28,756	594,090	97,550	691,640
<u>\$ 18,363,171</u>	<u>\$ 20,226,416</u>	<u>\$ (15,119,936)</u>	<u>\$ 5,106,480</u>
<u>\$ (18,363,081)</u>	<u>\$ (17,946,641)</u>	<u>\$ 15,121,836</u>	<u>\$ (2,824,805)</u>
\$ (219,695)	\$ (219,695)	\$ 219,695	\$
283,663	283,663	(283,663)	
18,572,600	18,730,000	(18,730,000)	
<u>\$ 18,636,568</u>	<u>\$ 18,793,968</u>	<u>\$ (18,793,968)</u>	<u>\$ - 0 -</u>
\$ 273,487	\$ 847,327	\$ (847,327)	\$
		(2,824,805)	(2,824,805)
442,522	1,877,966	(4,436,913)	(2,558,947)
<u>\$ 716,009</u>	<u>\$ 2,725,293</u>	<u>\$ (8,109,045)</u>	<u>\$ (5,383,752)</u>

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

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
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, 2022**

Net Change in Fund Balances - Governmental Funds	\$	847,327
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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.		1,900
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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.		(732,741)
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Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		15,430,227
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Governmental funds report bond premiums and bond discounts as other financing sources and uses in the year paid. However, in the Statement of Net Position, the bond discounts and bond premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.		(63,968)
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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.		520,000
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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.		(97,550)
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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>(18,730,000)</u>
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Change in Net Position - Governmental Activities	\$	<u>(2,824,805)</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. 4
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 1. CREATION OF DISTRICT

Kaufman County Municipal Utility District No. 4 (the “District”), was created April 25, 2005, by order of the Texas Commission on Environmental Quality (the “Commission”), as 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 is under the oversight of the Commission. 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. 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. 4
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

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.

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

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. As of July 31, 2022, the Debt Service Fund owed the General Fund \$5,005 for maintenance tax collections and the Capital Projects Fund owed the General Fund \$4,933 for bond issuance costs.

Capital Assets

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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 over periods ranging from 10 to 50 years.

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, Expenditures 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. 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.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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.

NOTE 3. LONG-TERM DEBT

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

	August 1, 2021	Additions	Retirements	July 31, 2022
Bonds Payable	\$ 17,675,000	\$ 18,730,000	\$ 520,000	\$ 35,885,000
Unamortized Discounts	(67,628)	(219,695)	(5,226)	(282,097)
Unamortized Premium	51,499	283,663	5,077	330,085
Bonds Payable, Net	<u>\$ 17,658,871</u>	<u>\$ 18,793,968</u>	<u>\$ 519,851</u>	<u>\$ 35,932,988</u>
			Amount Due Within One Year	\$ 695,000
			Amount Due After One Year	<u>35,237,988</u>
			Bonds Payable, Net	<u>\$ 35,932,988</u>

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2018 Utility	Series 2018 Road	Series 2019 Utility
Amount Outstanding – July 31, 2022	\$ 3,590,000	\$ 2,830,000	\$ 2,495,000
Interest Rates	3.00%-4.125%	3.00%-4.15%	2.00%-4.50%
Maturity Dates	March 1, 2023/2043	March 1, 2023/2043	March 1, 2023/2044
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	March 1, 2023*	March 1, 2023*	March 1, 2024*

	Series 2019 Road	Series 2020 Utility	Series 2020 Road
Amount Outstanding – July 31, 2022	\$ 2,955,000	\$ 3,320,000	\$ 1,965,000
Interest Rates	2.375%-3.00%	2.00%-2.375%	2.00%-2.50%
Maturity Dates	March 1, 2023/2044	March 1, 2023/2045	March 1, 2023/2045
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	March 1, 2024*	March 1, 2025*	March 1, 2025*

* 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 2018 Utility bonds maturing on March 1, 2035, 2039, and 2043 are subject to mandatory redemption by random selection beginning March 1, 2033, 2036, and 2040, respectively. Series 2018 Road bonds maturing on March 1, 2035, 2038, 2040, and 2043 are subject to mandatory redemption by random selection beginning March 1, 2032, 2036, 2039, and 2041, respectively. Series 2019 Utility bonds maturing on March 1, 2034, 2036, 2038, 2040, and 2044 are subject to mandatory redemption by random selection beginning March 1, 2033, 2035, 2037, 2039, and 2041, respectively. Series 2019 Road bonds maturing on March 1, 2041 and 2044 are subject to mandatory redemption by random selection beginning March 1, 2038 and 2042, respectively. Series 2020 Utility bonds maturing on March 1, 2033, 2035, 2037, 2039, and 2045 are subject to mandatory redemption by random selection beginning March 1, 2032, 2034, 2036, 2038, and 2040, respectively. Series 2020 Road bonds maturing on March 1, 2031, 2034, 2037, 2040, 2042, and 2045 are subject to mandatory redemption by random selection beginning March 1, 2029, 2032, 2035, 2038, 2041, and 2043, respectively.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2021 Road	Series 2022 Utility	Series 2022 Road
Amount Outstanding – July 31, 2022	\$ 4,740,000	\$ 6,540,000	\$ 7,450,000
Interest Rates	2.00%-3.00%	4.00%-5.00%	4.00%-5.00%
Maturity Dates	March 1, 2023/2046	March 1, 2024/2047	March 1, 2024/2047
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	March 1, 2026*	March 1, 2027*	March 1, 2027*

