

OFFICIAL STATEMENT DATED NOVEMBER 18, 2021

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF THE DISTRICT AND UNDER THE STATUTES, REGULATIONS, PUBLISHED RULINGS, AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION. INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAXATION. SEE "LEGAL MATTERS" and "TAX MATTERS."

The District has designated the Bonds as "qualified tax-exempt obligations" for financial institutions. See "QUALIFIED TAX-EXEMPT OBLIGATIONS."

NEW ISSUE – Book Entry Only

RATINGS: Moody's Investor's Service, Inc. (Underlying)..... "Baa2"
Moody's Investor's Service, Inc (AMG Insured).. "A2"
S&P Global Ratings (AGM Insured) "AA"
See "MUNICIPAL BOND INSURANCE" and "RATINGS" herein

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
(A Political Subdivision of the State of Texas, located within Kaufman County)

\$4,160,000
UNLIMITED TAX ROAD REFUNDING BONDS
SERIES 2021

Interest accrues from: December 1, 2021

Due: March 1, on inside cover

The \$4,160,000 Kaufman County Municipal Utility District No. 2 Unlimited Tax Road Refunding Bonds, Series 2021 (the "Bonds") are obligations of Kaufman County Municipal Utility District No. 2 (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 faith and credit nor the taxing power of the State of Texas; Kaufman County, Texas, the City of Dallas, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

The Bonds will be initially registered and delivered only to Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by Zions Bancorporation, National Association, dba Amegy Bank, 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 (the "Bondholder(s)") at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. Interest on the Bonds is payable on March 1, 2022, and each September 1 and March 1 thereafter to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each interest payment date (the "Record Date"). Unless otherwise agreed between the Paying Agent/Registrar and a Bondholder, such interest is payable by check mailed to such persons or by other means acceptable to such person and the Paying Agent/Registrar. The Bonds are issuable in principal denominations of \$5,000 or any integral multiple thereof in fully registered form only.

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



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

The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. Investment in the Bonds is subject to special investment considerations as described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject to the approval of the Attorney General of Texas and of Coats Rose, P.C., Houston, Texas, Bond Counsel. Certain legal matters will be passed on for the Underwriter by McCall, Parkhurst & Horton L.L.P., Houston, Texas., Underwriter's Counsel. Delivery of the Bonds is expected on or about December 15, 2021. See "LEGAL MATTERS."

RAYMOND JAMES

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

\$4,160,000 Unlimited Tax Road Refunding Bonds, Series 2021

Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number 48619T(b)	Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number 48619T (b)
2022	\$ 40,000	3.000%	0.470%	KM9	2031 (c)	\$ 260,000	3.000%	1.700%	KW7
2023	10,000	3.000%	0.600%	KN7	2032 (c)	275,000	3.000%	1.770%	KX5
2024	10,000	3.000%	0.750%	KP2	2033 (c)	280,000	3.000%	1.840%	KY3
2025	200,000	3.000%	0.900%	KQ0	2034 (c)	295,000	3.000%	1.890%	KZ0
2026	210,000	3.000%	1.050%	KR8	2035 (c)	305,000	3.000%	2.000%	LA4
2027 (c)	220,000	3.000%	1.220%	KS6	2036 (c)	315,000	3.000%	2.040%	LB2
2028 (c)	230,000	3.000%	1.410%	KT4	2037 (c)	325,000	3.000%	2.090%	LC0
2029 (c)	240,000	3.000%	1.500%	KU1	2038 (c)	340,000	3.000%	2.140%	LD8
2030 (c)	250,000	3.000%	1.630%	KV9	2039 (c)	355,000	3.000%	2.200%	LE6

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter. 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. Accrued interest from December 1, 2021, is to be added to the price.
- (b) CUSIP numbers will be assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence LLC 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, 2027, 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 March 1, 2026, 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

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 Underwriter.

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District, c/o Coats Rose, P.C., 14755 Preston Road, Suite 600, Dallas, Texas 75254, upon payment of the costs for duplication thereof.

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

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

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SALE AND DISTRIBUTION OF THE BONDS

Underwriting

The Bonds are being purchased by Raymond James & Associates, Inc. (the "Underwriter") pursuant to a bond purchase agreement with the District (the "Bond Purchase Agreement") at a price of \$4,326,979.05 (being the par amount of the Bonds, plus an original issue premium on the Bonds of \$203,439.05, and less an underwriter's discount of \$36,460.00), plus accrued interest on the Bonds to the date of delivery. The Underwriter's obligation is to purchase all of the Bonds, if any Bonds are purchased.

The following statement is provided by the Underwriter: In accordance with its responsibilities under federal securities laws, the Underwriter has reviewed the information in this Official Statement but does not guarantee its accuracy or completeness.

Prices and Marketability

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

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

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

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

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

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On October 20, 2021, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 8, 2021, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Capitalization of AGM

At September 30, 2021:

- The policyholders' surplus of AGM was approximately \$2,910 million.
- The contingency reserve of AGM was approximately \$963 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,124 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE").

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

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- i. the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (filed by AGL with the SEC on February 26, 2021);
- ii. the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 (filed by AGL with the SEC on May 7, 2021);
- iii. the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021 (filed by AGL with the SEC on August 6, 2021); and
- iv. the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2021 (filed by AGL with the SEC on November 5, 2021).

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

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

Miscellaneous Matters

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

RATINGS

The Bonds have been assigned an insured rating of “AA” (stable outlook) from S&P solely in reliance upon the issuance of the Bond Insurance Policy at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols of “AAA” (the highest rating) through “D” (the lowest rating).

The Bonds have been assigned an insured rating of “A2” from Moody’s solely in reliance upon the issuance of the Bond Insurance Policy at the time of delivery of the Bonds. Moody’s has also assigned an underlying credit rating of “Baa2” to the Bonds. An explanation of the rating may be obtained from Moody’s, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. The District will pay the rating fees charged by Moody’s.

A credit rating is not a recommendation to buy, sell, or hold securities. Furthermore, there is no assurance that such ratings will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P or Moody’s, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of such ratings 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 S&P and Moody’s.

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

- The Issuer Kaufman County Municipal Utility District No. 2 (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 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 Issue The District is issuing its \$4,160,000 Unlimited Tax Road Refunding Bonds, Series 2021 (the “Bonds”). Interest on the Bonds accrues from December 1, 2021 at the rates per annum and the Bonds mature in serial installments on March 1 of each of the years and in the amounts shown on the inside cover page hereof. Interest is payable March 1, 2022, and on each September 1 and March 1 thereafter until maturity or prior redemption.
- Redemption Provisions The Bonds maturing on March 1, 2027 and thereafter are subject to redemption, in whole or from time to time in part, at the option of the District on March 1, 2026, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See “THE BONDS – Redemption Provisions.”
- Authority for Issuance..... The Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of refunding bonds previously issued for constructing a road system to serve the District (the “Road System”). Voters in the District have authorized a total of \$44,295,000 principal amount of unlimited tax bonds for the refunding of bonds issued for constructing the Road System within the District.

The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution and Chapter 1207 of the Texas Government Code, as amended, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (ii) Chapter 8195 of the Texas Special District Local Laws Code, (iii) an election held within the District on November 6, 2007, and (iv) an order (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”). See “THE BONDS – Authority for Issuance.”
- Source of Payment Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Kaufman County, the City of Dallas or any entity other than the District. See “THE BONDS – Sources of Payment.”
- Qualified Tax-Exempt Obligations The District has designated the Bonds as “qualified tax-exempt obligations” pursuant to section 265(b) of the Internal Revenue Code of 1986, as amended (the “Code”), and will represent that the total amount of tax-exempt bonds (including the Bonds) issued by the District during calendar year 2021 is not reasonably expected to exceed \$10,000,000. See “QUALIFIED TAX-EXEMPT OBLIGATIONS.”

Plan of Financing.....	Proceeds from the sale of the Bonds will be used to refund \$4,100,000 principal amount (the "Refunded Bonds") of the District's \$5,350,000 Unlimited Tax Road Bonds, Series 2014. Proceeds from sale of the Bonds will also be used to pay costs of issuance of the Bonds. The sale of the Bonds and the refunding of the Refunded Bonds will result in an annual and net present value savings in the District's current annual debt service requirements. See "PLAN OF FINANCING."
Remaining Outstanding Bonds.....	The District has previously issued five series of unlimited tax bonds for the purpose of constructing the Road System to serve the District (the "Road System Bonds"); four series of unlimited tax bonds for the purpose of constructing or acquiring the water, sewer and drainage system to serve the District (the "Utility System") (the "Utility System Bonds"); and two series of unlimited tax refunding bonds to refund bonds previously issued for the Utility System, of which an aggregate of \$35,525,000 principal amount is currently outstanding (the "Outstanding Bonds"). Following the issuance of the Bonds, excluding the Refunded Bonds, \$31,425,000 in principal amount of Outstanding Bonds will remain outstanding (the "Remaining Outstanding Bonds"). See "THE BONDS – Remaining Outstanding Bonds."
Payment Record.....	The District has never defaulted on the timely payment of principal and interest on its Outstanding Bonds. See "THE BONDS – Source of Payment."
Municipal Bond Insurance	Assured Guaranty Municipal Corp. ("AGM"). See "MUNICIPAL BOND INSURANCE."
Ratings	S&P Global Ratings (AGM Insured) – "AA". Moody's Investors Service, Inc. (AGM Insured) – "A2". Moody's Investor's Service (Underlying) – "Baa2". See "MUNICIPAL BOND INSURANCE" and "RATINGS."
Legal Opinion	Coats Rose, P.C., Dallas, Texas, Bond Counsel.
Underwriter's Counsel.....	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Financial Advisor.....	Robert W. Baird & Co. Incorporated, Houston, Texas.
Paying Agent and Escrow Agent.....	Zions Bancorporation, National Association, Houston, Texas.
Verification Agent	Robert Thomas CPA, LLC, Minneapolis, Minnesota. See "THE DISTRICT – Special Consultants Related to Issuance of the Bonds" and "VERIFICATION OF MATHEMATICAL CALCULATIONS."
OMS Bidding Agent.....	Causey Demgen & Moore P.C., LLC, Denver, Colorado.

INFECTIOUS DISEASE OUTLOOK (COVID-19)

Infectious Disease Outlook – COVID-19 In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State of Texas (the "State") because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

With the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

THE DISTRICT

Description.....	The District, which contains approximately 313.67 acres of land, is located in the extraterritorial jurisdiction of the City of Dallas in Kaufman County, approximately 21 miles east of the City of Dallas. The District is bordered by Farm-to-Market Road 548 on the southeast, Kaufman County Municipal Utility District No. 3 (“KC MUD 3”) on the west and Kaufman County Municipal Utility District No. 4 (“KC MUD 4”) on 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 III, Section 52 of the Texas Constitution; and (iii) Chapter 8195 of the Texas Special District Local Law Codes. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality (the “TCEQ”). See “THE DISTRICT – General.”
Devonshire	The District is part of the approximately 1,038-acre master-planned community of “Devonshire.” Devonshire is comprised of the District, KC MUD 3 and KC MUD 4, collectively referred to as the “Devonshire Districts”. See “DEVONSHIRE.”
Development Status of the District.....	Land within the District has been developed as the single-family subdivisions of Devonshire, Phases 1A, 1B, 1C, 2A, 2B, 2C, 2D and 11 (an aggregate total of 303.23 acres and 1,043 single-family lots). As of November 1, 2021, there were 996 completed homes, 13 homes under construction and 34 vacant developed lots in the District. In

addition, the District contains approximately 5.52 undeveloped but developable acres and approximately 4.92 undevelopable acres. See "DEVELOPMENT STATUS OF THE DISTRICT."

Development Status of Devonshire..... As of November 1, 2021, Devonshire consisted of approximately 2,409 completed lots consisting of 1,789 completed homes, 287 homes under construction, and 333 vacant developed lots. In addition, Devonshire contains approximately 420 undeveloped but developable acres and approximately 40 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 KC MUD 4. See "DEVONSHIRE."

The Developer..... Devonshire (Dallas) ASLI VIII, LLC, a Delaware limited liability company (the "Developer") and a wholly-owned subsidiary of Avanti Strategic Land Investors VIII, L.L.L.P., a Delaware limited liability partnership, acquired a majority of the undeveloped land in Devonshire, including all of the undeveloped land within the District in January 2017. The Developer has engaged Forney – RH, LLC, a Texas limited liability company, an affiliate of Haynes Development Company, a Texas based real estate investment and development company, to manage the development of Devonshire. The Developer currently owns approximately 14.25 acres within the District. Additionally, the Developer owns the remaining undeveloped land within the Devonshire development. See "THE DEVELOPER."

Homebuilders Within the District..... Homebuilders active in the District include Perry Homes, Highland Homes, Bloomfield Homes and Gehan Homes. The homes being marketed in the District range in price from approximately \$275,000 to \$454,000 and range in size from approximately 2,800 square feet to 4,500 square feet. See "DEVELOPMENT STATUS OF THE DISTRICT – Homebuilders within the District."

