

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A

KAUFMAN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2025

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1-3
MANAGEMENT’S DISCUSSION AND ANALYSIS	4-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	9-10
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	11
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	12-13
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	14
NOTES TO THE FINANCIAL STATEMENTS	15-27
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND	29
SUPPLEMENTARY INFORMATION – REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	31-33
GENERAL FUND EXPENDITURES	34
INVESTMENTS	35
TAXES LEVIED AND RECEIVABLE	36-37
LONG-TERM DEBT SERVICE REQUIREMENTS	38
CHANGE IN LONG-TERM BOND DEBT	39-40
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND – THREE YEARS	41-44
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	45-46

McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

*Chris Swedlund
Noel W. Barfoot
Joseph Ellis
Ashlee Martin*

*Mike M. McCall
(retired)
Debbie Gibson
(retired)*

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kaufman County Fresh Water
Supply District No. 7-A
Kaufman County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Kaufman County Fresh Water Supply District No. 7-A (the "District"), as of and for the year ended July 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of July 31, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Board of Directors
Kaufman County Fresh Water
Supply District No. 7-A

Supplementary Information

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

McCall Gibson Swedlund Barfoot Ellis PLLC

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants
Houston, Texas

December 17, 2025

**KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2025**

Management's discussion and analysis of Kaufman County Fresh Water Supply District No. 7-A's (the "District") financial performance provides an overview of the District's financial activities for the year ended July 31, 2025. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position includes all 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 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 property tax revenues, developer advances, 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 FRESH WATER SUPPLY DISTRICT NO. 7-A
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2025**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$4,470,409 as of July 31, 2025. The following is a comparative analysis of government-wide changes in net position:

**KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2025**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2025</u>	<u>2024</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 181,928	\$ 3,765,370	\$ (3,583,442)
Capital Assets (Net of Accumulated Depreciation)	<u>14,452,718</u>	<u>10,460,598</u>	<u>3,992,120</u>
Total Assets	<u>\$ 14,634,646</u>	<u>\$ 14,225,968</u>	<u>\$ 408,678</u>
Due to Developer	\$ 18,049,334	\$ 13,516,715	\$ (4,532,619)
Bonds Payable	1,000,000	1,000,000	
Other Liabilities	<u>55,721</u>	<u>544,213</u>	<u>488,492</u>
Total Liabilities	<u>\$ 19,105,055</u>	<u>\$ 15,060,928</u>	<u>\$ (4,044,127)</u>
Net Position:			
Net Investment in Capital Assets	\$ (4,019,152)	\$ (566,262)	\$ (3,452,890)
Restricted	72,743	94,831	(22,088)
Unrestricted	<u>(524,000)</u>	<u>(363,529)</u>	<u>(160,471)</u>
Total Net Position	<u>\$ (4,470,409)</u>	<u>\$ (834,960)</u>	<u>\$ (3,635,449)</u>

The following table provides a summary of the District's operations for the year ended July 31, 2025, and July 31, 2024:

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2025</u>	<u>2024</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 72,413	\$ 67,312	\$ 5,101
Charges for Services	39,437		39,437
Other Revenues	<u>18,633</u>	<u>4,066</u>	<u>14,567</u>
Total Revenues	<u>\$ 130,483</u>	<u>\$ 71,378</u>	<u>\$ 59,105</u>
Expenses for Services	<u>3,765,932</u>	<u>560,965</u>	<u>(3,204,967)</u>
Change in Net Position	\$ (3,635,449)	\$ (489,587)	\$ (3,145,862)
Net Position, Beginning	<u>(834,960)</u>	<u>(345,373)</u>	<u>(489,587)</u>
Net Position, Ending	<u>\$ (4,470,409)</u>	<u>\$ (834,960)</u>	<u>\$ (3,635,449)</u>

**KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2025**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of July 31, 2025 were \$132,152, a decrease of \$36,724 from the prior year.

The District's General Fund fund balance increased by \$70, primarily due to property taxes and developer advances exceeding operating and capital costs.

The Debt Service Fund fund balance decreased by \$39,193, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance increased by \$2,399, from interest revenues.

CAPITAL ASSETS

Capital assets as of July 31, 2025, total \$14,452,718 (net of accumulated depreciation) and comprises the water, sanitary sewer, storm drainage and paving systems, as well as the water capacity interest in Talty SUD.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2025	2024	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Construction in Progress	\$ -0-	\$ 2,803,151	\$ (2,803,151)
Capital Assets, Net of Accumulated Depreciation:			
Water System	3,212,927	2,090,401	1,122,526
Water Capacity - Talty SUD	2,002,853	2,051,706	(48,853)
Sanitary Sewer System	2,294,298	844,076	1,450,222
Storm Drainage System	2,387,304	994,504	1,392,800
Paving	4,555,336	1,676,760	2,878,576
Total Net Capital Assets	\$ 14,452,718	\$ 10,460,598	\$ 3,992,120

**KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2025**

LONG-TERM DEBT

As of July 31 2025, the District had total bond debt of \$1,000,000. The changes in the bond debt position of the District during the current fiscal year is summarized as follows:

Bond Debt Payable, August 1, 2024	\$ 1,000,000
Less: Bond Principal Paid	<u>-0-</u>
Bond Debt Payable, July 31, 2025	<u>\$ 1,000,000</u>

The Series 2023 Road Bonds are non-rated.