* Series 2021 Road bonds maturing on March 1, 2035, 2037, 2039, and 2046 are subject to mandatory redemption by random selection beginning March 1, 2034, 2036, 2038, and 2040, respectively. Series 2022 Utility bonds maturing on March 1, 2030, 2034, 2036, 2040, 2044, and 2047 are subject to mandatory redemption by random selection beginning March 1, 2029, 2033, 2035, 2037, 2041, and 2045, respectively. Series 2022 Road bonds maturing on March 1, 2034, 2036, 2039, 2041, 2043, and 2047 are subject to mandatory redemption beginning March 1, 2033, 2035, 2038, 2040, 2042, and 2044, respectively.

The District has authorized but unissued utility system bonds in the amount of \$32,640,000, road system bonds in the amount of \$8,585,000, utility system refunding bonds in the amount of \$73,575,000, and road system refunding bonds in the amount of \$43,395,000.

As of July 31, 2022, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 695,000	\$ 1,038,706	\$ 1,733,706
2024	1,050,000	1,212,641	2,262,641
2025	1,090,000	1,176,488	2,266,488
2026	1,130,000	1,140,456	2,270,456
2027	1,170,000	1,102,633	2,272,633
2028-2032	6,510,000	4,876,694	11,386,694
2033-2037	7,765,000	3,714,116	11,479,116
2038-2042	9,295,000	2,304,753	11,599,753
2043-2047	7,180,000	706,552	7,886,552
	<u>\$ 35,885,000</u>	<u>\$ 17,273,039</u>	<u>\$ 53,158,039</u>

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 3. LONG-TERM DEBT (Continued)

During the year ended July 31, 2022, the District levied an ad valorem debt service tax rate of \$0.755 per \$100 of assessed valuation (comprised of \$0.425 for utilities and \$0.33 for roads), which resulted in a tax levy of \$1,361,270 on the adjusted taxable valuation of \$180,300,597 for the 2021 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

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.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

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. The minimum requirement for determination of the rebatable amount is on each five-year anniversary of the bonds. The bond orders state 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 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.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$2,153,022 and the bank balance was \$2,199,753. The District was not exposed to custodial credit risk at year-end.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at July 31, 2022, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 189,758	\$	\$ 189,758
DEBT SERVICE FUND	732,322	510,000	1,242,322
CAPITAL PROJECTS FUND	720,942		720,942
TOTAL DEPOSITS	\$ 1,643,022	\$ 510,000	\$ 2,153,022

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest District funds without express written authority from the Board of Directors. Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

The District 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 a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Certificates of deposit are recorded at acquisition cost.

As of July, 31, 2022, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 600,664	\$ 600,664
<u>DEBT SERVICE FUND</u>		
Certificates of Deposit	510,000	510,000
TOTAL INVESTMENTS	\$ 1,110,664	\$ 1,110,664

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District manages credit risk by typically investing in certificates of deposit with balances below FDIC coverage or that are covered by pledged securities for balances that exceed FDIC coverage. The District's investments in TexPool are 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 manages interest rate risk by investing in certificates of deposit with maturities of less than one-year. The District considers the investments in TexPool to have maturities of less than one year due to the fact the share positions can usually be redeemed each day at the discretion of the District, unless there have been significant changes in values.

Restrictions

All cash and investments of the Debt Service Fund are restricted for 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. 4
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended July 31, 2022, is summarized in the following table. Prior period balances were adjusted to more accurately reflect the recorded amounts of District assets and related accumulated depreciation (see also Note 10).

	August 1, 2021	Increases	Decreases	July 31, 2022
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 4,298,392	\$ 969,582	\$ -0-	\$ 5,267,974
Capital Assets Subject to Depreciation				
Roads	\$ 4,588,140	\$ 4,948,533	\$	\$ 9,536,673
Water System	3,865,916		5,802	3,860,114
Wastewater System	4,460,894		4,290	4,456,604
Drainage System	2,863,167	1,923,115		4,786,282
Capacity in Devonshire Joint Powers Agency	2,130,426			2,130,426
Total Capital Assets Subject to Depreciation	<u>\$ 17,908,543</u>	<u>\$ 6,871,648</u>	<u>\$ 10,092</u>	<u>\$ 24,770,099</u>
Less Accumulated Depreciation				
Roads	\$ 398,863	\$ 340,112	\$	\$ 738,975
Water System	205,828	85,605		291,433
Wastewater System	212,831	98,961		311,792
Drainage System	168,678	154,802		323,480
Capacity in Devonshire Joint Powers Agency	178,969	53,261		232,230
Total Accumulated Depreciation	<u>\$ 1,165,169</u>	<u>\$ 732,741</u>	<u>\$ - 0 -</u>	<u>\$ 1,897,910</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 16,743,374</u>	<u>\$ 6,138,907</u>	<u>\$ 10,092</u>	<u>\$ 22,872,189</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 21,041,766</u>	<u>\$ 7,108,489</u>	<u>\$ 10,092</u>	<u>\$ 28,140,163</u>

