NEW ISSUE - BOOK-ENTRY-ONLY

Ratings: S&P: Underlying: "A-"
Insured: "AA"
(See: "OTHER PERTINENT INFORMATION - Ratings"
"BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein)

OFFICIAL STATEMENT
April 19, 2021

In the opinion of Bond Counsel (identified below), assuming continuing compliance by the Issuer after the date of initial delivery of the Bonds (defined below) with certain covenants contained in the Order (defined below) and subject to the matters described under "TAX MATTERS" herein, interest on the Bonds under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. (See "TAX MATTERS" herein.)

The Issuer has designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions.

$8,825,000
ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
(A political subdivision of the State of Texas located in Orange County, Texas)
Revenue Refunding Bonds, Series 2021

Dated Date: April 15, 2021 **Due: August 15, as shown on inside cover**

The $8,825,000 Orange County Water Control and Improvement District No. 1 Revenue Refunding Bonds, Series 2021 (the "Bonds"), are being issued pursuant to the laws of the State of Texas (the "State"), including Chapters 49 and 51, as amended, Texas Water Code, Chapter 1207, as amended, Texas Government Code ("Chapter 1207"), Article XVI, Section 59 Texas Constitution, and an order (the "Order") adopted by the Board of Directors of the Orange County Water Control and Improvement District No. 1 (the "District" or the "Issuer") on April 19, 2021. (See "THE BONDS – Authority for Issuance" herein.)

The Bonds are special obligations of the Issuer payable from a first and prior lien on and pledge of the Net Revenues derived from the operation of the Issuer's Utility System (the "System"). In the Order, the Issuer has reserved the right to issue Additional Prior Lien Obligations, Junior Lien Obligations and Subordinate Lien Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. The Order does not create a lien or mortgage on the System, except the Net Revenues, and any judgement against the District may not be enforced by levy and execution against any property owned by the District. The District has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation. (See "THE BONDS – Source of and Security for Payment" herein). Capitalized, but undefined, terms used herein have the meanings described thereto in the Order.

Interest on the Bonds will accrue from April 15, 2021 (the "Dated Date") and is payable initially on February 15, 2022 and each August 15 and February 15 thereafter until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of $5,000 or any integral multiple thereof within a stated maturity, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as Cede & Co., as the paying agent to DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to DTC, which will be solely responsible for making such payment to the Beneficial Owners of the Bonds. The initial Paying Agent/Registrar for the Bonds shall be UMB Bank, N.A., Austin, Texas (the "Paying Agent/Registrar").

Proceeds from the sale of the Bonds will be used for the purpose of (1) providing funds to refund certain of the District's currently outstanding obligations, as identified in Schedule I attached hereto (the "Refunded Obligations"), for debt service savings, and (2) paying the costs and expenses incurred in connection with issuance the Bonds. (See "THE BONDS – Use of Bond Proceeds" herein.)

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

SEE FOLLOWING PAGE FOR STATED MATURITIES, PRINCIPAL AMOUNTS,
INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS AND REDEMPTION PROVISIONS FOR THE BONDS

The Bonds are offered for delivery when, as and if issued and received by the initial purchasers thereof named below (the "Underwriters") and subject to the approving opinion of the Attorney General of the State and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin and San Antonio, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or attached to, the Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas. It is expected that the Bonds will be available for initial delivery through DTC on or about May 19, 2021.

FHN FINANCIAL CAPITAL MARKETS **UMB BANK**

$8,825,000
ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
(A political subdivision of the State of Texas located in Orange County, Texas)
Revenue Refunding Bonds, Series 2021

CUSIP Prefix No. 684737[1]

MATURITY SCHEDULE

Stated Maturity 8/15	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix [1]	Stated Maturity 8/15	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix [1]
2022	$ 815,000	2.000%	0.200%	BS7	2027	$ 895,000	1.000%	1.050%	BX6
2023	835,000	2.000%	0.300%	BT5	2028	905,000	1.000%	1.200%	BY4
2024	850,000	2.000%	0.450%	BU2	2029	915,000	1.000%	1.300%	BZ1
2025	865,000	2.000%	0.650%	BV0	2030	925,000	1.250%	1.450%	CA5
2026	885,000	2.000%	0.850%	BW8	2031	935,000	1.250%	1.550%	CB3

(Interest to accrue from the Dated Date)

The Issuer reserves the right to redeem the Bonds maturing on August 15, 2031, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof on August 15, 2030, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. (See "THE BONDS - Redemption Provisions of the Bonds” herein.)

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[1] CUSIP numbers are included solely for the convenience of the owner of the Bonds. CUSIP is a registered trademark of The American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the District, the Financial Advisor, or the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.

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ELECTED AND APPOINTED OFFICIALS

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
460 E. Bolivar Street
Vidor, Texas 77662

BOARD OF DIRECTORS:

Name	Years Served	Term Expires (May)	Occupation
Frank Inzer President	9	2024	Real Estate Investments
Tim Beard Vice President	11	2022	Development Specialist
Trey Haney Secretary	7	2022	Manager – Pharmaceutical Industry
Guy Grovers Director	7	2024	Computer Technician
Keylly Brewer Director	Newly appointed	2022	Property Management

ADMINISTRATIVE OFFICIALS

Name	**Position**	**Length of Service (Years)**
Chris Serres	General Manager	12
David LeJune	Operations Manager	40

CONSULTANTS AND ADVISORS

Bond Counsel .... Norton Rose Fulbright US LLP
Austin and San Antonio, Texas

Certified Public Accountant .... Wathen, DeShong & Juncker, L.L.P.
Beaumont, Texas

Financial Advisor .... SAMCO Capital Markets, Inc.
San Antonio, Texas

For Additional Information Please Contact

Ms. Chris Serres
General Manager
Orange County Water Control and Improvement District No. 1
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Vidor, Texas 77662
Telephone: (409) 769-2669
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Mr. Mark McLiney
Mr. Andrew Friedman
SAMCO Capital Markets, Inc.
1020 NE Loop 410, Suite 640
San Antonio, Texas 78209
Telephone: (210) 832-9760
Facsimile: (210) 832-9794
mmcliney@samcocapital.com
afriedman@samcocapital.com

USE OF INFORMATION IN THE PRELIMINARY OFFICIAL STATEMENT

The information set forth or included in this Official Statement has been provided by the District and from other sources believed by the District and the Underwriters to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the Issuer described herein since the date hereof. The Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement 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. Any information or expression 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 an implication that there has been no change in the affairs of the District or other matters described herein since the date hereof.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Issuer's undertaking to provide certain information on a continuing basis.