As of July 31, 2025, the District has recorded an amount due to Developer of \$18,049,334 which consist of advances for operating and capital costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. The budget was amended during the current year. Actual revenues were \$87 more than budgeted revenues and actual expenditures were \$344,481 more than budgeted expenditures. Developer advances of \$522,225, which included \$343,424 of advances for construction purposes, were \$344,464 more than budgeted. This resulted in a positive budget variance of \$70. See the budget to actual comparison for more information.

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 Fresh Water Supply District No. 7-A, c/o Winstead PC, 2728 N. Harwood Street, Suite 500, Dallas, Texas 75201.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2025

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 4,668	\$ 59
Investments	113	96,969
Receivables:		
Property Taxes	18,340	90
Service Accounts	5,444	
Due from Developers	2,027	
Prepaid Costs	1,000	
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 31,592	\$ 97,118
LIABILITIES		
Accounts Payable	\$ 31,346	\$
Accrued Interest Payable		
Due to Developers		
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 31,346	\$ -0-
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 18,340	\$ 90
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 1,000	\$
Restricted for Authorized Construction		
Restricted for Debt Service		97,028
Unassigned	(19,094)	
TOTAL FUND BALANCES	\$ (18,094)	\$ 97,028
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
	\$ 31,592	\$ 97,118
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 891	\$ 5,618	\$	\$ 5,618
52,327	149,409		149,409
	18,430		18,430
	5,444		5,444
	2,027		2,027
	1,000		1,000
		14,452,718	14,452,718
\$ 53,218	\$ 181,928	\$ 14,452,718	\$ 14,634,646
\$	\$ 31,346	\$	\$ 31,346
		24,375	24,375
		18,049,334	18,049,334
		15,000	15,000
		985,000	985,000
\$ -0-	\$ 31,346	\$ 19,073,709	\$ 19,105,055
\$ -0-	\$ 18,430	\$ (18,430)	\$ -0-
\$	\$ 1,000	\$ (1,000)	\$
53,218	53,218	(53,218)	
	97,028	(97,028)	
	(19,094)	19,094	
\$ 53,218	\$ 132,152	\$ (132,152)	\$ -0-
\$ 53,218	\$ 181,928		
		\$ (4,019,152)	\$ (4,019,152)
		72,743	72,743
		(524,000)	(524,000)
		\$ (4,470,409)	\$ (4,470,409)

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

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JULY 31, 2025

Total Fund Balances - Governmental Funds	\$	132,152
--	----	---------

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		14,452,718
--	--	------------

Deferred inflows of resources related to property tax revenues for the 2024 and prior tax levies became part of recognized revenue in the governmental activities of the District.		18,430
--	--	--------

Certain 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:

Due to Developer	\$ (18,049,334)	
Accrued Interest Payable	(24,375)	
Bonds Payable	<u>(1,000,000)</u>	<u>(19,073,709)</u>
Total Net Position - Governmental Activities		<u>\$ (4,470,409)</u>

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

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2025

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 14,056	\$ 40,007
Wastewater Service	39,437	
Investment and Miscellaneous Revenues	11,822	4,412
TOTAL REVENUES	\$ 65,315	\$ 44,419
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 112,966	\$
Contracted Services	46,776	878
Purchased Wastewater Service	34,486	
Utilities	282	
Repairs and Maintenance	23,887	
Depreciation		
Other	25,691	40
Capital Outlay	343,382	
Conveyance of Assets		
Debt Service:		
Bond Interest		82,694
TOTAL EXPENDITURES/EXPENSES	\$ 587,470	\$ 83,612
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (522,155)	\$ (39,193)
OTHER FINANCING SOURCES (USES)		
Developer Advances	\$ 522,225	\$ -0-
NET CHANGE IN FUND BALANCES	\$ 70	\$ (39,193)
CHANGE IN NET POSITION		
FUND BALANCES(DEFICIT)/NET POSITION - AUGUST 1, 2024	(18,164)	136,221
FUND BALANCES(DEFICIT)/NET POSITION - JULY 31, 2025	\$ (18,094)	\$ 97,028