NOTE 7. MAINTENANCE TAX

On September 10, 2005, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed \$1.00 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's 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 \$0.245 per \$100 of assessed valuation, which resulted in a tax levy of \$441,736 on the adjusted taxable valuation of \$180,300,597 for the 2021 tax year.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

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. 3 (“Master District”) 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 District, Kaufman County Municipal Utility District No. 3 and Kaufman County Municipal Utility District No. 2 are the Participants at this time. The District is 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 Water Supply Corporation (“High Point”) to provide water service to the Agency. High Point receives fresh water from the City of Forney, Texas (“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 \$19.73 times the number of residential and commercial connections for each Participant. The District has funded its share of the operating reserve in the amount of \$23,438.

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. 4
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 10. UNREIMBURSED DEVELOPER COSTS

The District has executed financing agreements which call for the Developer to fund costs associated with the construction of utilities and roads. Reimbursement to the Developer will come from future bond sales or other available funds (see Note 11). Unreimbursed costs and associated capital assets in prior periods were adjusted to more accurately reflect the amounts owed. The net effect of the adjustment was a \$98,040 increase to net position.

Current year Developer liability activity is summarized in the following table:

Due to Developers, August 1, 2021	\$	7,599,090
Less: Current Reimbursements		<u>7,599,090</u>
Due to Developers, July 31, 2022	\$	<u>- 0 -</u>

NOTE 11. BOND ANTICIPATION NOTE AND BOND SALES

On October 13, 2021, the District sold its \$3,950,000 Series 2021 Bond Anticipation Note. Proceeds from the BAN sale were used to reimburse the Developer for a portion of utilities serving Devonshire Village, Phases 5, 6, 7, and 13 and Devonshire, South Ravenhill Road. Additional proceeds were used to pay BAN issuance costs. The BAN was retired during the current fiscal year using Series 2022 Utility Bond proceeds.

On November 18, 2021, the District closed on the sale of its \$4,740,000 Series 2021 Unlimited Tax Road Bonds. Proceeds from the sale were used to reimburse the Developer for: land right-of-way costs for Devonshire, Phases 7 and 13A; and paving for Devonshire, Phases 4A, 4B1, 5, 6, 7, and Devonshire South Ravenhill Road. Additional proceeds were used for developer interest and bond issuance costs.

On or about June 29, 2022, the District closed on the sale of its \$6,540,000 Series 2022 Unlimited Tax Utility Bonds. Proceeds from the sale were used to reimburse the Developer for a portion of utilities serving: Devonshire Village, Phases 5, 6, 7, and 13 and Devonshire, South Ravenhill Road and to redeem the BAN issued during the current year. Additional proceeds were used to pay developer interest and bond issuance costs.

On or about June 29, 2022, the District closed on the sale of its \$7,450,000 Series 2022 Unlimited Tax Road Bonds. Proceeds from the sale were used to reimburse the Developer for earthwork for South Ravenhill Road and Devonshire, Villages 3, 4C, 5-7, and 13A, paving for Devonshire, Villages 4B2, 7 and 13A, and utilities serving Devonshire, Villages 4A, 4B1, 4B2, 4C, 5-7, and 13A. Additional proceeds were used to pay six months of capitalized interest, developer interest, and bond issuance costs.

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KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

REQUIRED SUPPLEMENTARY INFORMATION

JULY 31, 2022

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACUAL – GENERAL FUND
FOR THE YEAR ENDED JULY 31, 2022

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 250,000	\$ 456,889	\$ 206,889
Wastewater Service	258,135	368,097	109,962
Inspection Fees	250,500	85,000	(165,500)
Investment and Miscellaneous Revenues	<u>1,850</u>	<u>1,479</u>	<u>(371)</u>
TOTAL REVENUES	<u>\$ 760,485</u>	<u>\$ 911,465</u>	<u>\$ 150,980</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 57,250	\$ 69,770	\$ (12,520)
Contracted Services	190,000	224,429	(34,429)
Purchased Wastewater Service	135,253	202,291	(67,038)
Utilities	26,000	31,906	(5,906)
Repairs and Maintenance	155,500	165,864	(10,364)
Other	<u>173,710</u>	<u>59,934</u>	<u>113,776</u>
TOTAL EXPENDITURES	<u>\$ 737,713</u>	<u>\$ 754,194</u>	<u>\$ (16,481)</u>
NET CHANGE IN FUND BALANCE	\$ 22,772	\$ 157,271	\$ 134,499
FUND BALANCE - AUGUST 1, 2021	<u>614,474</u>	<u>614,474</u>	<u>_____</u>
FUND BALANCE - JULY 31, 2022	<u>\$ 637,246</u>	<u>\$ 771,745</u>	<u>\$ 134,499</u>

See accompanying independent auditor's report.