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

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

None of the District, its Financial Advisor, or the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding the Depository Trust Company or its book-entry-only system, or the bond insurer, and its municipal bond insurance policy described herein under the heading "BOND INSURANCE", as such information has been provided by DTC and the bond insurer, respectively.

The agreements of the District and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the Underwriters. Investors should read the entire Official Statement, including the schedule and all appendices attached hereto, to obtain information essential to making an informed investment decision.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities or passed upon the adequacy or accuracy of this document and any representation to the contrary is a criminal offense.

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

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and "APPENDIX F - Specimen Municipal Bond Insurance Policy".

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General Information Regarding the Orange County Water Control and Improvement District No. 1 and Orange County, Texas .... Appendix B
Form of Opinion of Bond Counsel .... Appendix C
Excerpts from the District's Audited Financial Statements for the Fiscal Year Ended June 30, 2020 .... Appendix D
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SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer	The Orange County Water Control and Improvement District No. 1 (the "Issuer" or "District") was created by an order of the Texas State Board of Water Engineers (a State Agency that was a predecessor of the Texas Commission on Environmental Quality) on January 26, 1948 and confirmed by the electorate of the District in a confirmation election held on April 24, 1948. The District's creation was generally validated by the 57th Legislature in 1961 and subsequently by the 59th Legislature of Texas in 1965 and now operates under Chapters 49 and 51 of the Texas Water Code. The Board of Directors held its first meeting on February 4, 1948 and the District's first bonds were sold on May 27, 1955. The District is located in and around the City of Vidor, Texas and is the sole water and wastewater provider in the service area. The District consists of 8,006 acres and serves approximately 5,337 Water Equivalent Connections and 4,168 Sewer Connections with a population of approximately 14,300. The District is administered by a five-member Board of Directors who are elected by voters in the District.
The Bonds	The Bonds are being issued pursuant to the laws of the State of Texas, including Chapters 49 and 51, as amended, of the Texas Water Code, Article XVI, Section 59 of the Texas Constitution, Chapter 1207, as amended, Texas Government Code, and an order (the "Order") adopted by the District's Board of Directors (the "Board") on April 19, 2021. (See "THE BONDS – Authority for Issuance" herein.)
Redemption	The District reserves the right to redeem the Bonds maturing on August 15, 2031, in whole or in part, in the principal amount of $5,000 or any integral multiple thereof, on August 15, 2030 or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption. (See "THE BONDS - Redemption Provisions of the Bonds" herein.)
Escrow Agent and Paying Agent/Registrar	The Escrow Agent and the initial Paying Agent/Registrar will be UMB Bank, N.A., Austin, Texas.
Security for Payment	The Bonds are special obligations of the Issuer payable from a first and prior lien on and pledge of the Net Revenues derived from the operation of the Issuer's Utility System (the "System"). In the Order, the Issuer has reserved the right to issue Additional Prior Lien Obligations, Junior Lien Obligations and Subordinate Lien Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. The Order does not create a lien or mortgage on the System, except the Net Revenues, and any judgement against the District may not be enforced by levy and execution against any property owned by the District. The District has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation. (See "THE BONDS – Source of and Security for Payment" herein).
Book-Entry-Only System	The District intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York relating to the method and timing of payment and the method and transfer relating to the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing statutes, regulations, published rulings, and court decisions, subject to matters discussed herein under "TAX MATTERS". (See "TAX MATTERS" and "Appendix C - Form of Opinion of Bond Counsel" herein.)
Qualified Tax-Exempt Obligations	The District has designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations" herein.)
Use of Bond Proceeds	Proceeds from the sale of the Bonds will be used for the purposes of (1) providing funds to refund certain of the District's currently outstanding obligations, as identified in Schedule I attached hereto (the "Refunded Obligations"), for debt service savings, and (2) paying the costs in connection with the issuance of the Bonds. (See "THE BONDS - Use of Bond Proceeds" herein.)

Ratings	S&P Global Ratings ("S&P") has assigned an underlying rating of "A- to the Bonds and an enhanced rating of "AA" based solely upon the municipal bond insurance policy to be issued by the Bond Insurer on the date of initial delivery of the Bonds. (See "OTHER PERTINENT INFORMATION - Ratings" herein.)
Bond Insurance	S&P has assigned a rating of "AA" to the Bonds based solely upon the municipal bond insurance policy to be issued by the Bond Insurer on the date of initial delivery of the Bonds. An explanation of the significance of such rating may be obtained from S&P. (See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein.)
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Future Bond issues	The District has no plans to issue any other debt issues in the next 12 months except a potential bond refunding for savings.
Delivery	When issued, anticipated to occur on or about May 19, 2021.
Legality	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Bond Counsel, Austin and San Antonio, Texas.

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OFFICIAL STATEMENT
relating to

$8,825,000
ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
(A political subdivision of the State of Texas located in Orange County, Texas)
Revenue Refunding Bonds, Series 2021

INTRODUCTORY STATEMENT

This Official Statement, including the schedule and the appendices hereto, provides certain information in connection with the issuance by the Orange County Water Control and Improvement District No. 1 (the "District" or "Issuer") of its $8,825,000 Revenue Refunding Bonds, Series 2021 (the "Bonds") identified on page 2 hereof.