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$	\$ 54,063	\$ 18,350	\$ 72,413
	39,437		39,437
2,399	18,633		18,633
<u>\$ 2,399</u>	<u>\$ 112,133</u>	<u>\$ 18,350</u>	<u>\$ 130,483</u>
\$	\$ 112,966	\$	\$ 112,966
	47,654		47,654
	34,486		34,486
	282		282
	23,887		23,887
		235,857	235,857
	25,731		25,731
	343,382	(242,372)	101,010
		3,118,380	3,118,380
	82,694	(17,015)	65,679
<u>\$ -0-</u>	<u>\$ 671,082</u>	<u>\$ 3,094,850</u>	<u>\$ 3,765,932</u>
<u>\$ 2,399</u>	<u>\$ (558,949)</u>	<u>\$ (3,076,500)</u>	<u>\$ (3,635,449)</u>
<u>\$ -0-</u>	<u>\$ 522,225</u>	<u>\$ (522,225)</u>	<u>\$ -0-</u>
\$ 2,399	\$ (36,724)	\$ 36,724	\$
		(3,635,449)	(3,635,449)
<u>50,819</u>	<u>168,876</u>	<u>(1,003,836)</u>	<u>(834,960)</u>
<u>\$ 53,218</u>	<u>\$ 132,152</u>	<u>\$ (4,602,561)</u>	<u>\$ (4,470,409)</u>

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

**KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
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, 2025**

Net Change in Fund Balances - Governmental Funds	\$	(36,724)
--	----	----------

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		18,350
--	--	--------

Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and the expense is recorded in the Statement of Activities.		(235,857)
---	--	-----------

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. In addition, any conveyance of assets is recorded as an expense in the Statement of Activities.		(2,876,008)
---	--	-------------

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.		17,015
---	--	--------

Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances, net any amount paid to the developer, are recorded as a liability.		(522,225)
--	--	-----------

Change in Net Position - Governmental Activities	\$	<u>(3,635,449)</u>
--	----	--------------------

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

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025

NOTE 1. CREATION OF DISTRICT

In an order dated July 17, 2019, the Commissioners Court of Kaufman County (the “County”), pursuant to a petition signed by the landowners within the proposed district at the time, granted the creation of Kaufman County Fresh Water Supply District No. 7 (“KCFWSD NO. 7”) pursuant to Article XVI, Section 59 of the Texas Constitution and Chapters 49, 51, and 53 of the Texas Water Code, as amended. At an election conducted on November 3, 2020, voters approved the division of KCFWSD NO. 7 into two districts, thereby changing the boundaries of the KCFWSD NO. 7 and renaming it Kaufman County Fresh Water Supply District No. 7-A (the “District”) and creating Kaufman County Fresh Water Supply District No 7-B. On December 20, 2022, after due notice and hearing, the District converted to a water control and improvement district operating under Chapter 51, Texas Water Code, retaining its road powers. On June 15, 2022, the Texas Commission on Environmental Quality (the “Commission”) approved the District’s application for the addition of drainage powers under Sections 51.331 and 51.332 of the Texas Water Code. The Commission exercises continuing supervisory jurisdiction over the District.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water and, the construction, operation and maintenance of macadamized, graveled or paved roads and improvements, including storm drainage, in aid of those roads. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District also is authorized by law to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose if certain approvals are obtained.

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.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

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

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

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, and intangible assets net of accumulated depreciation and amortization 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’s the District’s policy to use restricted resources first.

Government-Wide Financial Statements

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

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

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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

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 Fund

The District has three governmental funds and considers each to be a major fund.

General Fund - To account for property tax revenues, developer advances, 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 period and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent year to finance current expenditures.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025

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 is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements, and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain costs are capitalized as part of the asset.

The rights and obligations to operate water facilities for the benefit of the residents of the District have been conveyed to Talty Special Utility District pursuant to an agreement (see Note 10). The agreement meets the criteria to be treated in accordance with Governmental Accounting Standards Board Statement No. 94. The District is entitled to significant residual interest in the facilities conveyed and, therefore, continues to record these facilities as capital assets on the books of the District.

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
Sanitary Sewer System	10-45
Storm Drainage System	10-40
Paving	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 amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and amended 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 directors are considered “employees” for federal payroll tax purposes only.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

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

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

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

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

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

The following is a summary of transactions regarding bonds payable for the year ended July 31, 2025:

	<u>August 1, 2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>July 31, 2025</u>
Bonds Payable	<u>\$ 1,000,000</u>	<u>\$</u>	<u>\$ -0-</u>	<u>\$ 1,000,000</u>
		Amount Due Within One Year		\$ 15,000
		Amount Due After One Year		<u>985,000</u>
		Bonds Payable		<u>\$ 1,000,000</u>