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KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

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

JULY 31, 2022

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2022**

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Kaufman County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ in which District is located:

City of 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. 4
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2022**

PROFESSIONAL FEES:	
Auditing	\$ 13,000
Engineering	24,001
Legal	<u>32,769</u>
TOTAL PROFESSIONAL FEES	<u>\$ 69,770</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 202,291</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 10,142
Operations and Billing	22,149
Security	85,854
Solid Waste Disposal	<u>106,284</u>
TOTAL CONTRACTED SERVICES	<u>\$ 224,429</u>
UTILITIES	<u>\$ 31,906</u>
REPAIRS AND MAINTENANCE	<u>\$ 165,864</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 7,105
Insurance	7,550
Website and Other	<u>3,054</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 17,709</u>
OTHER EXPENDITURES:	
Inspection Fees	\$ 41,095
Regulatory Assessment	<u>1,130</u>
TOTAL OTHER EXPENDITURES	<u>\$ 42,225</u>
TOTAL EXPENDITURES	<u><u>\$ 754,194</u></u>

See accompanying independent auditor's report.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
INVESTMENTS
JULY 31, 2022**

<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	\$ 600,664	\$ - 0 -
<u>DEBT SERVICE FUND</u>					
Certificate of Deposit	XXXX0992	0.10%	08/22/22	\$ 305,000	\$ 133
Certificate of Deposit	XXXX0991	0.10%	08/22/22	205,000	89
TOTAL DEBT SERVICE FUND				<u>\$ 510,000</u>	<u>\$ 222</u>
TOTAL - ALL FUNDS				<u>\$ 1,110,664</u>	<u>\$ 222</u>

See accompanying independent auditor's report.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2022**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
AUGUST 1, 2021	\$ 357		\$ 1,429	
Adjustments to Beginning				
Balance	15,699	\$ 16,056	1,826	\$ 3,255
Original 2021 Tax Levy	\$ 435,384		\$ 1,341,696	
Adjustment to 2021 Tax Levy	6,352	441,736	19,574	1,361,270
TOTAL TO BE				
ACCOUNTED FOR		\$ 457,792		\$ 1,364,525
 TAX COLLECTIONS:				
Prior Years	\$ 16,056		\$ 3,255	
Current Year	440,833	456,889	1,358,487	1,361,742
 TAXES RECEIVABLE -				
JULY 31, 2022		\$ 903		\$ 2,783
 TAXES RECEIVABLE BY				
YEAR:				
2021		\$ 903		\$ 2,783

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2022

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
PROPERTY VALUATIONS:				
Land	\$ 60,048,700	\$ 31,319,300	\$ 21,392,910	\$ 16,637,010
Improvements	128,887,453	79,183,001	42,367,315	15,972,920
Personal Property	127,746	184,140	228,580	248,490
Exemptions	<u>(8,763,302)</u>	<u>(1,876,340)</u>	<u>(582,260)</u>	<u>(320,952)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 180,300,597</u>	<u>\$ 108,810,101</u>	<u>\$ 63,406,545</u>	<u>\$ 32,537,468</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.755	\$ 0.80	\$ 0.71	\$ 0.25
Maintenance	<u>0.245</u>	<u>0.20</u>	<u>0.29</u>	<u>0.75</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 1.000</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>
ADJUSTED TAX LEVY*	<u>\$ 1,803,006</u>	<u>\$ 1,088,101</u>	<u>\$ 634,066</u>	<u>\$ 325,374</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.79 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>

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

Maintenance Tax – Maximum tax rate of \$1.00 per \$100 assessed valuation approved by voters on September 10, 2005.

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2022

SERIES - 2018 UTILITY

Due During Fiscal Years Ending July 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2023	\$ 110,000	\$ 139,350	\$ 249,350
2024	115,000	136,050	251,050
2025	120,000	132,485	252,485
2026	125,000	128,645	253,645
2027	130,000	124,520	254,520
2028	135,000	120,100	255,100
2029	140,000	115,375	255,375
2030	145,000	109,775	254,775
2031	155,000	103,975	258,975
2032	160,000	97,775	257,775
2033	165,000	91,375	256,375
2034	175,000	84,775	259,775
2035	180,000	77,775	257,775
2036	185,000	70,575	255,575
2037	195,000	63,175	258,175
2038	205,000	55,375	260,375
2039	210,000	47,175	257,175
2040	220,000	38,775	258,775
2041	230,000	29,700	259,700
2042	240,000	20,212	260,212
2043	250,000	10,313	260,313
2044			
2045			
2046			
2047			
	<u>\$ 3,590,000</u>	<u>\$ 1,797,275</u>	<u>\$ 5,387,275</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2022

SERIES - 2018 ROAD

Due During Fiscal Years Ending July 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2023	\$ 90,000	\$ 109,123	\$ 199,123
2024	90,000	106,422	196,422
2025	95,000	103,633	198,633
2026	100,000	100,592	200,592
2027	105,000	97,293	202,293
2028	110,000	93,722	203,722
2029	110,000	89,873	199,873
2030	115,000	85,884	200,884
2031	120,000	81,573	201,573
2032	125,000	77,072	202,072
2033	130,000	72,073	202,073
2034	135,000	66,872	201,872
2035	140,000	61,473	201,473
2036	145,000	55,872	200,872
2037	155,000	50,073	205,073
2038	160,000	43,872	203,872
2039	165,000	37,473	202,473
2040	175,000	30,666	205,666
2041	180,000	23,447	203,447
2042	190,000	15,978	205,978
2043	195,000	8,093	203,093
2044			
2045			
2046			
2047			
	<u>\$ 2,830,000</u>	<u>\$ 1,411,079</u>	<u>\$ 4,241,079</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2022