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 District Facilities"). See "THE UTILITY SYSTEM"

INVESTMENT CONSIDERATIONS

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

**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2021 Taxable Assessed Valuation.....	\$313,800,928 (a)
(100% of taxable value as of January 1, 2021)	
See "TAX DATA" and "TAXING PROCEDURES."	
Direct Debt:	
The Remaining Outstanding Bonds.....	\$ 31,425,000
The Bonds	<u>\$ 4,160,000</u>
Total.....	\$ 35,585,000
Estimated Overlapping Debt.....	<u>\$ 27,230,477 (b)</u>
Total Direct and Estimated Overlapping Debt	<u>\$ 62,815,477</u>
Ratio of Direct Debt to 2021 Taxable Assessed Valuation (\$313,800,928)	11.34 %
Ratio of Direct and Estimated Overlapping Debt to 2021 Taxable Assessed Valuation (\$313,800,928)	20.02 %
Utility System Debt Service Fund Balance (as of October 26, 2021)	\$ 414,497 (c)
Road System Debt Service Fund Balance (as of October 26, 2021)	\$ 555,362 (c)
General Fund Balance (as of October 26, 2021)	\$ 1,295,036
2021 Tax Rate	
Utility System Debt Service.....	\$0.360
Road System Debt Service.....	\$0.410
Maintenance & Operation.....	<u>\$0.160</u>
Total.....	<u>\$0.930</u>
Average Annual Debt Service Requirements (2022-2045).....	\$ 2,048,279 (d)
Maximum Annual Debt Service Requirements (2034).....	\$ 2,375,319 (d)
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Remaining Outstanding Bonds and the Bonds (2022-2045) at 95% Tax Collections Based Upon 2021 Taxable Assessed Valuation (\$313,800,928)	
	\$0.69
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirements on Remaining Outstanding Bonds and the Bonds (2034) at 95% Tax Collections Based Upon 2021 Taxable Assessed Valuation (\$313,800,928)	
	\$0.80
Single-Family Homes (including 13 homes under construction) as of November 1, 2021	1,009

- (a) As certified by the Kaufman Central Appraisal District (the "Appraisal District"). All property within the District is valued on the tax rolls by the Appraisal District at 100% of estimated market value as of January 1 of each year. This amount includes \$4,904,417 of uncertified value, which represents 80% of the total uncertified value provided by the Appraisal District which is the estimated minimum amount of the uncertified value that will ultimately be certified. See "TAXING PROCEDURES."
- (b) See "DISTRICT DEBT - Estimated Overlapping Debt Statement."
- (c) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund. The Debt Service Fund has two components: the Utility System Debt Service Fund and the Road System Debt Service Fund. Any funds in the Utility System Debt Service Fund are pledged only to pay the debt service on the Utility System Bonds and are not pledged to the Outstanding Road System Bonds. Additionally, accrued interest from December 1, 2021 to delivery will be deposited into the Road System Debt Service Fund at closing.
- (d) Requirement of debt service on the Remaining Outstanding Bonds and the Bonds. See "DISTRICT DEBT - Debt Service Requirements."

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Kaufman County Municipal Utility District No. 2 (the "District"), of its \$4,160,000 Unlimited Tax Road Refunding Bonds, Series 2021 (the "Bonds").

The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207 Texas Government Code, as amended; (ii) Chapter 8195 of the Texas Special District Local Laws Code, (iii) an election held within the District on November 6, 2007, and (iv) an order (the "Bond Order") adopted by the Board of Directors of the District (the "Board").

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

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

THE BONDS

General

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order. A copy of the Bond Order may be obtained from the District upon request to 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 will mature on March 1 of the years and in principal amounts, and will bear interest from December 1, 2021, at the rates per annum, set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable March 1, 2022, and semiannually thereafter on each September 1 and March 1 until maturity or redemption.

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

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

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

Book-Entry-Only System

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

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

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

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

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Paying Agent/Registrar

The Board has selected Zions Bancorporation, National Association, Houston, Texas, as the initial Paying Agent/Registrar for the Bonds. 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.

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 series and 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.

Redemption Provisions

The Bonds maturing on and after March 1, 2027, shall be subject to redemption at the option of the District, in whole or from time to time in part, on March 1, 2026, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by a random selection method in integral multiples of \$5,000 within any one maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Authority for Issuance

The Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of refunding bonds issued for constructing a road system to serve the District (the "Road System"). Voters in the District have authorized a total of \$44,295,000 principal amount of unlimited tax bonds for the refunding of bonds previously issued for the Road System within the District. Following the issuance of the Bonds, \$44,235,000 principal amount of unlimited tax bonds for the refunding of bonds previously issued for constructing the Road System will remain authorized but unissued.

The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended and Chapter 1207 of the Texas Government Code, as amended; (ii) Chapter 8195 of the Texas Special District Local Laws Code, (iii) an election held within the District on November 6, 2007, and (iv) the Bond Order adopted by the Board.

Source of Payment

The Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied without legal limitation as to rate or amount against all taxable property located within the District. In the Bond Order, the District covenants to levy a sufficient tax to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection.

Funds

The Bond Order confirms the District's fund for debt service on the Bonds, bonds previously issued by the District for the Road System, and any additional unlimited tax bonds issued by the District for the Road System (the "Road System Debt Service Fund"). Accrued interest on the Bonds will be deposited from the proceeds from sale of the Bonds into 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, outstanding bonds previously issued for the Road System, 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 bonds previously issued for the Road System, 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, outstanding bonds previously issued for the Road System, and any additional bonds issued 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 (hereinafter defined).

Issuance of Additional Debt

Voters of the District have authorized the District's issuance of \$44,295,000 principal amount of unlimited tax bonds for the purpose of refunding bonds previously issued by the District for the Road System. The Bonds represent the first series of bonds to be issued from said voted authorization. Following issuance of the Bonds, \$44,235,000 principal amount of unlimited tax bonds for refunding bonds previously issued for the Road System will remain authorized but unissued.

The District's voters have also authorized a total of \$29,530,000 principal amount of unlimited tax bonds for the purpose of constructing the Road System to serve the District, \$63,160,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the water, sewer and drainage system to serve the District (the "Utility System"), and \$94,740,000 principal amount of unlimited tax bonds for the purpose of refunding bonds previously issued for the Utility System. See "THE BONDS – Authority for Issuance." Any bonds issued by the District must be approved by the Attorney General of Texas. The issuance of bonds for the purpose of financing the Utility System requires approval of the Texas Commission on Environmental Quality ("TCEQ"). Approval of the TCEQ is not necessary for the issuance of bonds for the purpose of constructing the Road System, such as the Bonds. See "THE DISTRICT – General."

The bonds authorized by the resident electors of the District, the amount of bonds issued, and the remaining authorized but unissued bonds are as follows:

<u>Election Date</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Amount Issued</u>	<u>Remaining Authorized But Unissued</u>
September 10, 2005	Water, Sewer, & Drainage	\$63,160,000	\$17,235,000	\$ 45,925,000
September 10, 2005	Water, Sewer, & Drainage Refunding	\$94,740,000	\$ 465,000	\$ 94,275,000
November 6, 2007	Road	\$29,530,000	\$22,300,000	\$ 7,230,000
November 6, 2007	Road Refunding	\$44,295,000	\$ 60,000 (a)	\$ 44,235,000

(a) The Bonds.

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

Annexation

The District lies wholly within the extraterritorial jurisdiction of the City of Dallas, Texas. Under current law, certain portions of the District may be annexed and dissolved by the City of Dallas 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 of Dallas 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 of Dallas is a policy-making matter within the discretion of the Mayors and City Councils of the City of Dallas, and therefore, the District makes no representation that the City of Dallas will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Dallas 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 (i) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) 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 (iii) 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.

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 (i) 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, (ii) give any preference to any Bond over any other Bond, or (iii) modify any of the provisions of the Bond Order relating to the amendment thereof, except to increase any percentage provided thereby or to provide that certain other provisions of the Bond Order cannot be modified or waived without the consent of the holder of each Bond affected thereby. In addition, a state, consistent with federal law, may, in the exercise of its police power, make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

Registered Owners' Remedies

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

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

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PLAN OF FINANCING

Use of Proceeds

Proceeds from the sale of the Bonds will be used to refund \$4,100,000 principal amount (the "Refunded Bonds") of the District's \$5,350,000 Unlimited Tax Road Bonds, Series 2014. Proceeds from sale of the Bonds will also be used to pay costs of issuance of the Bonds. The sale of the Bonds and the refunding of the Refunded Bonds will result in an annual and net present value savings in the District's current annual debt service requirements.

The Refunded Bonds

The principal amounts and maturity dates of the Refunded Bonds are set forth as follows:

Series 2014 Road Bonds	
Principal Amount	Maturity Date
\$ 190,000	03/01/2025
200,000	03/01/2026
210,000	03/01/2027
220,000	03/01/2028
230,000	03/01/2029
245,000	03/01/2030
255,000	03/01/2031
270,000	(a) 03/01/2032
280,000	(a) 03/01/2033
295,000	03/01/2034
310,000	03/01/2035
325,000	(b) 03/01/2036
340,000	(b) 03/01/2037
355,000	(c) 03/01/2038
<u>375,000</u>	(c) 03/01/2039
\$4,100,000	

Total Principal Amount of the Refunded Bonds: \$4,100,000

Redemption Date: March 1, 2022

(a) Represents a term bond in the total principal amount of \$605,000, scheduled to mature on March 1, 2033.

(b) Represents a term bond in the total principal amount of \$665,000, scheduled to mature on March 1, 2037.

(c) Represents a term bond in the total principal amount of \$730,000, scheduled to mature on March 1, 2039.

Escrow Agreement

The District will enter into an escrow agreement (the "Escrow Agreement") with Zions Bancorporation, National Association, Houston, Texas (the "Escrow Agent"), pursuant to which a portion of the proceeds of the Bonds, along with cash, if any, and other investments authorized by Chapter 1207, Texas Government Code (the "Escrowed Securities"), will be deposited in an escrow fund (the "Escrow Fund") and applied to provide for scheduled payment of principal of and interest on the Refunded Bonds until their maturity or prior redemption and to provide for payment of the redemption price of the Refunded Bonds on the redemption date. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

Remaining Outstanding Bonds

The District has previously issued five series of unlimited tax bonds to finance its Road System, four series of unlimited tax bonds to finance its Utility System, and two series of unlimited tax bonds for the purpose of refunding bonds previously issued for the Utility System. At delivery of the Bonds, the following bonds will be outstanding:

	Original Principal Amount	Principal Currently Outstanding	Less: Refunded Bonds	Remaining Outstanding Bonds
Series 2011 System Bonds	\$ 4,000,000	\$ -	\$ -	\$ -
Series 2013 System Bonds	2,570,000	165,000	-	165,000
Series 2014 Road Bonds	5,350,000	4,625,000	4,100,000	525,000
Series 2015 Road Bonds	4,505,000	3,870,000	-	3,870,000
Series 2016 Refunding Bonds	3,330,000	3,155,000	-	3,155,000
Series 2016 System Bonds	4,500,000	3,890,000	-	3,890,000
Series 2017 Road Bonds	3,450,000	3,075,000	-	3,075,000
Series 2018 System Bonds	6,165,000	5,870,000	-	5,870,000
Series 2019 Road Bonds	6,230,000	6,035,000	-	6,035,000
Series 2020 Road Bonds	2,765,000	2,765,000	-	2,765,000
Series 2020 Refunding Bonds	<u>2,110,000</u>	<u>2,075,000</u>	-	<u>2,075,000</u>
	<u>\$ 44,975,000</u>	<u>\$ 35,525,000</u>	<u>\$ 4,100,000</u>	<u>\$31,425,000</u>

Sources and Uses of Funds

The proceeds from the sale of the Bonds will be applied as follows:

SOURCES OF FUNDS:

Principal Amount of Bonds	\$4,160,000.00
Original Issue Premium.....	203,439.05
Accrued Interest on Bonds	4,853.33
Total Sources of Funds	<u>\$4,368,292.38</u>

USES OF FUNDS:

Deposit with Escrow Agent.....	\$4,179,417.07
Deposit of Accrued Interest to Debt Service Fund	4,853.33
Insurance Premium, Issuance Expenses and Underwriter's Discount..	181,259.71
Additional Proceeds.....	2,762.27
Total Uses of Funds	<u>\$4,368,292.38</u>

DISTRICT DEBT

General

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

2021 Taxable Assessed Valuation.....	\$313,800,928 (a)
(100% of taxable value as of January 1, 2021)	
See "TAX DATA" and "TAXING PROCEDURES."	
Direct Debt:	
The Remaining Outstanding Bonds.....	\$ 31,425,000
The Bonds.....	<u>\$ 4,160,000</u>
Total.....	\$ 35,585,000
Estimated Overlapping Debt.....	<u>\$ 27,230,477 (b)</u>
Total Direct and Estimated Overlapping Debt.....	<u>\$ 62,815,477</u>
Ratio of Direct Debt to 2021 Taxable Assessed Valuation (\$313,800,928)	11.34 %
Ratio of Direct and Estimated	
Overlapping Debt to 2021 Taxable Assessed Valuation (\$313,800,928)	20.02 %
Utility System Debt Service Fund Balance (as of October 26, 2021)	\$ 414,497 (c)
Road System Debt Service Fund Balance (as of October 26, 2021)	\$ 555,362 (c)
General Fund Balance (as of October 26, 2021).....	\$ 1,295,036
2021 Tax Rate	
Utility System Debt Service.....	\$0.360
Road System Debt Service.....	\$0.410
Maintenance & Operation.....	<u>\$0.160</u>
Total.....	<u>\$0.930</u>
Average Annual Debt Service Requirements (2022-2045).....	\$ 2,048,279 (d)
Maximum Annual Debt Service Requirements (2034).....	\$ 2,375,319 (d)
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt	
Service Requirements on the Remaining Outstanding Bonds and the Bonds	
(2022-2045) at 95% Tax Collections	
Based Upon 2021 Taxable Assessed Valuation (\$313,800,928)	\$0.69
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt	
Service Requirements on Remaining Outstanding Bonds and the Bonds	
(2034) at 95% Tax Collections	
Based Upon 2021 Taxable Assessed Valuation (\$313,800,928)	\$0.80
Single-Family Homes (including 13 homes under construction) as of November 1, 2021	1,009

- (a) As certified by the Kaufman Central Appraisal District (the "Appraisal District"). All property within the District is valued on the tax rolls by the Appraisal District at 100% of estimated market value as of January 1 of each year. This amount includes \$4,904,417 of uncertified value, which represents 80% of the total uncertified value provided by the Appraisal District which is the estimated minimum amount of the uncertified value that will ultimately be certified. See "TAXING PROCEDURES."
- (b) See "DISTRICT DEBT - Estimated Overlapping Debt Statement."
- (c) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund. The Debt Service Fund has two components: the Utility System Debt Service Fund and the Road System Debt Service Fund. Any funds in the Utility System Debt Service Fund are pledged only to pay the debt service on the Utility System Bonds and are not pledged to the Outstanding Road System Bonds. Additionally, accrued interest from December 1, 2021 to delivery will be deposited into the Road System Debt Service Fund at closing.
- (d) Requirement of debt service on the Remaining Outstanding Bonds and the Bonds. See "DISTRICT DEBT - Debt Service Requirements."