Series 2023 Road

Amounts Outstanding – July 31, 2025	\$1,000,000
Interest Rates	6.50%
Maturity Dates – Serially Beginning/Ending	September 15, 2025/2049
Interest Payment Dates	September 15/ March 15
Callable Dates	September 15, 2033*

* The bonds are subject to redemption at the option of the District prior to their maturity in whole, or from time to time in part, on the call date or any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2023 Road term bonds maturing on September 15, 2049 are subject to mandatory redemption beginning September 15, 2025.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025

NOTE 3. LONG-TERM DEBT (Continued)

As of July 31, 2025, the debt service requirements on the outstanding bonds were as follows:

Fiscal Year	Principal	Interest	Total
2026	\$ 15,000	\$ 64,513	\$ 79,513
2027	15,000	63,538	78,538
2028	15,000	62,563	77,563
2029	15,000	61,588	76,588
2030	20,000	60,450	80,450
2031-2035	120,000	281,126	401,126
2036-2040	170,000	234,001	404,001
2041-2045	255,000	165,914	420,914
2046-2050	375,000	64,189	439,189
	<u>\$ 1,000,000</u>	<u>\$ 1,057,882</u>	<u>\$ 2,057,882</u>

The District has authorized but unissued bonds in the amount of \$326,430,000 for utility facilities, \$408,037,500 for refunding utility bonds, \$233,720,000 for road facilities and \$293,400,000 for refunding road bonds.

During the year ended July 31, 2025, the District levied an ad valorem debt service tax rate of \$0.74 per \$100 of assessed valuation, which resulted in a tax levy of \$40,097 on the adjusted taxable valuation of \$5,418,456 for the 2024 tax year. The bond order requires the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy. All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

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

The bond order states 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.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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 \$5,618 and the bank balance was \$37,596. The District was not exposed to custodial credit risk.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position as of July 31, 2025, as listed below:

	Cash
GENERAL FUND	\$ 4,668
DEBT SERVICE FUND	59
CAPITAL PROJECTS FUND	891
TOTAL DEPOSITS	\$ 5,618

Investments

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

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

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District invest in Local Government Investment Cooperative (LOGIC), an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. J.P. Morgan Investment Management, Inc. (JPMIM) serves as investment advisor. Hilltop Securities and JPMIM manage the daily operations of the pool. LOGIC measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in LOGIC at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from LOGIC.

As of July 31, 2025, the District had the following investments:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
LOGIC	\$ 113	\$ 113
<u>DEBT SERVICE FUND</u>		
LOGIC	96,969	96,969
<u>CAPITAL PROJECTS FUND</u>		
LOGIC	52,327	52,327
TOTAL INVESTMENTS	\$ 149,409	\$ 149,409

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

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service. All cash and investments of the Capital Projects Fund are restricted for the purchase or construction of District infrastructure.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended July 31, 2025:

	August 1, 2024	Increases	Decreases	July 31, 2025
Capital Assets Not Being Depreciated				
Construction in Progress	\$ 2,803,151	\$ 7,985,823	\$ 10,788,974	\$ -0-
Capital Assets Subject to Depreciation				
Water System	\$ 2,121,151	\$ 1,179,003	\$	\$ 3,300,154
Water Capacity - Talty SUD	2,198,400			2,198,400
Sanitary Sewer System	856,084	1,480,803		2,336,887
Storm Drainage System	1,007,570	1,431,282		2,438,852
Paving	1,698,790	2,940,040		4,638,830
Total Capital Assets Subject to Depreciation	\$ 7,881,995	\$ 7,031,128	\$ -0-	\$ 14,913,123
Accumulated Depreciation				
Water System	\$ 30,750	\$ 56,477	\$	\$ 87,227
Water Capacity - Talty SUD	146,694	48,853		195,547
Sanitary Sewer System	12,008	30,581		42,589
Storm Drainage System	13,066	38,482		51,548
Paving	22,030	61,464		83,494
Total Accumulated Depreciation	\$ 224,548	\$ 235,857	\$ -0-	\$ 460,405
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 7,657,447	\$ 6,795,271	\$ -0-	\$ 14,452,718
Total Capital Assets, Net of Accumulated Depreciation	\$ 10,460,598	\$ 14,781,094	\$ 10,788,974	\$ 14,452,718

NOTE 7. MAINTENANCE TAX

On November 8, 2022, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.00 per \$100 of assessed valuation of taxable property within the District. During the year ended July 31, 2025, the District levied an ad valorem maintenance tax rate of \$0.26 per \$100 of assessed valuation, which resulted in a tax levy of \$14,088 on the adjusted taxable valuation of \$5,418,456 for the 2024 tax year.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025