The District is a political subdivision of the State of Texas and the Bonds are being issued pursuant to the laws of the State of Texas (the "State"), including Chapters 49 and 51, as amended, Texas Water Code, Article XVI, Section 59 of the Texas Constitution, Chapter 1207, as amended, Texas Government Code, and an order (the "Order") adopted by the Board of Directors (the "Board") of the District on April 19, 2021, being the date of sale of the Bonds (see "THE BONDS –Authority for Issuance" herein).

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Order. Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ***ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT***. A copy of such documents may be obtained upon request from the District or its Financial Advisor, SAMCO Capital Markets, Inc., 1020 NE Loop 410, Suite 640, San Antonio, Texas 78209, via electronic mail or upon payment of reasonable copying, handling, and delivery charges.

All financial and other information presented in this Official Statement has been provided by the District from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in financial position or other affairs of the District. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Final Official Statement pertaining to the Bonds will be filed by the Underwriters with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the District's undertaking to provide certain information on a continuing basis. Capitalized terms used, but not defined herein, shall have the meanings ascribed thereto in the Order.

INFECTIOUS DISEASE OUTBREAK – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and the State of Texas (the "State"). On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID- 19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State in response to the Pandemic which has been subsequently extended and remains in effect. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a State agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. However, on March 2, 2021 (but effective as of March 10, 2021), the Governor issued Executive Order GA-34, which supersedes most of the executive orders relating to COVID-19 and provides, generally, for the reopening of the State to 100%, ends the COVID-19 mask mandate, and supersedes any conflicting order issued by local officials in response to COVID-19, among other things and subject to certain limitations. Executive Order GA-34 remains in place until amended, rescinded, or superseded by the Governor.

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, either expressly or by implication, into this Official Statement.

The District collects revenue from the sale of water and wastewater to its customers (which collected revenues represent the source of security for the Bonds). Further actions may be taken to slow the Pandemic which may reduce economic activity within the District (and, consequently, such revenues collected by the District). A reduction in the collection of such revenues may negatively impact the District's operating budget and overall financial condition.

The full extent of the ongoing impact of COVID-19 on the District's longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies discussed above, the duration and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted. The District continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the District. While the potential impact of the Pandemic on District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect the revenues of the System (defined herein). The financial and operating data contained herein are the latest available but are for the dates and the periods stated herein. It is unclear at this time what effect, if any, COVID-19 and any resulting economic disruption may have on the revenues of the System.

2021 Weather Event

General. From February 14, 2021 through February 19, 2021, the continental United States experienced a severe winter storm (the "2021 Event"). As a result of the 2021 Event, areas throughout Texas experienced widespread, record breaking cold.

Beginning February 12, 2021 and continuing over the next several days, the natural gas and real-time wholesale power markets experienced extreme price volatility. With multiple natural gas pipelines restricting gas flows and significant power demand increases, next day delivery natural gas spot prices at various delivery hubs skyrocketed from an average of less than $3.00 per million British thermal unit (mBtu) to $1,250 per mBtu at their peak. The price per megawatt hour (MWh) of electricity exceeded $9,000, when it had settled at only $30 on February 10, 2021.

Due to effects of the 2021 Event and a reduction in available gas supply, approximately 185 generating units in the Electric Reliability Council of Texas ("ERCOT") grid tripped offline, and the grid lost roughly 46,000 MW of generation. In order to limit demand and protect the integrity of the grid, ERCOT implemented widespread and prolonged blackouts. As a result, approximately 4 million Texas residents were without power for significant stretches of the week.

Extended subfreezing temperatures caused water pipes to freeze and burst, and combined with the lack of power, eventually led to multiple water system failures across the State that impacted water availability generally and, in some instances, required the issuance of water boil notices. Initial reports indicated that roughly 14 million Texans were under boil water notices as of February 19, 2021.

On February 19, 2021, the President of the United States issued a Major Disaster Declaration for 77 counties in Texas, which was subsequently expanded to cover an addition 31 counties. The Texas Governor, on February 18, 2021, declared a new emergency item for the current Texas legislative session (in session until May 31, 2021) in which he requested the Legislature to mandate the winterization of Texas' power system and to ensure the necessary funding for winterization.

The System experienced water loss due to water leaks resulting from the subfreezing temperatures and automatically shut down for one day until District personnel were able to return the System online. Out of approximately 4,800 customers, only 65 sought broken pipe repair assistance and requests for water to be turned off during the 2021 Event. The District, out of an abundance of caution, issued a District-wide boil water notice on February 17, 2021, which the District rescinded on February 21, 2021.]

Impact on the District. Currently, the District does not anticipate that the 2021 Event will have a material financial impact on the District.

PLAN OF FINANCING

Purpose

Proceeds from the sale of the Bonds will be used (1) to refund certain of the District's currently outstanding obligations, as identified in Schedule I hereto (the "Refunded Obligations") for debt service savings, and (2) for paying the costs of issuance of the Bonds.

Refunded Obligations

The Refunded Obligations, and interest due thereon, are to be paid on their scheduled maturity or redemption date (as applicable) from cash and investments to be deposited with UMB Bank, N.A., Austin, Texas, a national banking association (the "Escrow Agent") pursuant to an Escrow Deposit Letter dated as of April 19, 2021 (the "Escrow Agreement") between the District and the Escrow Agent.

The Order provides that the District will deposit certain proceeds of the sale of the Bonds, along with other lawfully available funds of the District, with the Escrow Agent in the amount necessary and sufficient to accomplish the discharge and final payment of the Refunded Obligations at their scheduled maturity date and date of early redemption. Such funds shall be held by the Escrow Agent in an escrow fund (the "Escrow Fund") irrevocably pledged to the payment of principal of and interest on the Refunded Obligations. SAMCO Capital Markets, Inc., in its capacity as Financial Advisor to the District, will certify as to the sufficiency of the amount initially deposited to the Escrow Fund, without regard to investment (if any), to pay the principal of and interest on the Refunded Obligations, when due, on the maturity date and the Redemption Date (the "Sufficiency Certificate"). Amounts on deposit in the Escrow Fund shall, until such time as needed for their intended purpose, be (i) held uninvested in cash and/or (ii) invested in certain direct, noncallable obligations of the United States of America (including obligations unconditionally guaranteed by the United States of America) that were, on the date the Order was adopted, rated as to investment quality by a nationally recognized rating firm of not less than "AAA" (the "Federal Securities"). Cash and investments (if any) held in the Escrow Fund shall not be available to pay debt service requirements on the Bonds.