Estimated Overlapping Debt Statement

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

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt as of September 30, 2021</u>	<u>Percent</u>	<u>Overlapping Amount</u>
Forney ISD	\$510,522,848	4.71%	\$24,041,475
Kaufman County	149,957,667	2.13%	<u>3,189,002</u>
TOTAL ESTIMATED OVERLAPPING DEBT			\$27,230,477
Direct Debt			<u>35,585,000</u> (a)
TOTAL DIRECT & ESTIMATED OVERLAPPING DEBT			<u>\$62,815,477</u> (a)

(a) Includes the Remaining Outstanding Bonds and the Bonds.

Debt Ratios

	<u>2021 Taxable Assessed Valuation</u>
Direct Debt (a)	11.34%
Total Direct and Estimated Overlapping Debt (a)	20.02%

(a) Includes the Remaining Outstanding Bonds and the Bonds.

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Debt Service Requirements

The following schedule sets forth annual debt service requirements on outstanding bonds previously issued by the District, less the debt service on the Refunded Bonds, plus the principal and interest requirements on the Bonds.

Year Ending 12/31	Total Outstanding Debt Service (a)	Less: Refunded Debt Service	Plus: The Bonds		Total Debt Service
			Principal	Interest	
2022	\$2,344,736	\$158,843	\$40,000	\$93,000	\$2,318,894
2023	2,350,236	158,843	10,000	123,450	2,324,844
2024	2,354,805	158,843	10,000	123,150	2,329,113
2025	2,352,494	345,613	200,000	120,000	2,326,881
2026	2,367,301	348,983	210,000	113,850	2,342,169
2027	2,380,114	351,908	220,000	107,400	2,355,606
2028	2,375,166	354,273	230,000	100,650	2,351,544
2029	2,377,209	356,115	240,000	93,600	2,354,694
2030	2,386,468	362,324	250,000	86,250	2,360,394
2031	2,387,915	362,821	260,000	78,600	2,363,694
2032	2,391,622	367,513	275,000	70,575	2,369,684
2033	2,387,984	366,513	280,000	62,250	2,363,722
2034	2,396,706	370,013	295,000	53,625	2,375,319
2035	2,392,675	372,913	305,000	44,625	2,369,388
2036	2,111,534	375,213	315,000	35,325	2,086,647
2037	2,117,600	376,913	325,000	25,725	2,091,413
2038	2,125,216	377,791	340,000	15,750	2,103,175
2039	1,966,416	382,734	355,000	5,325	1,944,006
2040	1,657,956	-0-	-0-	-0-	1,657,956
2041	1,661,156	-0-	-0-	-0-	1,661,156
2042	1,385,431	-0-	-0-	-0-	1,385,431
2043	1,384,438	-0-	-0-	-0-	1,384,438
2044	966,525	-0-	-0-	-0-	966,525
2045	972,000	-0-	-0-	-0-	972,000
Total	\$45,593,703	\$5,948,163	\$4,160,000	\$1,353,150	\$49,158,691

(a) Totals may not sum due to rounding.

Average Annual Requirements - (2022-2045).....	\$2,048,279
Maximum Annual Requirement - (2034)	\$2,375,319

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the 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 certain contractual obligations. The District levied a Utility System debt service tax rate of \$0.36 per \$100 of assessed valuation, a Road System debt service tax rate of \$0.41 per \$100 of assessed valuation and a maintenance and operations tax rate of \$0.16 per \$100 of assessed valuation for the 2021 tax year. See "TAX DATA- Tax Rate Limitation."

Property Code and County-Wide Appraisal District

The Texas Property Code (the "Property Code"), specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Code are complex and are not fully summarized herein. The Property Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the Appraisal District. The Kaufman County Appraisal District (the "Appraisal District") has the responsibility of appraising property for all taxing units within the County, including the 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 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 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 Code requires each appraisal district to implement a plan for periodic reappraisal of property to update appraised values. Such plan must provide for reappraisal of all real property in the appraisal district at least once every three years. It is not known what frequency of future reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

Property Subject to Taxation by the District

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

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

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

Residential Homestead Exemptions: The Property 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 May 1. The District has not adopted a general homestead exemption.

Freeport Goods Exemption and "Goods-in-Transit": A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such

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

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land’s capacity to produce agriculture or timber products rather than at its fair market value. The Property 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 such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Code to act on each claimant’s right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the 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 for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District’s Tax Assessor/Collector, as of January 1, 2021, no land within the District was designated for agricultural use, open space, inventory deferment, or timberland.

Tax Abatement

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

Valuation of Property for Taxation

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

The Property 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 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 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.

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 Code.

Rollback of Operation and Maintenance Tax Rate

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

Low Tax Rate Districts

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

Developed Districts

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

Developing Districts

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

The District

For the 2021 tax year, the District was determined to be a Developed District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The date of delinquency may be postponed if the tax bills are mailed after January 1. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors of the District based on valuation of property within the District as of the preceding January 1.

Taxes are due September 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property 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 Remaining Outstanding Bonds and the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, not to exceed \$1.00 per \$100 of assessed valuation, for operation and maintenance purposes. The District levied a 2021 tax rate of \$0.36 per \$100 of assessed valuation for the Utility System, \$0.41 per \$100 of assessed valuation for the Road System, and \$0.16 per \$100 of assessed valuation for maintenance and operation purposes.

Tax Rate Limitation

Utility System Debt Service:	Unlimited (no legal limit as to rate or amount).
Road System Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance and Operation:	\$1.00 per \$100 Assessed Valuation.

Historical Tax Collections

The following table illustrates the collection history of the District for the 2016-2021 tax years:

Tax Year	Certified Assessed Valuation	Tax Rate/ \$100 (a)	Adjusted Levy	% of Collections Current Year	Tax Year Ending 9/30	% of Collections as of 9/30/2021
2016	\$152,712,725	\$ 0.950	\$1,450,771	99.92%	2017	100.00
2017	191,906,189	0.950	1,823,109	99.99	2018	100.00
2018	234,365,348	0.950	2,226,471	99.93	2019	99.99
2019	256,531,575	0.950	2,437,050	99.79	2020	99.79
2020	290,583,677	0.950	2,760,545	99.93	2021	99.93
2021	313,800,928	0.930	2,918,349	(b)	2022	(b)

(a) Includes a tax for maintenance and operation purposes. See "- Tax Rate Distribution" below.

(b) In process of collections. Taxes for 2021 are due by January 31, 2022.

Tax Rate Distribution

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Utility System Debt Service	\$ 0.360	\$ 0.380	\$ 0.400	\$ 0.440	\$ 0.370
Road System Debt Service	0.410	0.415	0.430	0.350	0.210
Maintenance	<u>0.160</u>	<u>0.155</u>	<u>0.120</u>	<u>0.160</u>	<u>0.370</u>
	<u>\$ 0.930</u>	<u>\$ 0.950</u>	<u>\$ 0.950</u>	<u>\$ 0.950</u>	<u>\$ 0.950</u>

Analysis of Tax Base

The following table illustrates the District's total taxable assessed value in the tax years 2017-2021 by type of property.

<u>Type of Property</u>	<u>2021 Assessed Valuation (a)</u>	<u>2020 Assessed Valuation</u>	<u>2019 Assessed Valuation</u>	<u>2018 Assessed Valuation</u>	<u>2017 Assessed Valuation</u>
Land	\$ 77,811,600	75,674,180	69,692,580	44,610,140	36,080,348
Improvements	257,727,936	231,432,828	198,056,434	197,643,745	160,239,493
Personal Property	466,045	549,320	491,210	351,430	317,710
Less Exemption	<u>(22,204,654)</u>	<u>(17,072,651)</u>	<u>(11,708,649)</u>	<u>(8,239,967)</u>	<u>(4,731,362)</u>
Total	\$313,800,928	290,583,677	256,531,575	234,365,348	191,906,189

(a) Includes \$4,904,417 of uncertified taxable assessed valuation.

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2021:

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2021 Tax Roll Assessed Valuation</u>	<u>% of 2021 Assessed Valuation</u>
Devonshire Dallas ASLI VIII LLC (a)	Land & Improvements	3,552,600	1.13%
HPA US1 LLC	Land & Improvements	1,263,967	0.40%
Bloomfield Homes LP (b)	Land & Improvements	905,978	0.29%
Highland Homes Dallas LLC (b)	Land & Improvements	846,431	0.27%
FKH SFR PROPCO A. L.P.	Land & Improvements	627,114	0.20%
Homeowner	Land & Improvements	512,710	0.16%
Homeowner	Land & Improvements	491,557	0.16%
Homeowner	Land & Improvements	481,385	0.15%
Homeowner	Land & Improvements	458,369	0.15%
Homeowner	Land & Improvements	<u>455,048</u>	<u>0.15%</u>
Total		\$ 9,595,159	3.06%

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

(b) See "HOMEBUILDERS WITHIN THE DISTRICT."

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 if no growth in the District occurs beyond the 2021 Taxable Assessed Valuation (\$313,800,928). The foregoing further assumes collection of 95% of taxes levied and the sale of no additional bonds other than the Bonds:

Average Annual Debt Service Requirements on the Bonds and the Remaining Outstanding Bonds (2022-2045).....	\$2,048,279
Tax Rate of \$0.69 on the 2021 Taxable Assessed Valuation at 95% collection produces	\$2,056,965
Maximum Annual Debt Service Requirements on the Bonds and the Remaining Outstanding Bonds (2034).....	\$2,375,319
Tax Rate of \$0.80 on the 2021 Taxable Assessed Valuation at 95% collection produces	\$2,384,887

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 2021 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>2021 Tax Rate/ Per \$100 of A.V.</u>
The District	\$0.930000
Kaufman County	0.461171
Forney Independent School District	1.372000
Kaufman County Emergency Service District No. 6	<u>0.030000</u>
Total Tax Rate	\$2.793171

THE DISTRICT

General

The District is a limited-purpose political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution. The District was created by order of the TCEQ dated April 12, 2005. The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. In addition, the District is authorized to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; the control and diversion of storm water. The District is also authorized to purchase, construct, operate and maintain roads. The District may also provide solid waste collection and disposal service and operate and maintain recreational facilities. The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters and the TCEQ. The District does not operate and/or maintain a fire department. The District is subject to the continuing supervision of the TCEQ.

Description

The District, which contains approximately 313.67 acres of land, is located in the extraterritorial jurisdiction of the City of Dallas in Kaufman County, approximately 21 miles east of the City of Dallas. The District is bordered by Farm-to-Market Road 548 on the southeast, Kaufman County Municipal Utility District No. 3 ("KC MUD 3") on the west and Kaufman County Municipal Utility District No. 4 ("KC MUD 4") on the northwest. The District is located in the Forney Independent School District.

Management of the District

The District is governed by a board of five directors which has control and management supervision over all affairs of the District. None of the present members of the Board reside within the District, but all own real property located within the boundaries of the District. Directors are elected in even-numbered years for four-year staggered terms. The present members and officers of the Board are listed below:

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Rhodes Hamilton	President	2024
Justin Allen	Vice President	2024
Clifton A. Squibb	Secretary	2022
Michael Allen	Assistant Secretary	2024
Kasey Ratliff	Assistant Secretary	2022

The District has contracted with 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.

System Operator – The District's operator is Inframark.

Auditor – As required by the Texas Water Code, the District has engaged an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. A copy of the District's audit prepared by McCall Gibson Swedlund Barfoot PLLC for the fiscal year ended July 31, 2021, is included as "APPENDIX A" to this Official Statement.

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

Bond Counsel – Coats Rose, P.C. serves as bond counsel to the District ("Bond Counsel"). 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. In addition, Coats Rose, P.C. also serves as general counsel for the District on matters other than the issuance of bonds.

Financial Advisor – The District has engaged the firm of Robert W. Baird & Co. Incorporated as financial advisor to the District ("Financial Advisor"). 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.

Special Consultants Related to Issuance of the Bonds

Verification Agent – At the time of delivery of the Bonds, Robert Thomas CPA, LLC, Minneapolis, Minnesota will verify to the District, Bond Counsel, Escrow Agent, and the Underwriter certain matters related to the issuance of the Bonds and the refunding of the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

OMS Bidding Agent – The District has engaged Causey Demgen & Moore P.C., Denver, Colorado, as OMS Bidding Agent pertaining to the issuance of the Bonds.