S E R I E S - 2 0 1 9 U T I L I T Y				
Due During Fiscal Years Ending July 31	Principal Due March 1	Interest Due September 1/ March 1	Total	
2023	\$ 80,000	\$ 71,963	\$	151,963
2024	80,000	68,362		148,362
2025	85,000	65,163		150,163
2026	85,000	63,462		148,462
2027	90,000	61,763		151,763
2028	95,000	59,962		154,962
2029	95,000	58,063		153,063
2030	100,000	55,925		155,925
2031	105,000	53,550		158,550
2032	105,000	50,400		155,400
2033	110,000	47,250		157,250
2034	115,000	43,950		158,950
2035	115,000	40,500		155,500
2036	120,000	37,050		157,050
2037	125,000	33,450		158,450
2038	130,000	29,700		159,700
2039	135,000	25,800		160,800
2040	135,000	21,750		156,750
2041	140,000	17,700		157,700
2042	145,000	13,500		158,500
2043	150,000	9,150		159,150
2044	155,000	4,650		159,650
2045				
2046				
2047				
	\$ 2,495,000	\$ 933,063	\$	3,428,063

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2022

S E R I E S - 2 0 1 9 R O A D

Due During Fiscal Years Ending July 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2023	\$ 95,000	\$ 84,300	\$ 179,300
2024	95,000	81,450	176,450
2025	100,000	78,600	178,600
2026	105,000	75,600	180,600
2027	105,000	72,450	177,450
2028	110,000	69,300	179,300
2029	115,000	66,000	181,000
2030	115,000	62,550	177,550
2031	120,000	59,819	179,819
2032	125,000	56,819	181,819
2033	130,000	53,694	183,694
2034	135,000	50,444	185,444
2035	140,000	46,900	186,900
2036	145,000	43,225	188,225
2037	145,000	39,237	184,237
2038	150,000	35,250	185,250
2039	155,000	30,750	185,750
2040	160,000	26,100	186,100
2041	170,000	21,300	191,300
2042	175,000	16,200	191,200
2043	180,000	10,950	190,950
2044	185,000	5,550	190,550
2045			
2046			
2047			
	<u>\$ 2,955,000</u>	<u>\$ 1,086,488</u>	<u>\$ 4,041,488</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2022

S E R I E S - 2 0 2 0 U T I L I T Y				
Due During Fiscal Years Ending July 31	Principal Due March 1	Interest Due September 1/ March 1	Total	
2023	\$ 110,000	\$ 71,925	\$	181,925
2024	110,000	69,725		179,725
2025	115,000	67,525		182,525
2026	115,000	65,225		180,225
2027	120,000	62,925		182,925
2028	125,000	60,525		185,525
2029	125,000	58,025		183,025
2030	130,000	55,525		185,525
2031	130,000	52,925		182,925
2032	135,000	50,325		185,325
2033	140,000	47,625		187,625
2034	140,000	44,825		184,825
2035	145,000	42,025		187,025
2036	150,000	39,125		189,125
2037	155,000	35,750		190,750
2038	155,000	32,263		187,263
2039	160,000	28,775		188,775
2040	165,000	25,175		190,175
2041	170,000	21,256		191,256
2042	175,000	17,219		192,219
2043	180,000	13,063		193,063
2044	185,000	8,788		193,788
2045	185,000	4,394		189,394
2046				
2047				
	\$ 3,320,000	\$ 974,933	\$	4,294,933

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2022

S E R I E S - 2 0 2 0 R O A D

Due During Fiscal Years Ending July 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2023	\$ 65,000	\$ 42,750	\$ 107,750
2024	65,000	41,450	106,450
2025	65,000	40,150	105,150
2026	70,000	38,850	108,850
2027	70,000	37,450	107,450
2028	70,000	36,050	106,050
2029	75,000	34,650	109,650
2030	75,000	33,150	108,150
2031	80,000	31,650	111,650
2032	80,000	30,050	110,050
2033	80,000	28,450	108,450
2034	85,000	26,850	111,850
2035	85,000	25,150	110,150
2036	90,000	23,344	113,344
2037	90,000	21,431	111,431
2038	95,000	19,519	114,519
2039	95,000	17,381	112,381
2040	100,000	15,244	115,244
2041	100,000	12,994	112,994
2042	105,000	10,619	115,619
2043	105,000	8,125	113,125
2044	110,000	5,500	115,500
2045	110,000	2,750	112,750
2046			
2047			
	<u>\$ 1,965,000</u>	<u>\$ 583,557</u>	<u>\$ 2,548,557</u>

See accompanying independent auditor's report.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2022**