Prior to, or simultaneously with, the issuance of the Bonds, the District will give irrevocable instructions to provide notice to the owners of the Refunded Obligations that the Refunded Obligations will be redeemed prior to stated maturity or defeased to stated maturity on which date money will be made available to redeem or defease the Refunded Obligations from money held under the Escrow Agreement.

By the deposit of the cash and Federal Securities with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of all of the Refunded Obligations in accordance with the law. It is the opinion of Bond Counsel, in reliance upon the Sufficiency Certificate provided by SAMCO Capital Markets, Inc., that as a result of such defeasance the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Escrow Fund held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the District payable from taxes nor for the purpose of applying any limitation on the issuance of debt. The District has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Obligations, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund are insufficient to make such payment.

THE BONDS

General Description

Interest on the Bonds will accrue from April 15, 2021 (the "Dated Date"), and is payable initially on February 15, 2022, and each August 15 and February 15 thereafter until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of $5,000 or any integral multiple thereof within a stated maturity, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as Cede & Co., as the paying agent to DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the Beneficial Owners of the Bonds. The initial Paying Agent/Registrar for the Bonds shall be UMB Bank, N.A., Austin, Texas (the "Paying Agent/Registrar"). (See "BOOK–ENTRY-ONLY SYSTEM" herein.)

If the specified date for any payment of principal of or interest on the Bonds is a Saturday, Sunday, or legal holiday or equivalent for banking institutions generally in the city in which Designated Payment Transfer Office of the Paying Agent/Registrar is located, such payment may be made on the next succeeding day which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

Use of Bond Proceeds

Proceeds from the sale of the Bonds will be used for the purpose of paying contractual obligations of the District (1) to refund the Refunded Obligations for debt service savings, and (2) paying the costs and expenses incurred in connection with issuance the Bonds.

Sources and Uses of Funds

The proceeds from the sale of the Bonds, along with a cash contribution from the District, will be applied approximately as follows:

Sources		
Par Amount of the Bonds	$	8,825,000.00
Accrued Interest on the Bonds		12,787.78
Net Reoffering Premium		113,817.75
Issuer Contribution		879,018.75
Total Sources of Funds	$	9,830,624.28
Uses		
Escrow Fund Deposit	$	9,499,018.75
Underwriters' Discount		61,233.91
Bond Fund Deposit		12,787.78
Costs of Issuance		214,655.10
Bond Insurance Premium		42,928.74
Total Uses	$	9,830,624.28

Authority for Issuance

The Bonds are being issued pursuant to the laws of the State of Texas, including Chapters 49 and 51, as amended, Texas Water Code, Article XVI, Section 59 of the Texas Constitution, Chapter 1207, as amended, Texas Government Code, and an order (the "Order") adopted by the Board of Directors of the Orange County Water Control and Improvement District No. 1 (the "District" or the "Issuer") on April 19, 2021, being the date of sale of the Bonds.

Source of and Security for Payment

The Bonds are special obligations of the Issuer payable from a first and prior lien on and pledge of the Net Revenues derived from the operation of the Issuer's Utility System (the "System"). In the Order, the Issuer has reserved the right to issue Additional Prior Lien Obligations, Junior Lien Obligations, and Subordinate Lien Obligations, without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. The Order does not create a lien or mortgage on the System, except the Net Revenues, and any judgement against the District may not be enforced by levy and execution against any property from taxation.

Perfection of Security for the Bonds

Chapter 1208, Texas Government Code, as amended, applies to the issuance of the Bonds and the pledge of the Net Revenues to secure the Bonds, and such pledge is therefore, valid, effective and perfected. Should Texas law be amended while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the Net Revenues is to be subject to the filing requirements of Chapter 9, Texas Business and Commerce Code, in order to preserve to the registered owners of the Bonds a security interest in such pledge, the District has agreed in the Order to take such measures as it determines reasonable and necessary to enable a filing of a security interest in said pledge to occur.

Flow of Funds

The District hereby covenants and agrees that deposits into the System Revenue Fund shall be pledged and appropriated to the extent require for the following uses and in the order of priority shown:

- First: To the payment of all necessary and reasonable Maintenance and Operating Expenses or other expenses required by statute to be a first charge on and claim against the Gross Revenues of the System.

- Second: To the payment of the amounts required to be deposited in the special funds and accounts created and established for the payment, security and benefit of any Bonds Similarly Secured.

- Third: To the payment of the amounts required to be deposited in any special funds and accounts created and established for the payment, security, and benefit of any Junior Lien Obligations hereafter issued by the District.

- Fourth: To the payment of the amounts required to be deposited in any special funds and accounts created and established for the payment, security, and benefit of any Subordinate Lien Obligations hereafter issued by the District.

Any Net Revenues remaining in the System Fund after satisfying the foregoing payments or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other District purpose now or hereinafter permitted by law.

Reserve Fund

Current Reserve Fund. The Order reaffirms the establishment and maintenance of a Reserve Fund for the payment of the principal of and interest on the Bonds Similarly Secured (which includes the Bonds) when money in the Bond Fund maintained for such purposes is insufficient on any payment date. The amount to be accumulated and maintained as a reserve amount (the "Required Reserve Amount") in such Fund shall be equal to the Average Annual Debt Service requirements of the Bonds Similarly Secured (calculated on a Fiscal Year basis as of the date the last series of Bonds Similarly Secured that are Outstanding were delivered). As of the date hereof, the amount in the Reserve Fund is $942,688 (the "Current Reserve"), which is satisfied in its entirety by cash; following the delivery of the Bonds the new Required Reserve is calculated to be $942,688. Subject to the acquisition of a surety bond policy or the provisions described below, if any, beginning on or before the 20th day of the month next following the month the Bonds are delivered to the Underwriters and on or before the last day of each following month until the Required Reserve has been fully accumulated, there shall be deposited into the Reserve Fund from the Net Revenues of the System an amount equal to at least 1/60th of the difference between the Required Reserve and the Current Reserve. After the Required Reserve has been accumulated, monthly deposits to such Fund may be terminated; provided, however, should a deficiency thereafter exist (other than as a result of the issuance of Additional Bonds Similarly Secured) in the Required Reserve, the District shall resume monthly deposits to the Reserve Fund calculated to cure the deficiency within 60 months from the date the deficiency occurred. See "APPENDIX E – Selected Provisions of the Order".