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DEVELOPMENT STATUS OF THE DISTRICT

Land within the District has been developed as the single-family subdivisions of Devonshire, Phases 1A, 1B, 1C, 2A, 2B, 2C, 2D and 11 (an aggregate total of 303.23 acres and 1,043 single-family lots). As of November 1, 2021, there were 996 completed homes, 13 homes under construction and 34 vacant developed lots in the District. In addition, the District contains approximately 5.52 undeveloped but developable acres and approximately 4.92 undevelopable acres.

The table below summarizes the development within the District as of November 1, 2021 by section.

	Approximate Acreage	Homes			Vacant Developed Lots
		Lots	Completed	Under Construction	
Phase 1A	84.18	257	243	3	11
Phase 1B	56.03	217	216	-	1
Phase 1C	39.61	114	114	-	-
Phase 2A	12.24	21	4	-	17
Phase 2B	44.83	175	175	-	-
Phase 2C	33.91	121	121	-	-
Phase 2D	28.62	120	120	-	-
Phase 11	<u>3.81(a)</u>	<u>18</u>	<u>3</u>	<u>10</u>	<u>5</u>
Totals	303.23	1,043	996	13	34
Undevelopable	4.92				
Remaining Developable	5.52				
Total	<u>313.67</u>				

(a) Devonshire, Phase 11 is approximately 6.705 acres (44 lots), of which the remaining portion has been developed with KC MUD 3.

Homebuilders within the District

Homebuilders active in the District include Perry Homes, Highland Homes, Bloomfield Homes and Gehan Homes. The homes being marketed in the District range in price from approximately \$275,000 to \$454,000 and range in size from approximately 2,800 square feet to 4,500 square feet.

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.”

As of November 1, 2021, Devonshire consisted of approximately 2,409 completed lots consisting of 1,789 completed homes, 287 homes under construction, and 333 vacant developed lots. In addition, Devonshire contains approximately 420 undeveloped but developable acres and approximately 40 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 DEVELOPER

The Role of a Developer

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

a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a municipal utility district.

The Developer

Devonshire (Dallas) ASLI VIII, LLC, a Delaware limited liability company (the "Developer") and a wholly-owned subsidiary of Avanti Strategic Land Investors VIII, L.L.P., a Delaware limited liability partnership, acquired a majority of the undeveloped land in Devonshire, including all of the undeveloped land within the District in January 2017. The Developer has engaged Forney – RH, LLC, a Texas limited liability company, an affiliate of Haynes Development Company, a Texas based real estate investment and development company, to manage the further development of Devonshire. The Developer owns the remaining undeveloped land within the Devonshire development.

Development Financing

The Developer has financed the development of a portion of the land within the District with the outstanding loan detailed below:

The Developer has obtained a loan for approximately \$20,000,000 from Inwood National Bank. Such loan bears interest at Bank of America Prime plus 1.00% floating, with a floor of 4.00% and matures on May 13, 2024. As of October 1, 2021, the interest rate of the loan was 4.25%. The loan is secured by lots, land and future reimbursements within Devonshire. The outstanding balance on the loan is \$1,000 as of October 1, 2021. According to the Developer, it is in compliance with all material conditions of the loan.

Lot Sales Contract

The Developer has entered into Lot Sales Contracts with Perry Homes, Highland Homes, Bloomfield Homes and Gehan Homes. All of the builders have satisfied and or completed their 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 of Dallas, 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.

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

Description of the Road System

Construction of the road improvements within the boundaries of the District has been financed with funds advanced by the Developer, 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.

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. The District does not receive revenues for supplying water. HPWSC receives fresh water from City of Forney, which, in turn, receives water from NTMWD. The Devonshire JPA has paid HPWSC for water facilities that directly benefit Devonshire, including the District, including: an 800,000-gallon ground storage tank, two 17,000 gallon pressure tanks, two 2,200 gallon per minute booster pumps, and trunk water distribution lines. The Devonshire JPA has funded enough capacity to serve approximately 3,013 equivalent single-family connections ("ESFCs"). The Developer has entered into an agreement with HPWSC to provide approximately a total of 3,425 ESFC for the Devonshire Districts, which will be sufficient for build-out of the Devonshire Districts.

- Wastewater Treatment and Conveyance System -

The District's wastewater treatment service is provided by the Devonshire JPA. The Devonshire JPA has contracted with City of Forney, which has contracted with 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. The Devonshire JPA has purchased sufficient capacity in the WWTP to serve 3,676 ESFCs.

- 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 4 (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 4 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 4.

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.

Historical Operations of the System

The following is a summary of the District's Operating Fund for the last five years. Such summary has been prepared by the Financial Advisor for inclusion herein, based upon information obtained from the District's audited financial statements for the fiscal years ending July 31, 2016 through July 31, 2021. Reference is made to such statement for further and more complete information. See "APPENDIX A."

	Fiscal Year Ended July 31					
	2021	2020	2019	2018	2017	2016
REVENUES:						
Property Taxes	\$446,535	\$322,077	\$375,076	\$721,133	\$167,030	\$111,172
Wastewater Service	517,559	493,564	440,532	371,651	300,117	257,785
Franchise Tax Revenue	98,889	24,811	73,191	57,607	41,319	34,664
Inspection Fees	148,000	84,400	83,000	129,579	160,000	106,000
Miscellaneous	<u>21,769</u>	<u>16,617</u>	<u>14,608</u>	<u>3,369</u>	<u>167</u>	<u>845</u>
TOTAL REVENUES	<u>\$1,232,752</u>	<u>\$941,469</u>	<u>\$986,407</u>	<u>\$1,283,339</u>	<u>\$668,633</u>	<u>\$510,466</u>
EXPENDITURES:						
Professional Fees	\$47,314	\$49,937	\$45,645	\$37,198	\$45,711	\$ 30,552
Contracted Services	306,541	280,216	198,876	144,563	108,912	91,922
Bulk Water Purchases	28,172	31,916	31,730	62,528	17,419	6,150-
Purchased Wastewater Services	340,636	359,616	151,207	349,855	293,828	255,304
Utilities	58,413	62,580	56,986	58,495	14,029	25,477
Repairs and Maintenance	174,527	108,303	31,327	9,563	63,305	47,553
Other	<u>79,413</u>	<u>63,202</u>	<u>66,436</u>	<u>111,704</u>	<u>93,191</u>	<u>72,372</u>
TOTAL EXPENDITURES	<u>\$1,035,017</u>	<u>\$955,770</u>	<u>\$582,207</u>	<u>\$773,906</u>	<u>\$636,395</u>	<u>\$529,330</u>
Excess (Deficiency) of Revenues Over Expenditures	\$197,736	\$(14,301)	\$404,200	\$509,433	\$32,238	\$(18,864)
OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>40,515</u>	<u>-</u>	<u>-</u>	<u>-</u>
ENDING FUND BALANCE	<u>\$1,439,668</u>	<u>\$1,241,932</u>	<u>\$1,256,233</u>	<u>\$811,518</u>	<u>\$302,085</u>	<u>\$269,847</u>

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

Infectious Disease Outbreak – COVID-19

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State of Texas because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State of Texas and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State of Texas. Following the widespread

release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

With the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

Economic Factors Affecting Taxable Values and Tax Payments

The rate of development within the District is directly related to the vitality of the single-family housing market in the Dallas metropolitan area. New single-family residential construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of single-family residential construction would restrict the growth of property values in the District. Although 1,009 single-family homes are either completed or under construction, the District cannot predict the pace or magnitude of any future development in the District. See "DEVELOPMENT STATUS OF THE DISTRICT."

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

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 2021 Taxable Assessed Valuation of property within the District (see "SELECTED FINANCIAL INFORMATION"), is \$313,800,928. After issuance of the Bonds, the maximum annual debt service requirement on the Remaining Outstanding Bonds and the Bonds will be \$2,375,319 (2034) and the average annual debt service requirement on the Remaining Outstanding Bonds and the Bonds will be \$2,048,279 (2022 through 2045, inclusive). Assuming no increase or decrease from the 2021 Taxable Assessed Valuation, combined debt services tax rates of \$0.80 and \$0.69 per \$100 assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement on Remaining Outstanding Bonds and the Bonds, respectively. The District levied a Utility System debt service tax rate of \$0.36 per \$100 of assessed valuation, a Road System debt service tax rate of \$0.41 per \$100 of assessed valuation, and a maintenance and operation tax rate of \$0.16 per \$100 of assessed valuation for the 2021 tax year.

Tax Collections and Foreclosure Remedies

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

Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

Registered Owners' Remedies

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

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

Bankruptcy Limitation to Registered Owners' Rights

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

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

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

The District may not be placed into bankruptcy involuntarily.

Bond Insurance Risk Factors

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

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

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

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

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

Neither the District or Underwriter 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 Issuer 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 "Bond Insurance" 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.

Future Debt

Following the issuance of the Bonds, \$7,230,000 principal amount of unlimited tax bonds for constructing the Road System, \$44,235,000 principal amount of unlimited tax bonds for refunding bonds previously issued for constructing the Road System, \$45,925,000 principal amount of unlimited tax bonds for constructing or acquiring the Utility System, and \$94,725,000 principal amount of unlimited tax bonds for refunding bonds previously issued for constructing or acquiring the Utility System will remain authorized and unissued. The District reserves in the Bond Order the right to issue the remaining authorized but unissued bonds plus such additional bonds as may hereafter be authorized by voters in the District. In addition, the District has the right to issue obligations, other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow money for any valid public purpose. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for and the investment quality and value of the Bonds. See "DEVELOPMENT STATUS OF THE DISTRICT."

Currently, the District owes the Developer approximately \$255,000 for the existing Utility System facilities and approximately \$250,000 for the existing Road System and future road infrastructure. The Developer has been fully reimbursed for Master Facilities constructed to date within the District. Devonshire JPA uses connection fees to reimburse the Developer for Master Facilities. The Devonshire JPA will collect connection fees from the

Devonshire Districts, including the District, pursuant to the Master District Contract. See “THE UTILITY SYSTEM AND THE ROAD SYSTEM – Description of the System - Devonshire Joint Powers Agency.”

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the Engineer (See “THE DISTRICT- Management of the District), the remaining \$7,230,000 principal amount of authorized but unissued Road System unlimited tax bonds will be sufficient to fully reimburse the Developer for the existing Road System infrastructure and the remaining undeveloped but developable land within the District and the remaining \$45,925,000 principal amount of authorized but unissued Utility System unlimited tax bonds will be sufficient to fully reimburse the Developer for the existing Utility System facilities and the Utility System facilities 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 Developer will be continued or completed. The respective competitive positions of the Developer and any of the homebuilders are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Future and Proposed Legislation

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

Marketability of the Bonds

The District has no understanding with the winning bidder for the Bonds (the “Underwriter”) 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 - Opinion.”

Approval of the Bonds

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

Environmental Regulation and Air Quality

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

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

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing, and operating water production and wastewater

treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (the “TCEQ”) may impact new industrial, commercial, and residential development in the Dallas-Fort Worth area. Under the Clean Air Act (“CAA”) Amendments of 1990, a nine-county Dallas-Fort Worth 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-hour (84 ppb) standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”).

However, a ten-county Dallas-Fort Worth 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-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-county Dallas-Fort Worth 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-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 ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

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

renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

Operations of utility districts, including the 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. The CWR was challenged in numerous jurisdictions, including the Southern District of Texas, causing significant uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction.

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal officially became final on December 23, 2019, but the repeal has itself become the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule (“NWPR”), which contains a new definition of “waters of the United States.” The stated purpose of the NWPR is to restore and maintain the integrity of the nation’s waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states’ primary authority over land and water resources. The new definition outlines four categories of waters that are considered “waters of the United States,” and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not “waters of the United States,” and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR became effective June 22, 2020 and is currently the subject of ongoing litigation.

In June and July of 2021, the EPA and USACE announced plans to further revise the definition of “waters of the United States.” On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE make plans to replace it. In light of this order, the EPA and the USACE announced that they have halted implementation of the NWPR and are interpreting “waters of the United States” consistent with the pre-2015 regulatory regime until further notice while continuing to move forward with the rulemakings announced in June of 2021. Due to existing and possible future litigation and regulatory action, there remains uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

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 EXEMPTION." The legal opinion of Bond Counsel may be printed on the Bonds.

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 Underwriter by McCall, Parkhurst & Horton L.L.P., Houston, Texas., Underwriter's 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 Underwriter's 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 Underwriter 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 Underwriter to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District subsequent to the date of sale from that set forth or contemplated in this 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.

Collateral Federal Income Tax Consequences

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

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

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

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

State, Local and Foreign Taxes

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

The District has, pursuant to the Bond Order, designated the Bonds as “qualified tax-exempt obligations” and certify its expectation that the above-described \$10,000,000 ceiling will not be exceeded for 2021. Accordingly, it is anticipated that financial institutions that purchase the Bonds will not be subject to the 100 percent disallowance of interest expense allocable to interest on the Bonds under Section 265(b) of the Code. However, 20 percent of the interest expense incurred by a financial institution which is allocable to the interest on the Bonds would not be deductible pursuant to Section 291 of the Code.