NOTE 8. RISK MANAGEMENT

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

NOTE 9. UNREIMBURSED COSTS

The District has entered into financing agreements with the Developers which calls for the Developers to fund operating advances as well as costs associated with the construction of roads, water, wastewater, and drainage infrastructure. The District has an obligation to reimburse the Developers for these costs from future bond issues or other lawfully available funds. The following table summarizes the current activity related to unreimbursed costs

Due to Developers, August 1, 2024	\$	13,516,715
Add: Current Year Additions		7,196,390
Less: Current Year Reimbursements		<u>(2,663,771)</u>
Due to Developers, July 31, 2025	\$	<u>18,049,334</u>

NOTE 10. WATER SERVICE CONTRACT

Pursuant to a Non-Standard Service Contract between the Talty Special Utility District (“Talty SUD”) and the Developer, dated December 8, 2017, and amended on August 24, 2021, Talty SUD agreed to provide water utility service to the District at the Developer’s expense initially for 687 lots. Talty SUD purchases wholesale water from the City of Crandall, Texas (the City of Crandall buys wholesale water from the North Texas Municipal Water District). Talty SUD will be the retail provider for water service for the District. On October 15, 2024, the District entered into an additional agreement with Talty SUD for wastewater billing services. The connection fees for the first 687 lots have already been paid. Talty SUD received payment for the construction of a 24” waterline to the District. Installation of the 24” waterline is complete.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025

NOTE 11. WASTEWATER SERVICES AGREEMENT

Pursuant to a certain Wastewater Agreement between the District and Kaufman County Fresh Water Supply District No. 7-B (“KCFWSD No. 7-B”) dated August 2, 2023, KCFWSD No. 7-B will construct and operate a wastewater treatment plant along with collection and treatment facilities (the “Sewer Facilities”), providing service to the territory within the boundaries of the District, KCFWSD No. 7-B and Kaufman County Fresh Water Supply District No. 3. The costs of the Sewer Facilities will be borne by JLM 717 and the Developer. The TCEQ approved a wastewater treatment permit for the treatment of 1.6 million gallons per day of wastewater. The construction of the Sewer Facilities has not yet commenced. A lease agreement has been executed by KCFWSD No. 7-B with AUC Group for the installation of a fully operable temporary wastewater treatment facility with a capacity of 100,000 gallons per day.

NOTE 12. ECONOMIC DEPENDENCY AND DEFICIT FUND BALANCE

The District’s Developer owns a substantial portion of the taxable property within the District. The Developer’s ability to make full and timely payments of taxes and provide operating advances directly affects the District’s ability to meet its financial obligations. The General Fund has a deficit fund balance of \$18,094 as of July 31, 2025. The deficit is projected to be eliminated with property tax revenues and/or developer advances in the next fiscal year.

NOTE 13. WHOLESALE AGREEMENT FOR WASTEWATER SERVICE

The District entered into a Wholesale Agreement for Wastewater Service (the “Agreement”) with Kingsborough Services, LLC (“KS LLC”) effective July 31, 2025, whereby KS LLC agrees to provide wholesale wastewater treatment services to the District by constructing a wastewater system with sufficient wastewater capacity to ultimately serve 4,018 ESFCs. Per the terms of the Agreement, KS LLC will design and construct a lift station, wastewater treatment plant and conveyance facilities to connect to the District’s internal wastewater system, which the District is responsible for constructing.

The initial rate to be charged to the District is 97% of the total revenues collected from retail customers by the District based on the District Rate Order until 1,500 homes have connected to the KS LLC System (“Initial Payments”). Once the Initial Payments have been paid, District shall pay 95% of the total revenues collected from retail customers. KS LLC agrees not to modify the wholesale service charge for wastewater until the end of five years following the date the District commences use of wastewater services to the first lot in the Service Area. The Agreement specifies the methodology for any modification of the wholesale service charge at that time.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2025

NOTE 13. WHOLESALE AGREEMENT FOR WASTEWATER SERVICE
(Continued)

If a wholesale rate increase or increase in the rate charged in the District Rate Order is required, the District may increase the wholesale rate or the rate charged in the District Order upon adoption by the Board of Directors of a retail wastewater study prepared by a licensed professional engineering firm and agreed to by both the District and KS LLC in writing. KS LLC shall have no obligations to decrease the wholesale service charge for wastewater. The District agrees that it shall not increase or decrease its retail water rates in the District Rate Order without the written consent of KS LLC.

The term of the Agreement is for 60 years from the effective date, unless terminated by mutual agreement of the parties. It shall renew thereafter for successive one-year terms unless 365 days prior written notice is given. During the current year, the District recorded \$34,486 for wastewater services.