S E R I E S - 2 0 2 1 R O A D

Due During Fiscal Years Ending July 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2023	\$ 145,000	\$ 123,919	\$ 268,919
2024	150,000	121,019	271,019
2025	155,000	118,019	273,019
2026	155,000	114,919	269,919
2027	160,000	111,819	271,819
2028	165,000	107,019	272,019
2029	170,000	102,069	272,069
2030	175,000	96,969	271,969
2031	180,000	91,718	271,718
2032	185,000	86,319	271,319
2033	190,000	80,768	270,768
2034	190,000	76,494	266,494
2035	195,000	71,981	266,981
2036	200,000	67,350	267,350
2037	205,000	62,350	267,350
2038	210,000	57,225	267,225
2039	220,000	51,975	271,975
2040	225,000	46,475	271,475
2041	230,000	40,288	270,288
2042	235,000	33,962	268,962
2043	240,000	27,500	267,500
2044	245,000	20,900	265,900
2045	255,000	14,162	269,162
2046	260,000	7,150	267,150
2047			
	<u>\$ 4,740,000</u>	<u>\$ 1,732,369</u>	<u>\$ 6,472,369</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2022

S E R I E S - 2 0 2 2 U T I L I T Y			
Due During Fiscal Years Ending July 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2023	\$	\$ 183,760	\$ 183,760
2024	160,000	273,363	433,363
2025	165,000	265,363	430,363
2026	175,000	257,113	432,113
2027	180,000	248,363	428,363
2028	190,000	239,363	429,363
2029	200,000	229,863	429,863
2030	205,000	221,863	426,863
2031	215,000	213,662	428,662
2032	225,000	205,062	430,062
2033	235,000	196,062	431,062
2034	245,000	186,662	431,662
2035	255,000	176,862	431,862
2036	265,000	166,662	431,662
2037	280,000	156,062	436,062
2038	290,000	144,862	434,862
2039	305,000	133,262	438,262
2040	315,000	121,062	436,062
2041	330,000	108,462	438,462
2042	345,000	95,262	440,262
2043	360,000	81,463	441,463
2044	375,000	67,063	442,063
2045	390,000	52,063	442,063
2046	410,000	35,488	445,488
2047	425,000	18,063	443,063
	\$ 6,540,000	\$ 4,077,135	\$ 10,617,135

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2022

S E R I E S - 2 0 2 2 R O A D

Due During Fiscal Years Ending July 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2023	\$	\$ 211,616	\$ 211,616
2024	185,000	314,800	499,800
2025	190,000	305,550	495,550
2026	200,000	296,050	496,050
2027	210,000	286,050	496,050
2028	215,000	275,550	490,550
2029	225,000	264,800	489,800
2030	235,000	253,550	488,550
2031	245,000	244,150	489,150
2032	255,000	234,350	489,350
2033	270,000	224,150	494,150
2034	280,000	213,350	493,350
2035	290,000	202,150	492,150
2036	305,000	190,550	495,550
2037	315,000	178,350	493,350
2038	330,000	165,750	495,750
2039	345,000	152,550	497,550
2040	360,000	138,750	498,750
2041	375,000	124,350	499,350
2042	390,000	109,350	499,350
2043	410,000	93,750	503,750
2044	425,000	77,350	502,350
2045	445,000	59,286	504,286
2046	465,000	40,375	505,375
2047	485,000	20,613	505,613
	<u>\$ 7,450,000</u>	<u>\$ 4,677,140</u>	<u>\$ 12,127,140</u>

See accompanying independent auditor's report.

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KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2022

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending July 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2023	\$ 695,000	\$ 1,038,706	\$ 1,733,706
2024	1,050,000	1,212,641	2,262,641
2025	1,090,000	1,176,488	2,266,488
2026	1,130,000	1,140,456	2,270,456
2027	1,170,000	1,102,633	2,272,633
2028	1,215,000	1,061,591	2,276,591
2029	1,255,000	1,018,718	2,273,718
2030	1,295,000	975,191	2,270,191
2031	1,350,000	933,022	2,283,022
2032	1,395,000	888,172	2,283,172
2033	1,450,000	841,447	2,291,447
2034	1,500,000	794,222	2,294,222
2035	1,545,000	744,816	2,289,816
2036	1,605,000	693,753	2,298,753
2037	1,665,000	639,878	2,304,878
2038	1,725,000	583,816	2,308,816
2039	1,790,000	525,141	2,315,141
2040	1,855,000	463,997	2,318,997
2041	1,925,000	399,497	2,324,497
2042	2,000,000	332,302	2,332,302
2043	2,070,000	262,407	2,332,407
2044	1,680,000	189,801	1,869,801
2045	1,385,000	132,655	1,517,655
2046	1,135,000	83,013	1,218,013
2047	910,000	38,676	948,676
	<u>\$ 35,885,000</u>	<u>\$ 17,273,039</u>	<u>\$ 53,158,039</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2022