VERIFICATION OF MATHEMATICAL CALCULATIONS

Robert Thomas CPA, LLC, will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the Escrowed Securities deposited in an escrow fund with the Escrow Agent for the Refunded Bonds to pay, when due, the maturing principal of, interest on and related call premium requirements of the Refunded Bonds, and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes. Robert Thomas CPA, LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Robert Thomas CPA, LLC has relied on information provided to it by the District’s retained advisors, consultants or legal counsel.

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 (“MSRB”). The MSRB has established the Electronic Municipal Market Access (“EMMA”) system which is available at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data, which is customarily prepared and publicly available, via EMMA annually.

The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings “DISTRICT DEBT,” “TAX DATA,” and “APPENDIX A.” The District will update and provide this information to EMMA within six months after the end of each of its fiscal years ending in or after 2022. Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six month period, and audited financial statements when the audit report becomes available.

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

Event Notices

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

Availability of Information

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District or the Developer, but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances,

and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the United States Securities and Exchange Commission amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

In May of 2016, the District defeased a portion of its \$4,000,000 Unlimited Tax Bonds, Series 2011 but did not file a Notice of Defeasance in connection with such bonds until November 2017. At that time, they filed a Notice of Defeasance and a Notice of Late Filing related to such bonds on EMMA. The District has instituted procedures to ensure timely filing of all future material events. 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 the Rule.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the District's records, the District Engineer, the Developer, the Tax Assessor/Collector, the Auditor, the Kaufman County 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, 2021, were prepared by McCall Gibson Swedlund Barfoot PLLC, and have been included herein as "APPENDIX A." McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountant, has consented to the publication of such financial statements in this 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 DEVELOPER," "DEVONSHIRE," and "DEVELOPMENT STATUS OF THE DISTRICT" has been provided by the Developer and has been included herein in reliance upon the authority and knowledge of each 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 Underwriter 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, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Underwriter, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

CONCLUDING STATEMENT

The information set forth herein has been obtained from the 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. 2 as of the date specified on the first page hereof.

/s/ Rhodes Hamilton
President, Board of Directors
Kaufman County Municipal Utility District No. 2

ATTEST:

/s/ Clifton A. Squibb
Secretary, Board of Directors
Kaufman County Municipal Utility District No. 2

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

**KAUFMAN COUNTY MUNICIPAL
UTILITY DISTRICT NO. 2**

KAUFMAN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2021

**KAUFMAN COUNTY MUNICIPAL
UTILITY DISTRICT NO. 2**

KAUFMAN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kaufman County Municipal Utility District No. 2
Kaufman County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Kaufman County Municipal Utility District No. 2 (the "District"), as of and for the year ended July 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of July 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

October 26, 2021

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2021**

Management's discussion and analysis of the financial performance of Kaufman County Municipal Utility District No. 2 (the "District") provides an overview of the District's financial activities for the fiscal year ended July 31, 2021. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position includes 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, 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. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2021**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets and deferred outflows of resources by \$5,050,891 as of July 31, 2021. 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:

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2021</u>	<u>2020</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 3,819,873	\$ 3,316,016	\$ 503,857
Capital Assets (Net of Accumulated Depreciation)	<u>26,869,221</u>	<u>27,694,534</u>	<u>(825,313)</u>
Total Assets	<u>\$ 30,689,094</u>	<u>\$ 31,010,550</u>	<u>\$ (321,456)</u>
Deferred Outflows of Resources	<u>\$ 495,229</u>	<u>\$ 432,338</u>	<u>\$ 62,891</u>
Due to Developers	\$	\$ 1,946,162	\$ 1,946,162
Bonds Payable	35,534,814	33,799,132	(1,735,682)
Other Liabilities	<u>700,400</u>	<u>646,881</u>	<u>(53,519)</u>
Total Liabilities	<u>\$ 36,235,214</u>	<u>\$ 36,392,175</u>	<u>\$ 156,961</u>
Net Position:			
Net Investment in Capital Assets	\$ (7,059,628)	\$ (6,764,530)	\$ (295,098)
Restricted	1,083,832	1,107,388	(23,556)
Unrestricted	<u>924,905</u>	<u>707,855</u>	<u>217,050</u>
Total Net Position	<u>\$ (5,050,891)</u>	<u>\$ (4,949,287)</u>	<u>\$ (101,604)</u>

The following table provides a summary of the District's operations for the years ended July 31, 2021, and July 31, 2020.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2021</u>	<u>2020</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 2,739,122	\$ 2,548,635	\$ 190,487
Charges for Services	665,559	577,964	87,595
Franchise and Other Revenues	<u>125,690</u>	<u>64,241</u>	<u>61,449</u>
Total Revenues	<u>\$ 3,530,371</u>	<u>\$ 3,190,840</u>	<u>\$ 339,531</u>
Expenses for Services	<u>3,631,975</u>	<u>4,251,284</u>	<u>619,309</u>
Change in Net Position	\$ (101,604)	\$ (1,060,444)	\$ 958,840
Net Position, Beginning of Year	<u>(4,949,287)</u>	<u>(3,888,843)</u>	<u>(1,060,444)</u>
Net Position, End of Year	<u>\$ (5,050,891)</u>	<u>\$ (4,949,287)</u>	<u>\$ (101,604)</u>

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of July 31, 2021, were \$3,556,758, which was an increase of \$423,477 from the prior year.

The General Fund fund balance increased by \$197,736, primarily due to property tax and service revenues exceeding operating expenditures.

The Debt Service Fund fund balance decreased by \$31,103, primarily due to the structure of the District's long-term debt requirements and the sale of Series 2020 Refunding bonds.

The Capital Projects Fund fund balance increased by \$256,844. The District issued its Series 2020 Road Bonds to reimburse its Developers for construction costs associated with District facilities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were \$243,226 more than budgeted revenues and actual expenditures were \$52,176 more than budgeted expenditures which resulted in a total positive variance of \$191,050. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of July 31, 2021, total \$26,869,221 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.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2021	2020	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 3,596,861	\$ 3,596,861	\$
Capital Assets, Net of Accumulated Depreciation:			
Roads	7,727,391	7,946,898	(219,507)
Landscaping	1,391,207	1,590,029	(198,822)
Water System	2,758,019	2,836,906	(78,887)
Wastewater System	3,205,195	3,296,464	(91,269)
Drainage System	5,144,023	5,285,871	(141,848)
Capacity in Devonshire JPA	3,046,525	3,141,505	(94,980)
Total Net Capital Assets	\$ 26,869,221	\$ 27,694,534	\$ (825,313)

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2021**

LONG-TERM DEBT ACTIVITY

At fiscal year end, the District had total bond debt payable of \$35,525,000. The changes in the debt position of the District during the fiscal year ended July 31, 2021, are summarized as follows:

Bond Debt Payable, August 1, 2020	\$ 33,775,000
Add: Bond Sales	4,875,000
Less: Bond Principal Paid/Refunded	<u>3,125,000</u>
Bond Debt Payable, July 31, 2021	<u>\$ 35,525,000</u>

With the exception of the Series 2013 Bonds and Series 2014 Road Bonds, all of the District's bonds have received an underlying rating of "Baa2". With the exception of the Series 2013 Bonds and Series 2014 Road Bonds, all of the District's bonds carry insured ratings of "A2" or "AA" by virtue of bond insurance issued by either Assured Guaranty Municipal or Build America Mutual Assurance Company. The above ratings reflect changes, if any, through July 31, 2021.

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. 2, c/o Coats Rose, P.C., 14755 Preston Road, Suite 600, Dallas, Texas 75254.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash	\$ 800,418	\$ 926,674
Investments	500,000	635,000
Receivables:		
Property Taxes	1,165	6,137
Accrued Interest	441	664
Other	150	
Due from Other Funds	12,784	
Prepaid Costs		
Due from Devonshire Joint Powers Agency	276,645	
Advance for Joint Operations	67,771	
Land		
Capital Assets (Net of Accumulated Depreciation)	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 1,659,374</u>	<u>\$ 1,568,475</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u>\$ 1,659,374</u>	 <u>\$ 1,568,475</u>

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>
\$ 567,536	\$ 2,294,628 1,135,000	\$	\$ 2,294,628 1,135,000
	7,302		7,302
	1,105		1,105
	150		150
	12,784	(12,784)	
		37,272	37,272
	276,645		276,645
	67,771		67,771
		3,596,861	3,596,861
		<u>23,272,360</u>	<u>23,272,360</u>
<u>\$ 567,536</u>	<u>\$ 3,795,385</u>	<u>\$ 26,893,709</u>	<u>\$ 30,689,094</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 495,229</u>	<u>\$ 495,229</u>
<u>\$ 567,536</u>	<u>\$ 3,795,385</u>	<u>\$ 27,388,938</u>	<u>\$ 31,184,323</u>

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2021

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 218,541	\$
Accrued Interest Payable		
Due to Other Funds		2,784
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 218,541	\$ 2,784
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 1,165	\$ 6,137
FUND BALANCES		
Nonspendable:		
Operating Advance	\$ 67,771	\$
Restricted for Authorized Construction		
Restricted for Debt Service		1,559,554
Unassigned	1,371,897	
TOTAL FUND BALANCES	\$ 1,439,668	\$ 1,559,554
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,659,374	\$ 1,568,475
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>
\$	\$ 218,541	\$	\$ 218,541
		481,859	481,859
10,000	12,784	(12,784)	
		1,205,000	1,205,000
		34,329,814	34,329,814
<u>\$ 10,000</u>	<u>\$ 231,325</u>	<u>\$ 36,003,889</u>	<u>\$ 36,235,214</u>
<u>\$ - 0 -</u>	<u>\$ 7,302</u>	<u>\$ (7,302)</u>	<u>\$ - 0 -</u>
\$	\$ 67,771	\$ (67,771)	\$
557,536	557,536	(557,536)	
	1,559,554	(1,559,554)	
	1,371,897	(1,371,897)	
<u>\$ 557,536</u>	<u>\$ 3,556,758</u>	<u>\$ (3,556,758)</u>	<u>\$ - 0 -</u>
<u>\$ 567,536</u>	<u>\$ 3,795,385</u>		
		\$ (7,059,628)	\$ (7,059,628)
		1,083,832	1,083,832
		924,905	924,905
		<u>\$ (5,050,891)</u>	<u>\$ (5,050,891)</u>

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

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JULY 31, 2021**

Total Fund Balances - Governmental Funds	\$	3,556,758
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.		495,229
Prepaid bond insurance is amortized over the term of the outstanding debt in governmental activities.		37,272
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		26,869,221
Deferred inflows of resources related to property tax revenues on delinquent taxes for the 2020 and prior tax levies became part of recognized revenue in the governmental activities of the District.		7,302
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	\$ (481,859)	
Bonds Payable	<u>(35,534,814)</u>	<u>(36,016,673)</u>
Total Net Position - Governmental Activities	\$	<u><u>(5,050,891)</u></u>

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

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KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2021

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 446,535	\$ 2,292,639
Wastewater Service	517,559	
Franchise Tax Revenues	98,889	
Inspection Fees	148,000	
Investment and Miscellaneous Revenues	21,769	4,822
TOTAL REVENUES	\$ 1,232,752	\$ 2,297,461
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 47,314	\$ 1,222
Contracted Services	306,541	32,463
Bulk Water Purchases	28,172	
Purchased Wastewater Service	340,636	
Utilities	58,413	
Repairs and Maintenance	174,527	
Depreciation		
Other	79,413	240
Capital Outlay		
Developer Interest		
Debt Service:		
Bond Issuance Costs		116,518
Bond Principal		1,170,000
Bond Interest		1,165,917
TOTAL EXPENDITURES/EXPENSES	\$ 1,035,016	\$ 2,486,360
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ 197,736	\$ (188,899)
OTHER FINANCING SOURCES (USES)		
Bond Discount	\$	\$
Bond Premium		16,213
Transfer to Refunding Bond Escrow Agent		(2,002,336)
Proceeds from Issuance of Long-Term Debt		2,143,919
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ 157,796
NET CHANGE IN FUND BALANCES	\$ 197,736	\$ (31,103)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - AUGUST 1, 2020, AS ADJUSTED	1,241,932	1,590,657
FUND BALANCES/NET POSITION - JULY 31, 2021	\$ 1,439,668	\$ 1,559,554

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 2,739,174	\$ (52)	\$ 2,739,122
	517,559		517,559
	98,889		98,889
	148,000		148,000
210	26,801		26,801
<u>\$ 210</u>	<u>\$ 3,530,423</u>	<u>\$ (52)</u>	<u>\$ 3,530,371</u>
\$	\$ 48,536	\$	\$ 48,536
	339,004		339,004
	28,172		28,172
	340,636		340,636
	58,413		58,413
51,489	226,016		226,016
		825,313	825,313
140	79,793		79,793
1,946,162	1,946,162	(1,946,162)	
206,050	206,050		206,050
187,763	304,281	(21,083)	283,198
	1,170,000	(1,170,000)	
	1,165,917	30,927	1,196,844
<u>\$ 2,391,604</u>	<u>\$ 5,912,980</u>	<u>\$ (2,281,005)</u>	<u>\$ 3,631,975</u>
<u>\$ (2,391,394)</u>	<u>\$ (2,382,557)</u>	<u>\$ 2,280,953</u>	<u>\$ (101,604)</u>
\$ (82,843)	\$ (82,843)	\$ 82,843	\$
	16,213	(16,213)	
	(2,002,336)	2,002,336	
2,731,081	4,875,000	(4,875,000)	
<u>\$ 2,648,238</u>	<u>\$ 2,806,034</u>	<u>\$ (2,806,034)</u>	<u>\$ - 0 -</u>
\$ 256,844	\$ 423,477	\$ (423,477)	\$
		(101,604)	(101,604)
300,692	3,133,281	(8,082,568)	(4,949,287)
<u>\$ 557,536</u>	<u>\$ 3,556,758</u>	<u>\$ (8,607,649)</u>	<u>\$ (5,050,891)</u>

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

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
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, 2021**

Net Change in Fund Balances - Governmental Funds	\$	423,477
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
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.		(52)
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.		(825,313)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		1,946,162
Governmental funds report bond discounts and bond premiums as other financing sources and uses and bond insurance premiums as expenditures. In the Statement of Net Position, bond discounts, bond premiums and bond insurance premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.		87,713
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.		1,170,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		(30,927)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.		(4,875,000)
Governmental funds report the payment to the refunded bond escrow agent as an other financing use. However, the refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Position.		<u>2,002,336</u>
Change in Net Position - Governmental Activities	\$	<u><u>(101,604)</u></u>

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021

NOTE 1. CREATION OF DISTRICT

Kaufman County Municipal Utility District No. 2 was created April 12, 2005, by order of the Texas Commission on Environmental Quality (the “Commission”), as a conservation and reclamation district created under and essential to accomplishing the purposes of Section 59, Article XVI of the Texas Constitution. The District is under the oversight of the Commission. Pursuant to S.B. No. 1205, 80th Legislature of Texas, Regular Session, the District acquired the authority to provide roads under Section 52 Article II of the Texas Constitution. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code and S.B. No. 1205, the District is empowered to purchase, operate and maintain all facilities, plants, and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, roads, solid waste collection and disposal, including recycling. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its organizational meeting on June 30, 2005 and sold its first bonds on February 15, 2011.