NOTE 14. SUBSEQUENT EVENT

On or about December 18, 2025, the District anticipates closing on its Series 2025 Unlimited Tax Road Bonds, in the amount of \$3,560,000. Proceeds will be used to reimburse a developer for engineering and construction related to Paving Improvements for: Kingsborough, Phase 1A, Phase 1B, Phase 1 earthwork improvements, developer interest, capitalized interest and bond issuance costs.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A

REQUIRED SUPPLEMENTARY INFORMATION

JULY 31, 2025

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JULY 31, 2025

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 27,171	\$ 14,029	\$ 14,056	\$ 27
Wastewater Service	32,986	39,389	39,437	48
Investment and Miscellaneous Revenues	120	11,810	11,822	12
TOTAL REVENUES	\$ 60,277	\$ 65,228	\$ 65,315	\$ 87
EXPENDITURES				
Service Operations:				
Professional Fees	\$ 102,550	\$ 114,267	\$ 112,966	\$ 1,301
Contracted Services	25,600	46,923	46,776	147
Purchased Wastewater Service	31,337	33,818	34,486	(668)
Utilities		297	282	15
Repairs and Maintenance	14,927	24,629	23,887	742
Other	19,894	23,055	25,691	(2,636)
Capital Outlay			343,382	(343,382)
TOTAL EXPENDITURES	\$ 194,308	\$ 242,989	\$ 587,470	\$ (344,481)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (134,031)	\$ (177,761)	\$ (522,155)	\$ (344,394)
OTHER FINANCING SOURCES(USES)				
Developer Advances	\$ 134,031	\$ 177,761	\$ 522,225	\$ 344,464
NET CHANGE IN FUND BALANCE	\$ -0-	\$ -0-	\$ 70	\$ 70
FUND BALANCE(DEFICIT) - AUGUST 1, 2024	(18,164)	(18,164)	(18,164)	_____
FUND BALANCE(DEFICIT) - JULY 31, 2025	\$ (18,164)	\$ (18,164)	\$ (18,094)	\$ 70

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
JULY 31, 2025

**KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2025**

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

<u>N/A</u>	Retail Water	<u>N/A</u>	Wholesale Water	<u>N/A</u>	Drainage
<u>X</u>	Retail Wastewater	<u>N/A</u>	Wholesale Wastewater	<u>N/A</u>	Irrigation
<u>N/A</u>	Parks/Recreation	<u>N/A</u>	Fire Protection	<u>N/A</u>	Security
<u>X</u>	Solid Waste/Garbage	<u>N/A</u>	Flood Control	<u>N/A</u>	Roads
<u>N/A</u>	Participates in a regional system				
<u>X</u>	Contract for water service is with Talty SUD – See Note 10. Contract for wastewater service is with Kaufman County FWSD No. 7-B. See Note 11.				

2. RETAIL SERVICE PROVIDERS

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

The following rates are based on the rate order effective July 1, 2024.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Usage</u>	<u>Usage Levels</u>
WASTEWATER:	\$ 55.00	4,000	N	\$ 8.44	0,001 – and up

Total monthly charges per 10,000 gallons usage: Wastewater: \$84.40

See accompanying independent auditor’s report.

**KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2025**

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	<u>N/A</u>	<u>N/A</u>		<u>N/A</u>
Total Wastewater Connections	<u>83</u>	<u>83</u>	x 1.0	<u>83</u>

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: Not Applicable

See accompanying independent auditor's report.

**KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2025**

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Kaufman County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ in which District is located:

City of Talty, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2025

PROFESSIONAL FEES:	
Auditing	\$ 15,750
Engineering	12,648
Legal	<u>84,568</u>
TOTAL PROFESSIONAL FEES	<u>\$ 112,966</u>
PURCHASED WASTEWATER SERVICE	<u>\$ 34,486</u>
CONTRACTED SERVICES:	
Bookkeeping	<u>\$ 41,683</u>
UTILITIES	<u>\$ 282</u>
REPAIRS AND MAINTENANCE	<u>\$ 23,887</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 12,847
Insurance	1,795
Office Supplies and Postage	177
Travel, Training and Meetings	3,631
Other	<u>4,241</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 22,691</u>
CAPITAL OUTLAY	<u>\$ 343,382</u>
TAP CONNECTIONS	<u>\$ 3,000</u>
SOLID WASTE DISPOSAL	<u>\$ 5,093</u>
TOTAL EXPENDITURES	<u>\$ 587,470</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
INVESTMENTS
JULY 31, 2025

<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>					
LOGIC	XXXX5003	Varies	Daily	\$ 113	\$ -0-
<u>DEBT SERVICE FUND</u>					
LOGIC	XXXX5001	Varies	Daily	\$ 96,969	\$ -0-
<u>CAPITAL PROJECTS FUND</u>					
LOGIC	XXXX5002	Varies	Daily	\$ 52,327	\$ -0-
TOTAL - ALL FUNDS				<u>\$ 149,409</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2025