Description	Original Bonds Issued	Bonds Outstanding August 1, 2021
Kaufman County Municipal Utility District No. 4 Unlimited Tax Utility Bonds - Series 2018	\$ 3,800,000	\$ 3,695,000
Kaufman County Municipal Utility District No. 4 Unlimited Tax Road Bonds - Series 2018	2,995,000	2,915,000
Kaufman County Municipal Utility District No. 4 Unlimited Tax Utility Bonds - Series 2019	2,645,000	2,570,000
Kaufman County Municipal Utility District No. 4 Unlimited Tax Road Bonds - Series 2019	3,135,000	3,045,000
Kaufman County Municipal Utility District No. 4 Unlimited Tax Utility Bonds - Series 2020	3,425,000	3,425,000
Kaufman County Municipal Utility District No. 4 Unlimited Tax Road Bonds - Series 2020	2,025,000	2,025,000
Kaufman County Municipal Utility District No. 4 Unlimited Tax Road Bonds - Series 2021	4,740,000	
Kaufman County Municipal Utility District No. 4 Unlimited Tax Bonds - Series 2022	6,540,000	
Kaufman County Municipal Utility District No. 4 Unlimited Tax Road Bonds - Series 2022	<u>7,450,000</u>	
TOTAL	<u><u>\$ 36,755,000</u></u>	<u><u>\$ 17,675,000</u></u>

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding July 31, 2022</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 105,000	\$ 142,238	\$ 3,590,000	ZB, N.A., d/b/a Amegy Bank, Houston, TX
	85,000	111,460	2,830,000	ZB, N.A., d/b/a Amegy Bank, Houston, TX
	75,000	75,337	2,495,000	ZB, N.A., d/b/a Amegy Bank, Houston, TX
	90,000	87,000	2,955,000	ZB, N.A., d/b/a Amegy Bank, Houston, TX
	105,000	74,025	3,320,000	ZB, N.A., d/b/a Amegy Bank, Houston, TX
	60,000	43,950	1,965,000	ZB, N.A., d/b/a Amegy Bank, Houston, TX
4,740,000		31,324	4,740,000	ZB, N.A., d/b/a Amegy Bank, Houston, TX
6,540,000			6,540,000	ZB, N.A., d/b/a Amegy Bank, Houston, TX
<u>7,450,000</u>			<u>7,450,000</u>	ZB, N.A., d/b/a Amegy Bank, Houston, TX
<u>\$ 18,730,000</u>	<u>\$ 520,000</u>	<u>\$ 565,334</u>	<u>\$ 35,885,000</u>	

See accompanying independent auditor's report.

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KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2022

Bond Authority:	<u>Utility System Bonds</u>	<u>Road System Bonds</u>	<u>Utility System Refunding Bonds</u>	<u>Road System Refunding Bonds</u>
Amount Authorized by Voters	\$ 49,050,000	\$ 28,930,000	\$ 73,575,000	\$ 43,395,000
Amount Issued	<u>16,410,000</u>	<u>20,345,000</u>	<u> </u>	<u> </u>
Remaining to be Issued	<u>\$ 32,640,000</u>	<u>\$ 8,585,000</u>	<u>\$ 73,575,000</u>	<u>\$ 43,395,000</u>
Debt Service Fund cash and investment balances as of July 31, 2022:			<u>\$ 1,242,322</u>	
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 2,126,322</u>	

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

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2022	2021	2020
REVENUES			
Property Taxes	\$ 456,889	\$ 218,546	\$ 183,537
Wastewater Service	368,097	190,270	186,792
Inspection Fees	85,000	250,495	135,000
Investment and Miscellaneous Revenues	<u>1,479</u>	<u>2,442</u>	<u>3,076</u>
TOTAL REVENUES	<u>\$ 911,465</u>	<u>\$ 661,753</u>	<u>\$ 508,405</u>
EXPENDITURES			
Professional Fees	\$ 69,770	\$ 44,295	\$ 47,047
Contracted Services	224,429	133,669	106,802
Purchased Wastewater Service	202,291	133,806	134,669
Utilities	31,906	25,641	20,266
Repairs and Maintenance	165,864	102,908	27,045
Other	<u>59,934</u>	<u>155,122</u>	<u>127,702</u>
TOTAL EXPENDITURES	<u>\$ 754,194</u>	<u>\$ 595,441</u>	<u>\$ 463,531</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 157,271</u>	<u>\$ 66,312</u>	<u>\$ 44,874</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	<u>\$ - 0 -</u>	<u>\$ 41,041</u>	<u>\$ 40,697</u>
NET CHANGE IN FUND BALANCE	\$ 157,271	\$ 107,353	\$ 85,571
BEGINNING FUND BALANCE	<u>614,474</u>	<u>507,121</u>	<u>421,550</u>
ENDING FUND BALANCE	<u>\$ 771,745</u>	<u>\$ 614,474</u>	<u>\$ 507,121</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues						
2019	2018	2022	2021	2020	2019	2018		
\$ 243,724	\$ 159,740	50.1 %	32.9 %	36.1 %	48.2 %	45.4 %		
107,698	69,159	40.4	28.8	36.7	21.3	19.7		
148,289	117,000	9.3	37.9	26.6	29.3	33.3		
6,442	5,967	0.2	0.4	0.6	1.2	1.6		
<u>\$ 506,153</u>	<u>\$ 351,866</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>		
\$ 45,099	\$ 28,111	7.7 %	6.7 %	9.3 %	8.9 %	8.0 %		
45,987	15,543	24.6	20.2	21.0	9.1	4.4		
51,334	73,946	22.2	20.2	26.5	10.1	21.0		
20,493	9,051	3.5	3.9	4.0	4.0	2.6		
1,813	3,998	18.2	15.6	5.3	0.4	1.1		
<u>120,558</u>	<u>93,591</u>	<u>6.6</u>	<u>23.4</u>	<u>25.1</u>	<u>23.8</u>	<u>26.6</u>		
<u>\$ 285,284</u>	<u>\$ 224,240</u>	<u>82.8 %</u>	<u>90.0 %</u>	<u>91.2 %</u>	<u>56.3 %</u>	<u>63.7 %</u>		
\$ 220,869	\$ 127,626	17.2 %	10.0 %	8.8 %	43.7 %	36.3 %		
\$ 41,069	\$ - 0 -							
\$ 261,938	\$ 127,626							
159,612	31,986							
<u>\$ 421,550</u>	<u>\$ 159,612</u>							