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:

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

As discussed above, 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, operating costs and general expenditures.

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

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

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of July 31, 2021, the General Fund recorded a receivable of \$2,784 from the Debt Service Fund for maintenance tax collections and the Capital Projects Fund owed the General Fund \$10,000 for costs associated with the issuance of the Series 2020 Road Bonds.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	Years
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
Roads	45

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

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

Measurement Focus

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021

NOTE 3. LONG-TERM DEBT

	Utility Series 2013	Road Series 2014	Road Series 2015	Refunding Series 2016
Amount Outstanding – July 31, 2021	\$ 165,000	\$ 4,625,000	\$ 3,870,000	\$ 3,155,000
Interest Rates	4.00%	3.00%-4.125%	3.00%-4.00%	3.00%-4.00%
Maturity Dates	March 1, 2022/2023	March 1, 2022/2039	March 1, 2022/2040	March 1, 2022/2035
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	March 1, 2021*	March 1, 2022*	March 1, 2024*	March 1, 2024*
	Utility Series 2016	Road Series 2017	Utility Series 2018	
Amount Outstanding – July 31, 2021	\$ 3,890,000	\$ 3,075,000	\$ 5,870,000	
Interest Rates	3.00%-4.00%	2.00%-3.50%	3.00%-4.00%	
Maturity Dates	March 1, 2022/2041	March 1, 2022/2042	March 1, 2022/2043	
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, 2023*	

* 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 2014 term bonds maturing on March 1, 2033, March 1, 2037, and March 1, 2039 are subject to mandatory redemption by random selection beginning March 1, 2032, March 1, 2036, and March 1, 2038, respectively. Series 2015 term bonds maturing on March 1, 2031, March 1, 2038, and March 1, 2040 are subject to mandatory redemption by random selection beginning March 1, 2029, March 1, 2037, and March 1, 2039, respectively. Series 2016 Refunding term bonds maturing on March 1, 2026, March 1, 2028, March 1, 2030, March 1, 2032 and March 1, 2035 are subject to mandatory redemption by random selection beginning March 1, 2025, March 1, 2027, March 1, 2029, March 1, 2031 and March 1, 2033, respectively. Series 2016 term bonds maturing March 1, 2027, March 1, 2029, March 1, 2032, March 1, 2034 and March 1, 2041 are subject to mandatory redemption by random selection beginning March 1, 2025, March 1, 2028, March 1, 2030, March 1, 2033, and March 1, 2039, respectively. Series 2017 term bonds maturing March 1, 2029, March 1, 2031, March 1, 2033, March 1, 2035, and March 1, 2037 are subject to mandatory redemption beginning March 1, 2028, March 1, 2030, March 1, 2032, March 1, 2034, and March 1, 2036, respectively.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021

NOTE 3. LONG-TERM DEBT (Continued)

	Road Series 2019	Road Series 2020	Refunding Series 2020
Amount Outstanding – July 31, 2021	\$ 6,035,000	\$ 2,765,000	\$ 2,075,000
Interest Rates	2.00%-3.00%	2.25%-2.50%	2.00%-2.25%
Maturity Dates	March 1, 2022/2044	March 1, 2040/2045	March 1, 2022/2038
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 2019 term bonds maturing March 1, 2033, March 1, 2035, March 1, 2037, March 1, 2039, March 1, 2041 and March 1, 2044 are subject to mandatory redemption beginning March 1, 2032, March 1, 2034, March 1, 2036, March 1, 2038, March 1, 2040 and March 1, 2042, respectively. Series 2020 Road term bonds maturing March 1, 2041 and March 1, 2045 are subject to mandatory redemption beginning March 1, 2040 and March 1, 2043, respectively. Series 2020 term bonds maturing March 1, 2027, March 1, 2029, March 1, 2031, March 1, 2033, March 1, 2035 and March 1, 2038 are subject to mandatory redemption beginning March 1, 2026, March 1, 2028, March 1, 2030, March 1, 2032, March 1, 2034 and March 1, 2036, respectively.

The following is a summary of transactions regarding bonds payable for the year ended July 31, 2021:

	August 1, 2020	Additions	Retirements	July 31, 2021
Bonds Payable	\$ 33,775,000	\$ 4,875,000	\$ 3,125,000	\$ 35,525,000
Unamortized Discounts	(233,399)	(82,843)	(69,757)	(246,485)
Unamortized Premium	257,531	16,213	17,445	256,299
Bonds Payable, Net	<u>\$ 33,799,132</u>	<u>\$ 4,808,370</u>	<u>\$ 3,072,688</u>	<u>\$ 35,534,814</u>
		Amount Due Within One Year		\$ 1,205,000
		Amount Due After One Year		34,329,814
		Bonds Payable, Net		<u>\$ 35,534,814</u>

As of July 31, 2021, the District has authorized but unissued bonds in the amount of \$45,925,000 for water, sewer and drainage purposes, authorized but unissued bonds in the amount of \$7,230,000 for road improvements, and authorized but unissued bonds in the amount of \$138,570,000 for refunding purposes.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021

NOTE 3. LONG-TERM DEBT (Continued)

As of July 31, 2021, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,205,000	\$ 1,156,462	\$ 2,361,462
2023	1,245,000	1,123,014	2,368,014
2024	1,285,000	1,087,461	2,372,461
2025	1,320,000	1,052,150	2,372,150
2026	1,375,000	1,012,837	2,387,837
2027-2031	7,635,000	4,395,028	12,030,028
2032-2036	8,805,000	3,026,763	11,831,763
2037-2041	8,175,000	1,499,307	9,674,307
2042-2045	4,480,000	293,912	4,773,912
	<u>\$ 35,525,000</u>	<u>\$ 14,646,934</u>	<u>\$ 50,171,934</u>

During the year ended July 31, 2021, the District levied an ad valorem debt service tax rate of \$0.795 per \$100 of assessed valuation (comprised of \$0.38 for utilities and \$0.415 for roads), which resulted in a tax levy of \$2,289,078 on the adjusted taxable valuation of \$287,929,853 for the 2020 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

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 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, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$3,429,628 and the bank balance was \$3,527,682. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at July 31, 2021, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 800,418	\$ 500,000	\$ 1,300,418
DEBT SERVICE FUND	926,674	635,000	1,561,674
CAPITAL PROJECTS FUND	567,536		567,536
TOTAL DEPOSITS	\$ 2,294,628	\$ 1,135,000	\$ 3,429,628

Investments

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

Certificates of deposit are recorded at acquisition cost. As of July 31, 2021, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
Certificate of Deposit	\$ 500,000	\$ 500,000
<u>DEBT SERVICE FUND</u>		
Certificates of Deposit	635,000	635,000
TOTAL INVESTMENTS	\$ 1,135,000	\$ 1,135,000

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

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.

Restrictions

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

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended July 31, 2021 is as follows:

	August 1, 2020	Increases	Decreases	July 31, 2021
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 3,596,861	\$ - 0 -	\$ - 0 -	\$ 3,596,861
Capital Assets Subject to Depreciation				
Roads	\$ 9,877,807	\$	\$	\$ 9,877,807
Landscaping	1,988,218			1,988,218
Water System	3,549,897			3,549,897
Wastewater System	4,107,109			4,107,109
Drainage System	6,383,149			6,383,149
Capacity in Devonshire JPA	3,799,198			3,799,198
Total Capital Assets Subject to Depreciation	<u>\$ 29,705,378</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 29,705,378</u>
Less Accumulated Depreciation				
Roads	\$ 1,930,909	\$ 219,507	\$	\$ 2,150,416
Landscaping	398,189	198,822		597,011
Water System	712,991	78,887		791,878
Wastewater System	810,645	91,269		901,914
Drainage System	1,097,278	141,848		1,239,126
Capacity in Devonshire JPA	657,693	94,980		752,673
Total Accumulated Depreciation	<u>\$ 5,607,705</u>	<u>\$ 825,313</u>	<u>\$ - 0 -</u>	<u>\$ 6,433,018</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 24,097,673</u>	<u>\$ (825,313)</u>	<u>\$ - 0 -</u>	<u>\$ 23,272,360</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 27,694,534</u>	<u>\$ (825,313)</u>	<u>\$ - 0 -</u>	<u>\$ 26,869,221</u>

NOTE 7. MAINTENANCE TAX

On September 5, 2005, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed \$1.00 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay professional and administrative expenditures and for any other lawful purposes. During the current fiscal year, the District levied an ad valorem maintenance tax rate of \$0.155 per \$100 of assessed valuation, which resulted in a tax levy of \$446,298 on the adjusted taxable valuation of \$287,929,853 for the 2020 tax year.

NOTE 8. CONTRACT WITH DEVONSHIRE JOINT POWERS AGENCY

On June 30, 2005, and as amended on March 27, 2009, 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. On March 27, 2009, the contract was assigned to the Devonshire Joint Powers Agency (“Agency”). The Agency administers the contract for the Participants. The District, Kaufman

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021

NOTE 8. CONTRACT WITH DEVONSHIRE JOINT POWERS AGENCY
(Continued)

County Municipal Utility District No. 3 and Kaufman County Municipal Utility District No. 4 are the Participants at this time.

The District's water supply is provided by the Agency. The Agency has contracted with High Point Special Utility District ("High Point") to provide water service to the Agency. High Point receives fresh water from the City of Forney, Texas ("the City"), which, in turn, receives water from North Texas Municipal Water District ("NTMWD"). The Agency has paid High Point for water facilities that directly benefit the Agency, including the District, consisting of: an 800,000-gallon ground storage tank, two 17,000-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 \$26.00 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 \$67,771.

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.

NOTE 10. BOND SALE

On September 23, 2020, the District closed on the sale of its \$2,765,000 Series 2020 Unlimited Tax Road Bonds. The District used the bond proceeds to reimburse the Developer for costs associated with the construction of certain road improvements related to Devonshire, Phases 2B, 2C, 2D and 11. Additional proceeds were used to pay issuance costs of the bonds.

On December 17, 2020, the District closed on the sale of its \$2,110,000 Series 2020 Unlimited Tax Refunding Bonds. The District used the bond proceeds to refund a portion of the Series 2013 bonds in the principal amount of \$1,955,000 with maturity dates of 2024-2038, interest rates of 4.25%-5.05% and a redemption date of March 1, 2021. The refunding resulted in gross debt service savings of \$506,258 and net present value savings of \$408,001.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021

NOTE 11. UNREIMBURSED DEVELOPER COSTS

The District has entered into financing agreements which call for the Developer to fund costs associated with the construction of water, sewer, drainage and road infrastructure. Reimbursement to the Developer for these costs are made using proceeds from the sale of bonds. In the current fiscal year, the District sold its Series 2020 Road Bonds and used a portion of the proceeds to reimburse the Developer for certain road infrastructure (see Note 10). The District anticipates future Developer reimbursements of approximately \$500,000 for utility and road infrastructure.

NOTE 12. PRIOR PERIOD ADJUSTMENT

The District increased its beginning Net Position balance by \$1,370,372 to more accurately reflect the amount of unreimbursed costs as of the balance sheet date.

NOTE 13. ECONOMIC UNCERTAINTIES

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

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KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2

REQUIRED SUPPLEMENTARY INFORMATION

JULY 31, 2021

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JULY 31, 2021

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 383,526	\$ 446,535	\$ 63,009
Wastewater Service	447,000	517,559	70,559
Franchise Tax Revenues	95,000	98,889	3,889
Inspection Fees	60,000	148,000	88,000
Investment and Miscellaneous Revenues	4,000	21,769	17,769
TOTAL REVENUES	\$ 989,526	\$ 1,232,752	\$ 243,226
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 60,500	\$ 47,314	\$ 13,186
Contracted Services	272,800	306,541	(33,741)
Bulk Water Purchases	28,000	28,172	(172)
Purchased Wastewater Service	305,410	340,636	(35,226)
Utilities	63,900	58,413	5,487
Repairs and Maintenance	197,665	174,527	23,138
Other	54,565	79,413	(24,848)
TOTAL EXPENDITURES	\$ 982,840	\$ 1,035,016	\$ (52,176)
NET CHANGE IN FUND BALANCE	\$ 6,686	\$ 197,736	\$ 191,050
FUND BALANCE - AUGUST 1, 2020	1,241,932	1,241,932	
FUND BALANCE - JULY 31, 2021	\$ 1,248,618	\$ 1,439,668	\$ 191,050

See accompanying independent auditor's report.