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
AUGUST 1, 2024	\$	80	\$	-0-
Adjustments to Beginning				
Balance		<u>18,228</u>	\$	18,308
			<u> </u>	\$
				-0-
Original 2024 Tax Levy	\$	14,088	\$	40,097
Adjustment to 2024 Tax Levy		<u> </u>	<u>14,088</u>	<u>40,097</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	32,396	\$
				40,097
TAX COLLECTIONS:				
Prior Years	\$	-0-	\$	-0-
Current Year		<u>14,056</u>	<u>14,056</u>	<u>40,007</u>
			<u> </u>	<u>40,007</u>
TAXES RECEIVABLE -				
JULY 31, 2025		<u>\$</u>	18,340	<u>\$</u>
				90
TAXES RECEIVABLE BY				
YEAR:				
2024	\$	32	\$	90
2023		80		
2022		<u>18,228</u>		
TOTAL	\$	<u>18,340</u>	\$	<u>90</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2025

	2024	2023	2022
PROPERTY VALUATIONS:			
Land	\$ 9,572,959	\$ 6,731,199	\$ 6,998,160
Exemptions	(4,154,503)		(4,136,974)
TOTAL PROPERTY VALUATIONS	\$ 5,418,456	\$ 6,731,199	\$ 2,861,186
TAX RATES PER \$100 VALUATION:			
Debt Service	\$ 0.74	\$ 0.00	\$ 0.00
Maintenance	0.26	1.00	1.00
TOTAL TAX RATES PER \$100 VALUATION	\$ 1.00	\$ 1.00	\$ 1.00
ADJUSTED TAX LEVY*	\$ 54,185	\$ 67,321	\$ 22,368
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED			
	99.77 %	99.88 %	18.51 %

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

Maintenance Tax – A rate not to exceed \$1.00 per \$100 of assessed valuation approved by voters on November 8, 2022.

See accompanying independent auditor’s report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2025

S E R I E S - 2 0 2 3 R O A D

Due During Fiscal Years Ending July 31	Principal Due September 15	Interest Due September 15/ March 15	Total
2026	\$ 15,000	\$ 64,513	\$ 79,513
2027	15,000	63,538	78,538
2028	15,000	62,563	77,563
2029	15,000	61,588	76,588
2030	20,000	60,450	80,450
2031	20,000	59,150	79,150
2032	20,000	57,850	77,850
2033	25,000	56,388	81,388
2034	25,000	54,763	79,763
2035	30,000	52,975	82,975
2036	30,000	51,025	81,025
2037	30,000	49,075	79,075
2038	35,000	46,963	81,963
2039	35,000	44,688	79,688
2040	40,000	42,250	82,250
2041	45,000	39,488	84,488
2042	45,000	36,563	81,563
2043	50,000	33,475	83,475
2044	55,000	30,063	85,063
2045	60,000	26,325	86,325
2046	65,000	22,263	87,263
2047	70,000	17,875	87,875
2048	75,000	13,163	88,163
2049	80,000	8,125	88,125
2050	85,000	2,763	87,763
	<u>\$ 1,000,000</u>	<u>\$ 1,057,882</u>	<u>\$ 2,057,882</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2025

Description	Original Bonds Issued	Bonds Outstanding August 1, 2024	
Kaufman County Fresh Water Supply District No. 7-A Unlimited Tax Road Bonds - Series 2023	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	
Bond Authority:	<u>Utility Bonds</u>	<u>Road Bonds</u>	<u>Utility Refunding Bonds</u>
Amount Authorized by Voters	\$ 326,430,000	\$ 234,720,000	\$ 408,037,500
Amount Issued	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Remaining to be Issued	<u>\$ 326,430,000</u>	<u>\$ 233,720,000</u>	<u>\$ 408,037,500</u>
Debt Service Fund cash, investments and cash with paying agent balances as of July 31, 2025:		<u>\$ 97,028</u>	
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 82,315</u>	

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

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding July 31, 2025</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 82,694</u>	<u>\$ 1,000,000</u>	UMB Bank, N.A. Dallas, TX