Rate Covenant

Pursuant to the Order, the District has agreed that it will maintain rates and charges for water and sewer services furnished, provided, and supplied by the System to customers which shall be reasonable and nondiscriminatory and which will produce income and revenues sufficient to pay (i) all Maintenance and Operating Expenses, depreciation, replacement and betterment expense and other costs of the System, (ii) (a) 105% of the interest on and principal of all Bonds Similarly Secured, as and when the same shall become due, and (b) provide for the establishment and maintenance of the funds and accounts created for the payment and security of the Bonds Similarly Secured, (iii) (a) 105% of the interest on and principal of any Junior Lien Obligations hereinafter issued by the District, as and when the same shall become due, and (b) provide for the establishment and maintenance of the funds and accounts created for the payment and security of any Junior Lien Obligations hereinafter issued by the District, (iv) (a) 105% of the interest on and principal of any Subordinate Lien Obligations hereinafter issued by the District, as and when the same shall become due, and (b) provide for the establishment and maintenance of the funds and accounts created for the payment and security of any Subordinate Lien Obligations hereinafter issued by the District, and (v) any legal debt or obligation of the System as and when the same shall become due.

Additional Prior Lien Obligations, Junior Lien Obligations, and Subordinate Lien Obligations

The District reserves the right to issue "Additional Prior Lien Obligations", "Junior Lien Obligations", and "Subordinate Lien Obligations", without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law as stated in the Order or otherwise. Additional Prior Lien Obligations, when issued, together with the Bonds, shall be payable from and secured solely by a first and prior lien on and pledge of the Net Revenues derived from the operation of the System. Junior Lien Obligations, when issued, shall be secured by a junior and inferior lien on and pledge of the Net Revenues. Subordinate Lien Obligations, when issued, shall be secured by a subordinate and inferior lien on and pledge of the Net Revenues. (See "APPENDIX E - Selected Provisions Of The Order" herein).

Redemption Provisions of the Bonds

The District reserves the right to redeem the Bonds maturing on August 15, 2031, in whole or in part, in the principal amount of $5,000 or any integral multiple thereof, on August 15, 2030, or any date thereafter, at a price of par plus accrued interest to the date fixed for redemption.

Selection of Bonds to be Redeemed

The Bonds of a denomination larger than $5,000 may be redeemed in part (in increments of $5,000 or any integral multiple thereof). The Bonds to be partially redeemed must be surrendered in exchange for one or more new Bonds for the unredeemed portion of the principal. If less than all of the Bonds are to be redeemed, the District will determine the amounts to be redeemed and will direct the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) to select, at random and by lot, the particular Bonds, or portion thereof, to be redeemed. If a Bond (or any portion of the principal sum thereof) will have been called for redemption and notice of such redemption will have been given, such Bond (or the principal amount thereof to be redeemed), will become due and payable on such redemption date and interest thereon will cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Notice of Redemption of the Bonds

Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

All notices of redemption shall (i) specify the date of redemption for the Bonds, (ii) identify the Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the Bonds, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Bonds, or the principal amount thereof to be redeemed, shall be made at the designated corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the registered owner. If a Bond is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived as provided in the Order, such Bonds (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and on the redemption date designated in such notice, interest on said Bonds (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and on the redemption date designated in such notice, interest on said Bonds (or principal amount thereof to be redeemed) called for redemption shall cease to accrue and such Bonds shall not be deemed to be outstanding.

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption of any Bond, notice of proposed amendment to the Order or other notices with respect to the Bonds only to DTC (defined herein). Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised or any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Order and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. (See "THE BONDS - Book-Entry-Only System" herein).

Funds

The Order confirms establishment and maintenance by the District of a Bond Fund for the Bonds and an Escrow Fund (see “PLAN OF FINANCING – Refunded Obligations”).

The Order confirms establishment and maintenance by the District of a Bond Fund as an account within the District’s System Fund to be used to pay principal and interest on and fees in respect of the Bonds. The District will separately account for all money credited or required to be credited to the Bond Fund and all proceeds from the investment thereof. The District shall deposit to the Bond Fund no less frequently than monthly (1) Pledged Revenues dedicated to payment of the Bonds, (2) any other moneys the District wishes to deposit to the Bond Fund, and (3) investment earnings on the foregoing. The District shall withdraw from the Bond Fund those amounts necessary to pay principal, interest, and Paying Agent fees with respect to the District’s bonds, including the Bonds, as they become due.

Specific Tax Covenants

In the Order the District has covenanted with respect to, among other matters, the use of the proceeds of the Bonds and the property financed by the Refunded Obligations by persons other than state or local governmental units, and the manner in which the proceeds of the Bonds are to be invested. The District may cease to comply with any such covenant if it has received a written opinion of a nationally recognized bond counsel to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code.

Additional Covenants

The District has additionally covenanted in the Order that it will keep accurate records and accounts and employ an independent certified public accountant to audit a report on its financial affairs at the close of each fiscal year, such audits to be in accordance with applicable law, rules and regulations and open to inspection in the office of the District.

Legality

Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Bond Counsel, Austin and San Antonio, Texas.