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KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

JULY 31, 2021

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2021**

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved on August 28, 2018.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WASTEWATER:	\$ 59.86	-0-	Y		

District employs winter averaging for wastewater usage? X
Yes No

Total monthly charges per 10,000 gallons usage Wastewater: \$59.86

See accompanying independent auditor's report.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2021**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	_____	_____	x 1.0	_____
≤ ³ / ₄ "	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1½"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water Connections	_____**	_____**		_____**
Total Wastewater Connections	_____1,043	_____1,043	x 1.0	_____1,043

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: **

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

See accompanying independent auditor's report.

**KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2021**

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

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

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No _____

County in which District is located:

Kaufman County, Texas

Is the District located within a city?

Entirely _____ Partly _____ Not at all X

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

Entirely X Partly _____ Not at all _____

ETJ in which District is located:

City of Dallas, Texas

Are Board Members appointed by an office outside the District?

Yes _____ No X

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2021

PROFESSIONAL FEES:	
Auditing	\$ 13,500
Engineering	5,377
Legal	<u>28,437</u>
TOTAL PROFESSIONAL FEES	<u>\$ 47,314</u>
 PURCHASED WASTEWATER SERVICE	 <u>\$ 340,636</u>
 CONTRACTED SERVICES:	
Bookkeeping	\$ 9,906
Operations and Billing	49,021
Security	45,251
Solid Waste Disposal	<u>202,363</u>
TOTAL CONTRACTED SERVICES	<u>\$ 306,541</u>
 UTILITIES	 <u>\$ 58,413</u>
 REPAIRS AND MAINTENANCE	 <u>\$ 174,527</u>
 ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 7,059
Insurance	8,599
Other	<u>171</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 15,829</u>
 OTHER EXPENDITURES:	
Bulk Water Purchases	\$ 28,172
Inspection Fees	61,043
Regulatory Assessment	<u>2,541</u>
TOTAL OTHER EXPENDITURES	<u>\$ 91,756</u>
 TOTAL EXPENDITURES	 <u>\$ 1,035,016</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
INVESTMENTS
JULY 31, 2021

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
Certificate of Deposit	XXXX0677	0.20%	08/20/21	\$ 500,000	\$ 441
<u>DEBT SERVICE FUND</u>					
Certificate of Deposit	XXXX0897	0.20%	08/20/21	\$ 400,000	\$ 353
Certificate of Deposit	XXXX4145	0.30%	08/23/21	235,000	311
TOTAL DEBT SERVICE FUND				<u>\$ 635,000</u>	<u>\$ 664</u>
TOTAL - ALL FUNDS				<u>\$ 1,135,000</u>	<u>\$ 1,105</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2021

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
AUGUST 1, 2020	\$	928		\$ 6,426
Adjustments to Beginning				
Balance		<u>474</u>	\$ 1,402	<u>3,272</u> \$ 9,698
Original 2020 Tax Levy	\$	445,066		\$ 2,282,757
Adjustment to 2020 Tax Levy		<u>1,232</u>	<u>446,298</u>	<u>6,321</u> <u>2,289,078</u>
TOTAL TO BE				
ACCOUNTED FOR			\$ 447,700	\$ 2,298,776
TAX COLLECTIONS:				
Prior Years	\$	1,315		\$ 9,090
Current Year		<u>445,220</u>	<u>446,535</u>	<u>2,283,549</u> <u>2,292,639</u>
TAXES RECEIVABLE -				
JULY 31, 2021			<u>\$ 1,165</u>	<u>\$ 6,137</u>
TAXES RECEIVABLE BY				
YEAR:				
2020			\$ 1,078	\$ 5,529
2019			81	558
2016			<u>6</u>	<u>50</u>
TOTAL			<u>\$ 1,165</u>	<u>\$ 6,137</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2021

	2020	2019	2018	2017
PROPERTY VALUATIONS:				
Land	\$ 74,849,180	\$ 72,767,580	\$ 44,690,140	\$ 35,780,980
Improvements	228,793,424	208,109,322	198,362,657	164,102,923
Personal Property	549,320	493,710	283,610	317,710
Exemptions	(16,262,071)	(13,171,776)	(8,979,397)	(5,648,814)
TOTAL PROPERTY VALUATIONS	\$ 287,929,853	\$ 268,198,836	\$ 234,357,010	\$ 194,552,799
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.795	\$ 0.83	\$ 0.79	\$ 0.58
Maintenance	0.155	0.12	0.16	0.37
TOTAL TAX RATES PER \$100 VALUATION	\$ 0.950	\$ 0.95	\$ 0.95	\$ 0.95
ADJUSTED TAX LEVY*	\$ 2,735,376	\$ 2,548,021	\$ 2,226,979	\$ 1,848,307
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	99.77 %	99.97 %	100.00 %	100.00 %

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

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

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2021

S E R I E S - 2 0 1 3			
Due During Fiscal Years Ending July 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2022	\$ 80,000	\$ 6,600	\$ 86,600
2023	85,000	3,400	88,400
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
	\$ 165,000	\$ 10,000	\$ 175,000

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2021

SERIES - 2014 ROAD

Due During Fiscal Years Ending July 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2022	\$ 165,000	\$ 175,230	\$ 340,230
2023	175,000	170,280	345,280
2024	185,000	164,855	349,855
2025	190,000	158,842	348,842
2026	200,000	152,383	352,383
2027	210,000	145,582	355,582
2028	220,000	138,233	358,233
2029	230,000	130,312	360,312
2030	245,000	121,918	366,918
2031	255,000	112,730	367,730
2032	270,000	102,912	372,912
2033	280,000	92,113	372,113
2034	295,000	80,912	375,912
2035	310,000	69,113	379,113
2036	325,000	56,712	381,712
2037	340,000	43,713	383,713
2038	355,000	30,112	385,112
2039	375,000	15,469	390,469
2040			
2041			
2042			
2043			
2044			
2045			
	<u>\$ 4,625,000</u>	<u>\$ 1,961,421</u>	<u>\$ 6,586,421</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2021

SERIES - 2015 ROAD

Due During Fiscal Years Ending July 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2022	\$ 140,000	\$ 133,187	\$ 273,187
2023	150,000	128,988	278,988
2024	155,000	124,487	279,487
2025	160,000	119,838	279,838
2026	165,000	115,037	280,037
2027	170,000	110,088	280,088
2028	180,000	104,987	284,987
2029	185,000	99,588	284,588
2030	190,000	93,575	283,575
2031	200,000	87,400	287,400
2032	205,000	80,900	285,900
2033	215,000	73,981	288,981
2034	225,000	66,725	291,725
2035	230,000	58,850	288,850
2036	240,000	50,800	290,800
2037	250,000	42,400	292,400
2038	260,000	32,400	292,400
2039	270,000	22,000	292,000
2040	280,000	11,200	291,200
2041			
2042			
2043			
2044			
2045			
	<u>\$ 3,870,000</u>	<u>\$ 1,556,431</u>	<u>\$ 5,426,431</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2021

SERIES - 2016 REFUNDING

Due During Fiscal Years Ending July 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2022	\$ 180,000	\$ 120,650	\$ 300,650
2023	185,000	115,250	300,250
2024	190,000	109,700	299,700
2025	195,000	104,000	299,000
2026	205,000	96,200	301,200
2027	215,000	88,000	303,000
2028	220,000	79,400	299,400
2029	225,000	70,600	295,600
2030	235,000	61,600	296,600
2031	245,000	52,200	297,200
2032	250,000	42,400	292,400
2033	260,000	32,400	292,400
2034	270,000	22,000	292,000
2035	280,000	11,200	291,200
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
	<u>\$ 3,155,000</u>	<u>\$ 1,005,600</u>	<u>\$ 4,160,600</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2021

S E R I E S - 2 0 1 6				
Due During Fiscal Years Ending July 31	Principal Due March 1	Interest Due September 1/ March 1	Total	
2022	\$ 130,000	\$ 141,238	\$	271,238
2023	135,000	137,338		272,338
2024	140,000	132,612		272,612
2025	145,000	127,712		272,712
2026	155,000	122,636		277,636
2027	160,000	117,212		277,212
2028	165,000	111,612		276,612
2029	170,000	105,838		275,838
2030	180,000	99,887		279,887
2031	185,000	93,588		278,588
2032	195,000	87,112		282,112
2033	200,000	80,288		280,288
2034	210,000	73,288		283,288
2035	220,000	65,937		285,937
2036	225,000	58,237		283,237
2037	235,000	49,800		284,800
2038	245,000	40,990		285,990
2039	255,000	31,800		286,800
2040	265,000	21,600		286,600
2041	275,000	11,000		286,000
2042				
2043				
2044				
2045				
	\$ 3,890,000	\$ 1,709,725	\$	5,599,725

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2021

SERIES - 2017 ROAD

Due During Fiscal Years Ending July 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2022	\$ 130,000	\$ 90,919	\$ 220,919
2023	120,000	88,319	208,319
2024	120,000	85,919	205,919
2025	130,000	83,519	213,519
2026	130,000	80,593	210,593
2027	130,000	77,669	207,669
2028	130,000	74,419	204,419
2029	135,000	70,519	205,519
2030	130,000	66,469	196,469
2031	135,000	62,569	197,569
2032	135,000	58,519	193,519
2033	140,000	54,469	194,469
2034	140,000	50,269	190,269
2035	145,000	45,893	190,893
2036	145,000	41,362	186,362
2037	150,000	36,650	186,650
2038	155,000	31,775	186,775
2039	155,000	26,737	181,737
2040	200,000	21,700	221,700
2041	205,000	14,700	219,700
2042	215,000	7,525	222,525
2043			
2044			
2045			
	\$ 3,075,000	\$ 1,170,513	\$ 4,245,513

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2021

S E R I E S - 2 0 1 8			
Due During Fiscal Years Ending July 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2022	\$ 160,000	\$ 223,925	\$ 383,925
2023	165,000	219,125	384,125
2024	175,000	214,175	389,175
2025	180,000	208,925	388,925
2026	190,000	203,075	393,075
2027	200,000	196,900	396,900
2028	210,000	190,400	400,400
2029	220,000	183,050	403,050
2030	230,000	174,800	404,800
2031	240,000	165,600	405,600
2032	250,000	156,000	406,000
2033	260,000	146,000	406,000
2034	275,000	135,600	410,600
2035	285,000	124,600	409,600
2036	300,000	113,200	413,200
2037	315,000	101,200	416,200
2038	330,000	88,600	418,600
2039	345,000	75,400	420,400
2040	360,000	61,600	421,600
2041	375,000	47,200	422,200
2042	395,000	32,200	427,200
2043	410,000	16,400	426,400
2044			
2045			
	\$ 5,870,000	\$ 3,077,975	\$ 8,947,975

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2021

SERIES - 2019 ROAD

Due During Fiscal Years Ending July 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2022	\$ 195,000	\$ 154,212	\$ 349,212
2023	205,000	150,313	355,313
2024	205,000	146,212	351,212
2025	205,000	142,113	347,113
2026	215,000	138,012	353,012
2027	220,000	133,713	353,713
2028	220,000	129,312	349,312
2029	225,000	124,363	349,363
2030	240,000	119,300	359,300
2031	240,000	113,900	353,900
2032	250,000	107,900	357,900
2033	255,000	101,650	356,650
2034	260,000	95,275	355,275
2035	265,000	88,450	353,450
2036	275,000	81,494	356,494
2037	280,000	74,275	354,275
2038	290,000	66,925	356,925
2039	300,000	58,950	358,950
2040	320,000	50,700	370,700
2041	325,000	41,100	366,100
2042	335,000	31,350	366,350
2043	350,000	21,300	371,300
2044	360,000	10,800	370,800
2045			
	<u>\$ 6,035,000</u>	<u>\$ 2,181,619</u>	<u>\$ 8,216,619</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2021

SERIES - 2020 ROAD

Due During Fiscal Years Ending July 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2022	\$	\$ 67,838	\$ 67,838
2023		67,838	67,838
2024		67,838	67,838
2025		67,838	67,838
2026		67,838	67,838
2027		67,837	67,837
2028		67,837	67,837
2029		67,837	67,837
2030		67,837	67,837
2031		67,837	67,837
2032		67,838	67,838
2033		67,838	67,838
2034		67,838	67,838
2035		67,838	67,838
2036		67,838	67,838
2037		67,837	67,837
2038		67,837	67,837
2039		67,837	67,837
2040	25,000	67,837	92,837
2041	325,000	67,275	392,275
2042	330,000	59,962	389,962
2043	555,000	52,125	607,125
2044	570,000	38,250	608,250
2045	960,000	24,000	984,000
	<u>\$ 2,765,000</u>	<u>\$ 1,530,525</u>	<u>\$ 4,295,525</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2021

SERIES - 2020 REFUNDING

Due During Fiscal Years Ending July 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2022	\$ 25,000	\$ 42,663	\$ 67,663
2023	25,000	42,163	67,163
2024	115,000	41,663	156,663
2025	115,000	39,363	154,363
2026	115,000	37,063	152,063
2027	125,000	34,762	159,762
2028	125,000	32,262	157,262
2029	130,000	29,762	159,762
2030	130,000	27,162	157,162
2031	135,000	24,562	159,562
2032	140,000	21,862	161,862
2033	140,000	19,062	159,062
2034	145,000	16,262	161,262
2035	145,000	13,363	158,363
2036	150,000	10,463	160,463
2037	155,000	7,088	162,088
2038	160,000	3,600	163,600
2039			
2040			
2041			
2042			
2043			
2044			
2045			
	<u>\$ 2,075,000</u>	<u>\$ 443,125</u>	<u>\$ 2,518,125</u>

See accompanying independent auditor's report.