Road
Refunding Bonds

\$ 293,400,000

\$ 293,400,000

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – THREE YEARS

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	\$ 14,056	\$ 67,232	\$ 22,368
Wastewater Service	39,437		
Investment and Miscellaneous Revenues	11,822	228	42
TOTAL REVENUES	<u>\$ 65,315</u>	<u>\$ 67,460</u>	<u>\$ 22,410</u>
EXPENDITURES			
Professional Fees	\$ 112,966	\$ 126,649	\$ 118,229
Contracted Services	46,776	30,635	20,299
Purchased Water Service			
Purchased Wastewater Service	34,486		
Utilities	282		
Repairs and Maintenance	23,887	8,634	
Other	25,691	17,484	13,105
Capital Outlay	343,382	2,034,271	733,857
TOTAL EXPENDITURES	<u>\$ 587,470</u>	<u>\$ 2,217,673</u>	<u>\$ 885,490</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (522,155)</u>	<u>\$ (2,150,213)</u>	<u>\$ (863,080)</u>
OTHER FINANCING SOURCES (USES)			
Developer Advances	\$ 522,225	\$ 2,151,478	868,107
NET CHANGE IN FUND BALANCE	\$ 70	\$ 1,265	\$ 5,027
BEGINNING FUND BALANCE(DEFICIT)	<u>(18,164)</u>	<u>(19,429)</u>	<u>(24,456)</u>
ENDING FUND BALANCE(DEFICIT)	<u>\$ (18,094)</u>	<u>\$ (18,164)</u>	<u>\$ (19,429)</u>

See accompanying independent auditor's report.

Percentage of Total Revenues		
2025	2024	2023
21.5 %	99.7 %	99.8 %
60.4		
<u>18.1</u>	<u>0.3</u>	<u>0.2</u>
<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
173.0 %	187.7 %	527.6 %
71.6	45.4	90.6
52.8		
0.4		
36.6	12.8	
39.3	25.9	58.5
<u>525.7</u>	<u>3,015.5</u>	<u>3,274.7</u>
<u>899.4 %</u>	<u>3,287.3 %</u>	<u>3,951.4 %</u>
<u>(799.4) %</u>	<u>(3,187.3) %</u>	<u>(3,851.4) %</u>

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND – THREE YEARS

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	\$ 40,007	\$	\$
Investment and Miscellaneous Revenues	4,412	2,814	
TOTAL REVENUES	\$ 44,419	\$ 2,814	\$ - 0 -
EXPENDITURES			
Tax Collection Expenditures	\$ 878	\$	\$
Debt Service Interest and Fees	82,734		
TOTAL EXPENDITURES	\$ 83,612	\$ - 0 -	\$ - 0 -
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (39,193)	\$ 2,814	\$ - 0 -
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	\$ -0-	\$ 133,407	\$ -0-
NET CHANGE IN FUND BALANCE	\$ (39,193)	\$ 136,221	\$ - 0 -
BEGINNING FUND BALANCE	136,221		
ENDING FUND BALANCE	\$ 97,028	\$ 136,221	\$ - 0 -
TOTAL ACTIVE RETAIL WATER CONNECTIONS	N/A	N/A	N/A
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	83	N/A	N/A

See accompanying independent auditor's report.

Percentage of Total Revenues					
2025		2024		2023	
90.1	%		%		%
<u>9.9</u>		<u>100.0</u>			
<u>100.0</u>	%	<u>100.0</u>	%		%
1.9	%		%		%
<u>186.3</u>					
<u>188.2</u>	%		%		%
<u>(88.2)</u>	%	<u>100.0</u>	%	<u>N/A</u>	%

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2025

District Mailing Address - Kaufman County Fresh Water Supply District No. 7-A
c/o Winstead PC
2728 N. Harwood Street, Suite 500
Dallas, TX 75201

District Telephone Number - (214) 745-5400

Board Members	<u>Term of Office (Elected or Appointed)</u>	<u>Fees of Office for the year ended July 31, 2025</u>	<u>Expense Reimbursements for the year ended July 31, 2025</u>	<u>Title</u>
Barbara King	11/22 05/26 (Elected)	\$ 2,873	\$ 599	President
Karen Arington	08/23 - 05/26 (Appointed)	\$ 2,873	\$ 508	Vice President
W. Garrett Wesp	05/24 05/28 (Elected)	\$ 2,873	\$ 803	Secretary
Laura Harris	05/24 05/28 (Elected)	\$ 2,210	\$ 206	Assistant Secretary
Joshua Lane	11/22 05/26 (Elected)	\$ 1,105	\$ 215	Assistant Secretary

Note: 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 developer or with any of the District's consultants.

Submission date of most recent District Registration Form: May 13, 2024

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

See accompanying independent auditor's report.

KAUFMAN COUNTY FRESH WATER SUPPLY DISTRICT NO. 7-A
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2025

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended July 31, 2025</u>	<u>Title</u>
Winstead PC	07/30/19	\$ 83,568 \$ -0-	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	08/23/23	\$ 15,750 \$ -0-	Auditor Bond Related
Dye & Toverly, LLC	07/30/19	\$ 41,683	Bookkeeper
Hilltop Securities Inc.	09/27/23	\$ -0-	Financial Advisor
LJA Engineering, Inc.	07/30/19	\$ 42,098	Engineer
Inframark, LLC	02/01/24	\$ 26,887	Operator
Kerry Toverly		\$ -0-	Investment Officer
Kaufman County Tax Assessor-Collector	03/14/23	\$ 107	Tax Assessor/ Collector

See accompanying independent auditor's report.