Defeasance

The Order provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment, (2) Government Obligations (defined below) that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, or (3) a combination of money and Government Obligations together so certified sufficient to make such payment. The District has additionally reserved the right in the Order, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Obligations for the Government Obligations originally deposited, to reinvest the uninvested money on deposit for such defeasance and to withdraw for the benefit of the District money in excess of the amount required for such defeasance. The Order provides that "Government Obligations" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the District adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, or (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Bonds. There is no assurance that the ratings for United States Treasury securities acquired to defease any Bonds, or those for any other Government Obligations, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds ("Defeasance Proceeds"), though the District has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Order does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the District to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

Upon such deposit as described above, such Bonds will no longer be regarded to be outstanding obligations for purposes of applying any limitation on indebtedness or for purposes of taxation. After firm banking and financial arrangements for the discharge and final payment 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 District's right to redeem Bonds defeased to stated maturity is not extinguished if the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their stated maturity date, 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.

Default and Remedies

If the District defaults in the payment of the principal of or interest on the Bonds when due, or the District defaults in the observance or performance of any of the covenants, conditions, or obligations of the District, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Order, any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the District to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Order and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, subject to the discretion of the court, but may not be arbitrarily refused. 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. The Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Special districts, such as the District, must obtain the approval of the Texas Commission on Environmental Quality ("TCEQ") as a condition of seeking relief under Chapter 9. TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under Chapter 9 only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, if the District is permitted to proceed with Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The District may not be placed into bankruptcy involuntarily. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is UMB Bank, N.A., Austin, Texas. In the Order, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking association or 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 be subject to supervision or examination by federal or state authority, and registered as a transfer agent with the United States Securities and Exchange Commission (the "SEC"). Upon a change in the Paying Agent/Registrar for the Bonds, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds affected by the change by United States mail, first-class, postage prepaid.

Record Date

The record date ("Record Date") for determining the registered owner entitled to receive the interest payable on a Bond on any interest payment date means the last business day of the month next preceding each interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment will be established by the Paying Agent/Registrar.

Special Record Date for Interest Payment

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each registered owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last day next preceding the date of mailing of such notice.

The Bonds will be issued in fully registered form in multiples of $5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at stated maturity or earlier redemption upon presentation to the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Future Registration

In the event the Bonds are not in the Book-Entry-Only System, the Bonds may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in denominations of $5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Bond or Bonds surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized in regard to ownership and transferability of the Bonds.)

Limitation on Transfer of Bonds

Neither the Issuer nor the Paying Agent/Registrar shall be required to issue, transfer, or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond called for redemption in part.

Replacement Bonds

The Issuer 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 Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Bonds are registered in its nominee 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, the Financial Advisor, and the Underwriters believe the source of such information to be reliable, but take 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 SEC, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

DTC, the world's largest 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, 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 SEC. 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 purchaser 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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity 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 Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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, premium, if any, 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 payment 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 nor its nominee, 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 premium, if any, 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 Issuer or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical certificates representing each Bond stated maturity are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical certificates representing each Bond stated maturity will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District, the Financial Advisor, and the Underwriters believe to be reliable, but none of the District, the Financial Advisor, or the Underwriters take responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Bonds, the Issuer will have no obligation or responsibility to the DTC. Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

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-Only System, 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-Only System, and (ii) except as described above, payment or notices that are to be given to registered owners under the Order will be given only to DTC.

THE SYSTEM

Regulation

The District's water supply and distribution and wastewater collection facilities (collectively, the "System") have been designed in accordance with accepted engineering practices and the then current requirements of various entities having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the System was required to be accomplished in accordance with the standards and specifications of such entities and is subject to inspection by each such entity. The District operates and maintains the water and sewer system. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. In particular, additional or revised requirements in connection with any permit for the wastewater treatment plant in which the District owns capacity beyond the criteria existing at the time of construction of the plant could result in the need to construct additional facilities in the future.

The District was previously notified by the TCEQ as to the System's water exceeding the maximum contaminant level, as set for this the TCEQ's Drinking Water Standards, for total trihalomethanes ("TTHMs"), an organic compound formed when chlorine and water react during disinfection. The District routinely monitors for the presence of drinking water contaminants. The District installed an air stripper at its largest water well to remove TTHM, which has been highly efficient, but the equipment has problems with maintaining continuous operation, thereby not yet achieving compliance with TCEQ rules. On March 29, 2021, the District requested a time extension of 18 months to remediate the level of TTHMs in its drinking water. The District's staff is working with its engineers and a consultant to explore the possibility of converting the disinfection system to chloramines. It is expected that the use of chloramines will prevent the formation of the TTHMs at the well site and bring the System back into compliance.

Water and Sanitary Sewer Facilities

Source of Water Supply: The District maintains 3 water wells with a total capacity of 5,700 gallons per minute. The District has two 500,000 gallon elevated storage tanks and three ground storage tanks with a total capacity of 1,322,000 gallons.

Source of Wastewater Treatment: The District owns and operates a 3,000,000 gallon per day. Treatment plant that was completed in 2013. District management believes that the treatment plant is sufficient to handle the anticipated growth for the next 20 years.

Certain Initiatives. The District is currently engaged in the reduction of inflow and infiltration and has dedicated an entire crew to such efforts. The District has also entered into a ten-year sanitary sewer overflow initiative with the TCEQ.

WEATHER EVENTS

The District is located on the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. The District's area previously experienced multiple storms and future adverse weather events could result in damages to District facilities and the System. If a weather event significantly damaged all or part of the System, the District's revenues could be substantially reduced, which certain revenues comprise the security for the Bonds. There can be no assurance that damage will be covered by insurance, that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair the System or be sufficient for such purposes. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which the System is adversely affected.

ENVIRONMENTAL REGULATION

Wastewater treatment and water supply facilities, such as the System, are subject to stringent and complex environmental laws and regulations. Facilities must comply with environmental laws at the federal, state, and local levels. These laws and regulations can restrict or prohibit certain activities that affect the environment in many ways such as:

1. Requiring permits for construction and operation of water supply wells and wastewater treatment facilities;
2. Restricting the manner in which wastes are released into the air, water, or soils;
3. Restricting or regulating the use of wetlands or other property;
4. Requiring remedial action to prevent or mitigate pollution; and
5. Imposing substantial liabilities for pollution resulting from facility operations.

Compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Sanctions against a water 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 as to future compliance of and the ability to operate the District's water supply, wastewater treatment, and drainage facilities. Environmental laws and regulations can also impact an area's ability to grow and develop. The following is a discussion of certain environmental concerns that relate to the District. It should be noted that changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

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

Pursuant to the federal Safe Drinking Water Act ("SDWA") and EPA's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, municipal utility and special district's provision of water for human consumption is subject to extensive regulation as a public water system.

Municipal utilities and special 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 non-stormwater discharges into surface water in the state. It has a 5-year permit term and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility and special district must comply may have an impact on a municipal utility or special district's ability to obtain and maintain compliance with TPDES permits.

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX F to this Official Statement.

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

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

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $485.4 million, $160.7 million and $324.7 million, respectively.

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

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

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

BAM GreenStar Bonds

The Bonds have been designated *BAM GreenStar Bonds* because BAM has determined that the use of bond proceeds by the Issuer as described in this Official Statement and in any additional information obtained by BAM aligns with one of the Green Bond Principles ("GBPs") developed by the International Capital Markets Association ("ICMA"). The GBPs were developed by the ICMA with the goal of establishing universally accepted guidelines for the issuance of green bonds, and one of the key requirements addresses the use of proceeds. BAM has been identified by the ICMA as an observer organization that is active in the field of green and/or social or sustainability finance and as a Climate Bond Initiative approved verifier. The GreenStar Credit Profile prepared by BAM for the Bonds will identify which of the following GBP categories applies to the Bonds:

- renewable energy
- energy efficiency
- pollution prevention and control
- environmentally sustainable management of living natural resources and land use
- terrestrial and aquatic biodiversity
- clean transportation
- climate change adaptation
- sustainable water and wastewater management
- green buildings

Each of the GBPs correlates to one of the following UN Sustainable Development Goals which will also be included in the GreenStar Credit Profile for the Bonds:

- clean water and sanitation
- affordable and clean energy
- sustainable cities and communities
- industry innovation and infrastructure
- responsible consumption and production
- climate action
- life below water
- life on land

The Issuer makes no representation regarding the applicability of or suitability of the GreenStar designation. The term "GreenStar" is neither defined in, nor related to, the security documents relating to the Bonds. The GreenStar designation is solely for identification purposes and is not intended to provide or imply that the owners of the Bonds are entitled to any security other than that described in this official statement. The Issuer is under no contractual or other legal obligation to ensure compliance with any legal or other principles relating to "GreenStar" designation. The Issuer has made no commitment to provide ongoing reporting or information regarding the designation or compliance with the GBPs.

The BAM GreenStar designation is based upon an assessment by BAM at the time of the issuance of the Bonds and such designation by BAM reflects only the views of BAM. BAM does not charge a fee in connection with the designation, does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. The designation is provided on an "AS IS" basis and is based on BAM's own investigation, studies, assumptions, and criteria using its reasonable best efforts. In issuing its GreenStar designation, BAM has assumed and relied upon the accuracy and completeness of the information made publicly available by the Issuer or that was otherwise made available to BAM. BAM makes no representation or warranty, express or implied, including, but not limited to, the accuracy, results, timeliness, completeness, merchantability or fitness for any particular purpose with respect to the designation. A complete description of BAM GreenStar, and its limitations and terms of use, are available on BAM's website https://buildamerica.com/greenstar and https://buildamerica.com/terms-of-use and incorporated herein by reference. The BAM GreenStar designation is determined solely by BAM; it has not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for such designation.

BAM's GreenStar designation does not and is not intended to make any representation or give any assurance with respect to any other matter relating to the Bonds and is not a recommendation to any person to purchase, hold, or sell the Bonds. Such labeling does not address the market price, marketability or suitability of these Bonds for a particular investor. There is no assurance that the designation will be retained for any given period of time or that the designation will not be revised, suspended, or withdrawn by BAM if, in its judgment, circumstances so warrant.

Additional Information Available from BAM

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

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

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the Issuer of or the Underwriters for the Bonds, and the Issuer and Underwriters assume no responsibility for their content.

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

BOND INSURANCE GENERAL RISKS

In the event of default of the scheduled payment of principal of or interest on the Bonds when all or a portion thereof becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the Beneficial Owners as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the District (unless the Insurer chooses to pay such amounts at an earlier date).

Payment of principal of and interest on the Bonds is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE BONDS - Default and Remedies"). The Insurer may direct the pursuit of available remedies, and generally must consent to any remedies available to and requested by the Beneficial Owners. In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable from a first and prior lien on and pledge of the Net Revenues derived from the operation of the District's System. In the event the 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 or the marketability (liquidity) of the Bonds.

If a Policy is acquired, the long-term rating on the Bonds will be dependent on the financial strength of the Insurer and its claims paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the Insurer and of the rating on the Bonds, whether or not subject to the Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Bonds. (See the disclosure described in "OTHER PERTINENT INFORMATION - Ratings" herein.)

The obligations of the Insurer under the Policy are general obligations of the Insurer and in an event of default by the Insurer; the remedies available may be limited by applicable bankruptcy law. None of the District, the Underwriters, or the Financial Advisor has made an independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given.

Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal of and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein.

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS

Moody's Investors Services, Inc., S&P, and Fitch Ratings, Inc. (collectively the "Rating Agencies") have, since 2008, downgraded, and/or placed on negative credit watch, the claims-paying ability and financial strength of all providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible. In addition, recent events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of municipal bond insurers. Thus, when making an investment decision, potential investors should carefully consider the ability of any such municipal bond insurer to pay principal and interest on the Bonds and the claims-paying ability of any such municipal bond insurer, particularly over the life of the investment.

INVESTMENT POLICIES

The District invests its investable funds in investments authorized by State law, including Chapter 2256, as amended, Texas Government Code (the "Texas Public Funds Investment Act"), and in accordance with investment policies approved by the Board. Both State law and the District's investment policies are subject to change.