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KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2021

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending July 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2022	\$ 1,205,000	\$ 1,156,462	\$ 2,361,462
2023	1,245,000	1,123,014	2,368,014
2024	1,285,000	1,087,461	2,372,461
2025	1,320,000	1,052,150	2,372,150
2026	1,375,000	1,012,837	2,387,837
2027	1,430,000	971,763	2,401,763
2028	1,470,000	928,462	2,398,462
2029	1,520,000	881,869	2,401,869
2030	1,580,000	832,548	2,412,548
2031	1,635,000	780,386	2,415,386
2032	1,695,000	725,443	2,420,443
2033	1,750,000	667,801	2,417,801
2034	1,820,000	608,169	2,428,169
2035	1,880,000	545,244	2,425,244
2036	1,660,000	480,106	2,140,106
2037	1,725,000	422,963	2,147,963
2038	1,795,000	362,239	2,157,239
2039	1,700,000	298,193	1,998,193
2040	1,450,000	234,637	1,684,637
2041	1,505,000	181,275	1,686,275
2042	1,275,000	131,037	1,406,037
2043	1,315,000	89,825	1,404,825
2044	930,000	49,050	979,050
2045	960,000	24,000	984,000
	<u>\$ 35,525,000</u>	<u>\$ 14,646,934</u>	<u>\$ 50,171,934</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2021

Description	Original Bonds Issued	Bonds Outstanding August 1, 2020	
Kaufman County Municipal Utility District No. 2 Unlimited Tax Bonds - Series 2011	\$ 4,000,000	\$ 135,000	
Kaufman County Municipal Utility District No. 2 Unlimited Tax Bonds - Series 2013	2,570,000	2,195,000	
Kaufman County Municipal Utility District No. 2 Unlimited Tax Road Bonds - Series 2014	5,350,000	4,785,000	
Kaufman County Municipal Utility District No. 2 Unlimited Tax Road Bonds - Series 2015	4,505,000	4,005,000	
Kaufman County Municipal Utility District No. 2 Unlimited Tax Refunding Bonds - Series 2016	3,330,000	3,190,000	
Kaufman County Municipal Utility District No. 2 Unlimited Tax Bonds - Series 2016	4,500,000	4,015,000	
Kaufman County Municipal Utility District No. 2 Unlimited Tax Road Bonds - Series 2017	3,450,000	3,200,000	
Kaufman County Municipal Utility District No. 2 Unlimited Tax Bonds - Series 2018	6,165,000	6,020,000	
Kaufman County Municipal Utility District No. 2 Unlimited Tax Road Bonds - Series 2019	6,230,000	6,230,000	
Kaufman County Municipal Utility District No. 2 Unlimited Tax Road Bonds - Series 2020	2,765,000		
Kaufman County Municipal Utility District No. 2 Unlimited Tax Refunding Bonds - Series 2020	<u>2,110,000</u>		
TOTAL	<u>\$ 44,975,000</u>	<u>\$ 33,775,000</u>	
Bond Authority:	<u>Water, Sewer and Drainage Bonds</u>	<u>Refunding Bonds*</u>	<u>Road Bonds</u>
Amount Authorized by Voters	\$ 63,160,000	\$ 139,035,000	\$ 29,530,000
Amount Issued	<u>17,235,000</u>	<u>465,000</u>	<u>22,300,000</u>
Remaining to be Issued	<u>\$ 45,925,000</u>	<u>\$ 138,570,000</u>	<u>\$ 7,230,000</u>

* Includes road and utilities refunding authorization

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding July 31, 2021</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 135,000	\$ 7,560	\$ - 0 -	The Bank of New York Mellon Trust Company N.A. Dallas, TX
	2,030,000	56,886	165,000	The Bank of New York Mellon Trust Company N.A. Dallas, TX
	160,000	179,630	4,625,000	ZB, N.A., d/b/a Amegy Bank, Houston, TX
	135,000	137,238	3,870,000	ZB, N.A., d/b/a Amegy Bank, Houston, TX
	35,000	121,350	3,155,000	ZB, N.A., d/b/a Amegy Bank, Houston, TX
	125,000	144,987	3,890,000	ZB, N.A., d/b/a Amegy Bank, Houston, TX
	125,000	93,419	3,075,000	ZB, N.A., d/b/a Amegy Bank, Houston, TX
	150,000	228,425	5,870,000	ZB, N.A., d/b/a Amegy Bank, Houston, TX
	195,000	158,113	6,035,000	ZB, N.A., d/b/a Amegy Bank, Houston, TX
2,765,000		29,396	2,765,000	ZB, N.A., d/b/a Amegy Bank, Houston, TX
<u>2,110,000</u>	<u>35,000</u>	<u>8,913</u>	<u>2,075,000</u>	ZB, N.A., d/b/a Amegy Bank, Houston, TX
<u>\$ 4,875,000</u>	<u>\$ 3,125,000</u>	<u>\$ 1,165,917</u>	<u>\$ 35,525,000</u>	

Debt Service Fund cash and investment balances as of July 31, 2021: \$ 1,561,674

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 2,090,497

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

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2021	2020	2019
REVENUES			
Property Taxes	\$ 446,535	\$ 322,077	\$ 375,076
Wastewater Service	517,559	493,564	440,532
Franchise Tax Revenues	98,889	24,811	73,191
Inspection Fees	148,000	84,400	83,000
Investment and Miscellaneous Revenues	21,769	16,617	14,608
TOTAL REVENUES	\$ 1,232,752	\$ 941,469	\$ 986,407
EXPENDITURES			
Professional Fees	\$ 47,314	\$ 49,937	\$ 45,645
Contracted Services	306,541	280,216	198,876
Bulk Water Purchases	28,172	31,916	31,730
Purchased Wastewater Service	340,636	359,616	151,207
Utilities	58,413	62,580	56,986
Repairs and Maintenance	174,527	108,303	31,327
Other	79,413	63,202	66,436
TOTAL EXPENDITURES	\$ 1,035,016	\$ 955,770	\$ 582,207
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 197,736	\$ (14,301)	\$ 404,200
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ - 0 -	\$ - 0 -	\$ 40,515
NET CHANGE IN FUND BALANCE	\$ 197,736	\$ (14,301)	\$ 444,715
BEGINNING FUND BALANCE	1,241,932	1,256,233	811,518
ENDING FUND BALANCE	\$ 1,439,668	\$ 1,241,932	\$ 1,256,233

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2018	2017	2021	2020	2019	2018	2017
\$ 721,133	\$ 167,030	36.2 %	34.2 %	38.0 %	56.1 %	25.0 %
371,651	300,117	42.0	52.4	44.7	29.0	44.9
57,607	41,319	8.0	2.6	7.4	4.5	6.2
129,579	160,000	12.0	9.0	8.4	10.1	23.9
3,369	167	1.8	1.8	1.5	0.3	
<u>\$ 1,283,339</u>	<u>\$ 668,633</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 37,198	\$ 45,711	3.8 %	5.3 %	4.6 %	2.9 %	6.8 %
144,563	108,912	24.9	29.8	20.2	11.3	16.3
62,528	17,419	2.3	3.4	3.2	4.9	2.6
349,855	293,828	27.6	38.2	15.3	27.3	43.9
58,495	14,029	4.7	6.6	5.8	4.6	2.1
9,563	63,305	14.2	11.5	3.2	0.7	9.5
111,704	93,191	6.4	6.7	6.7	8.7	13.9
<u>\$ 773,906</u>	<u>\$ 636,395</u>	<u>83.9 %</u>	<u>101.5 %</u>	<u>59.0 %</u>	<u>60.4 %</u>	<u>95.1 %</u>
<u>\$ 509,433</u>	<u>\$ 32,238</u>	<u>16.1 %</u>	<u>(1.5) %</u>	<u>41.0 %</u>	<u>39.6 %</u>	<u>4.9 %</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ 509,433	\$ 32,238					
302,085	269,847					
<u>\$ 811,518</u>	<u>\$ 302,085</u>					

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2021	2020	2019
REVENUES			
Property Taxes	\$ 2,292,639	\$ 2,225,500	\$ 1,848,579
Investment and Miscellaneous Revenues	<u>4,822</u>	<u>18,407</u>	<u>17,893</u>
TOTAL REVENUES	<u>\$ 2,297,461</u>	<u>\$ 2,243,907</u>	<u>\$ 1,866,472</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 29,845	\$ 28,397	\$ 23,240
Bond Issuance Costs	116,518		
Debt Service Principal	1,170,000	905,000	730,000
Debt Service Interest and Fees	<u>1,169,997</u>	<u>1,093,566</u>	<u>897,936</u>
TOTAL EXPENDITURES	<u>\$ 2,486,360</u>	<u>\$ 2,026,963</u>	<u>\$ 1,651,176</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (188,899)</u>	<u>\$ 216,944</u>	<u>\$ 215,296</u>
OTHER FINANCING SOURCES (USES)			
Bond Premium	\$ 16,213	\$	\$
Transfer to Refunding Bond Escrow Agent	(2,002,336)		
Proceeds from Issuance of Long-Term Debt	<u>2,143,919</u>	<u></u>	<u>116,387</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 157,796</u>	<u>\$ - 0 -</u>	<u>\$ 116,387</u>
NET CHANGE IN FUND BALANCE	\$ (31,103)	\$ 216,944	\$ 331,683
BEGINNING FUND BALANCE	<u>1,590,657</u>	<u>1,373,713</u>	<u>1,042,030</u>
ENDING FUND BALANCE	<u>\$ 1,559,554</u>	<u>\$ 1,590,657</u>	<u>\$ 1,373,713</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,043</u>	<u>956</u>	<u>866</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2018	2017	2021	2020	2019	2018	2017
\$ 1,147,124	\$ 1,275,505	99.8 %	99.2 %	99.0 %	99.2 %	99.6 %
<u>9,355</u>	<u>4,919</u>	<u>0.2</u>	<u>0.8</u>	<u>1.0</u>	<u>0.8</u>	<u>0.4</u>
\$ 1,156,479	\$ 1,280,424	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
\$ 17,649	\$ 24,100	1.3 %	1.3 %	1.2 %	1.5 %	1.9 %
		5.1				
595,000	590,000	50.9	40.3	39.1	51.4	46.1
<u>802,500</u>	<u>626,591</u>	<u>50.9</u>	<u>48.7</u>	<u>48.1</u>	<u>69.4</u>	<u>48.9</u>
\$ 1,415,149	\$ 1,240,691	108.2 %	90.3 %	88.4 %	122.3 %	96.9 %
\$ (258,670)	\$ 39,733	<u>(8.2) %</u>	<u>9.7 %</u>	<u>11.6 %</u>	<u>(22.3) %</u>	<u>3.1 %</u>
\$	\$					
49,209	78,621					
<u>\$ 49,209</u>	<u>\$ 78,621</u>					
\$ (209,461)	\$ 118,354					
1,251,491	1,133,137					
<u>\$ 1,042,030</u>	<u>\$ 1,251,491</u>					
<u>N/A</u>	<u>N/A</u>					
<u>736</u>	<u>648</u>					

See accompanying independent auditor's report.

KAUFMAN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2021

District Mailing Address - Kaufman County Municipal Utility District No. 2
c/o Coats Rose, P.C.
14755 Preston Road, Suite 600
Dallas, TX 75254

District Telephone Number - (972) 982-8450

Board Members	<u>Term of Office (Elected or Appointed)</u>	<u>Fees of Office for the year ended July 31, 2021</u>	<u>Expense Reimbursements for the year ended July 31, 2021</u>	<u>Title</u>
Rhodes Hamilton	05/20 05/24 (Elected)	\$ 1,200	\$ -0-	President
Justin Allen	05/20 05/24 (Elected)	\$ 1,200	\$ -0-	Vice President
Clifton A. Squibb	05/18 05/22 (Elected)	\$ 1,350	\$ 4	Secretary
Michael Allen	05/20 05/24 (Elected)	\$ 1,500	\$ -0-	Assistant Secretary
Kasey Ratliff	05/18 05/22 (Elected)	\$ 1,350	\$ 13	Assistant Secretary

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

Submission date of most recent District Registration Form: March 24, 2021

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on 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. 2
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2021

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended July 31, 2021</u>	<u>Title</u>
Coats Rose, P.C.	06/30/05	\$ 28,437	General Counsel
	03/25/10	\$ 95,150	Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	07/23/09	\$ 13,500	Audit Related
		\$ 13,000	AUP/Bond Related
L & S District Services, LLC	06/30/05	\$ 11,306	Bookkeeper
J. Volk Consulting, Inc.	07/15/14	\$ 25,377	Engineer
Robert W. Baird & Co. Incorporated	04/16/15	\$ 80,753	Financial Advisor
Inframark, LLC	11/12/08	\$ 90,647	Operator
Debra Loggins		\$ -0-	Investment Officer

See accompanying independent auditor's report.

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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