See accompanying independent auditor's report.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2022	2021	2020
REVENUES			
Property Taxes	\$ 1,361,742	\$ 870,880	\$ 448,291
Investment and Miscellaneous Revenues	<u>6,478</u>	<u>6,889</u>	<u>5,967</u>
TOTAL REVENUES	<u>\$ 1,368,220</u>	<u>\$ 877,769</u>	<u>\$ 454,258</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 21,317	\$ 11,061	\$ 7,593
Debt Service Principal	520,000	350,000	
Debt Service Interest and Fees	<u>567,734</u>	<u>452,943</u>	<u>293,303</u>
TOTAL EXPENDITURES	<u>\$ 1,109,051</u>	<u>\$ 814,004</u>	<u>\$ 300,896</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 259,169</u>	<u>\$ 63,765</u>	<u>\$ 153,362</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Long-Term Debt	<u>\$ 157,400</u>	<u>\$ 58,988</u>	<u>\$ 172,129</u>
NET CHANGE IN FUND BALANCE	\$ 416,569	\$ 122,753	\$ 325,491
BEGINNING FUND BALANCE	<u>820,970</u>	<u>698,217</u>	<u>372,726</u>
ENDING FUND BALANCE	<u>\$ 1,237,539</u>	<u>\$ 820,970</u>	<u>\$ 698,217</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>607</u>	<u>434</u>	<u>233</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2019	2018	2022	2021	2020	2019	2018
\$ 81,064 1,649	\$	99.5 % 0.5	99.2 % 0.8	98.7 % 1.3	98.0 % 2.0	%
\$ 82,713	\$ - 0 -	100.0 %	100.0 %	100.0 %	100.0 %	N/A %
\$ 7,058 90,413	\$	1.6 % 38.0 41.5	1.3 % 39.9 51.6	1.7 % 64.6	8.5 % 109.3	%
\$ 97,471	\$ - 0 -	81.1 %	92.8 %	66.3 %	117.8 %	N/A %
\$ (14,758)	\$ - 0 -	18.9 %	7.2 %	33.7 %	(17.8) %	N/A %
\$ 387,484	\$ - 0 -					
\$ 372,726	\$ - 0 -					
\$ 372,726	\$ - 0 -					
N/A	N/A					
138	55					

See accompanying independent auditor's report.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2022**

District Mailing Address - Kaufman County Municipal Utility District No. 4
c/o Coats Rose, P.C.
14755 Preston Road, Suite 600
Dallas, TX 75254

District Telephone Number - (972) 982-8450

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended July 31, 2022	Expense Reimbursements for the year ended July 31, 2022	Title
Jimmy Perryman	05/20 05/24 (Elected)	\$ 1,200	\$ 40	President
Oliver A. Robinson	05/22 05/26 (Elected)	\$ 900	\$ 35	Vice President
Nathaniel Klein	05/20 05/24 (Elected)	\$ 1,500	\$ 52	Secretary
Rhodes Baker	05/20 05/24 (Elected)	\$ 1,500	\$ 52	Assistant Secretary
Jackie Ramos	05/22 05/26 (Elected)	\$ 1,500	\$ 131	Assistant Secretary

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

Submission date of most recent District Registration Form: May 9, 2022

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on June 30, 2005. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2022**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended July 31, 2022</u>	<u>Title</u>
Coats Rose, P.C.	06/30/05	\$ 32,769 \$ 501,215	General Counsel/ Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	08/17/17	\$ 13,000 \$ 44,750	Audit Related Bond Related
L & S District Services, LLC	06/30/05	\$ 13,142	Bookkeeper
Johnson Volk Consulting, Inc.	07/16/15	\$ 74,258	Engineer
Robert W. Baird & Co. Incorporated	07/16/15	\$ 418,975	Financial Advisor
Inframark, LLC	12/19/08	\$ 32,120	Operator
Debra Loggins		\$ -0-	Investment Officer

See accompanying independent auditor's report.