Legal Investments

Under State law and subject to certain limitations, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The District may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the District may not invest more than 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

Except as stated above or inconsistent with its investment policy, the District may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the District is not required to liquidate the investment unless it no longer carries a required rating, in which case the District is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

Investment Policies

Under State law, the District is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The District is required to adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

State law requires the District's investments 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." The District is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

Current Investments [1] **TABLE 1**

As of February 28, 2021

Investment Type	Amount	Percentage
Money Markets	$8,931,565.00	100.00%
	$8,931,565.00	100.00%

[1] Unaudited.

TEXAS LEGISLATURE

On January 12, 2021, the 87th Texas Legislature convened in general session which is scheduled to adjourn on May 31, 2021. Thereafter, the Texas Governor may call one or more additional special sessions. During this time, the Texas Legislature may enact laws that materially change current law as it relates to special water districts, including the District. The District makes no representation regarding any actions the Texas Legislature may take but intends to monitor proposed legislation for any developments applicable to the District.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Norton Rose Fulbright US LLP, Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes (1) is excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. The statute, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Bond Counsel's opinion is reproduced as APPENDIX C.

In rendering the foregoing opinions, Bond Counsel will rely upon the Sufficiency Certificate of the Financial Advisor regarding the sufficiency of the deposit to the Escrow Fund on the date of closing and rely upon the representations and certifications of the Issuer made in a certificate of even date with the initial delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Ordinance by the Issuer subsequent to the issuance of the Bonds. The

Ordinance contains covenants by the Issuer with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, if required, the calculation and payment to the United States Treasury of any arbitrage "profits" and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Issuer described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the Issuer as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the Issuer may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Tax Changes

Existing law may change to reduce or eliminate the benefit to Bond holders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Ancillary Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions (see "TAX MATTERS – Qualified Tax-Exempt Obligations" herein), property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust ("FASIT"), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Tax Accounting Treatment of Discount Bonds

The initial public offering price to be paid for certain Bonds may be less than the amount payable on such Bonds at maturity (the "Discount Bonds"). An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bonds. A portion of such original issue discount, allocable to the holding period of a Discount Bond by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Bonds. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions (see "TAX MATTERS – Qualified Tax-Exempt Obligations" herein), life insurance companies, property and casualty insurance companies, S corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

Tax Accounting Treatment of Premium Bonds

The initial public offering price to be paid for certain Bonds may be greater than the stated redemption price on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and its stated redemption price at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable Bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable Bond premium with respect to the Premium Bonds. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable Bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Qualified Tax-Exempt Obligations

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for financial institutions, stating that such disallowance does not apply to interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are properly designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain current refunding 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 designated the Bonds as "qualified tax-exempt obligations" and has certified its expectation that the above-described $10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Bonds will not be subject to the 100% disallowance of interest expense allocable to interest on the Bonds under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Bonds will be reduced by 20% pursuant to section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

In the 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 MSRB. The information provided to the MSRB will be available to the public free of charge via the EMMA system through an internet website accessible at www.emma.msrb.org.

Annual Reports

The District will file certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general included in Table 1 of the Official Statement, Tables 1 through 9 in Appendix A attached hereto, and Appendix D attached hereto. The District will update and provide this information within six months after the end of each fiscal year ending in or after 2021.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's EMMA Internet Web site or filed with the SEC, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix A and in Appendix C or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

The District's current fiscal year end is June 30. Accordingly, it must provide updated information by the last day in December in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will file notice of the change with the MSRB.

Notice of Certain Events

The District will also provide timely notices of certain events to the MSRB. The District will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (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 status of the Bonds, or other material events affecting the tax status of the Bonds, as the case may be; (7) modifications to rights of holders 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, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of 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 paying agent/registrar or the change of name of a paying agent/registrar, if material; (15) incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such Financial Obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such Financial Obligation of the District, any of which reflect financial difficulties. In the Order, the District adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under “Annual Reports.” Neither the Bonds nor the Order make provision for liquidity enhancement.

For these purposes, (a) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District, and (b) the District intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

Availability of Information

All information and documentation filing required to be made by the District in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

Limitations and Amendments

The District has agreed to update information and to provide notices of certain specified 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 agreement or from any statement made pursuant to its agreement, although holders or 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 type of operations of the District, 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 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 holders or beneficial owners of the Bonds. If the District amends its agreement, it must include with the next financial information and operating data 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 information and data provided. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent any Purchaser from lawfully purchasing or selling Bonds, respectively, in the primary offering of the Bonds.

Compliance with Prior Undertakings

Except as described below, during the past five years, the District has complied in all material respects with its continuing disclosure agreements undertaken in accordance with the Rule. Due to an administrative oversight, the District timely filed its annual financial and operating data twice instead of simultaneously filing its audit for its fiscal year ended June 30, 2020. When the District discovered the inadvertent filing, the District filed its audit for is fiscal year ended June 30, 2020 on January 5, 2021, which was three business days past the December 31, 2020 deadline. The District also filed a material event filing for the late filing. The District has taken steps to ensure that all future filings are complete and in compliance with its prior continuing disclosure undertakings.

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Bond is a valid and legally binding obligation of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Bonds, issued in compliance with the provisions of the Order, are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Bonds is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. Though it represents the Financial Advisor from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel was engaged by, and only represents, the District in connection with the issuance of the Bonds. In its capacity as Bond Counsel, Norton Rose Fulbright US LLP, Austin and San Antonio, Texas has reviewed (except for numerical, statistical and technical data) the information under the captions “PLAN OF FINANCING – Refunded Obligations”, “THE BONDS” (except under the subcaptions, “Use of Bond Proceeds”, “Sources and Uses of Funds”, and “Default and Remedies”, as to which no opinion is expressed), “REGISTRATION, TRANSFER AND EXCHANGE”, “TAX MATTERS”, “CONTINUING DISCLOSURE OF INFORMATION” (except under the subheading “Compliance with Prior Undertakings” as to which no opinion is expressed), “LEGAL MATTERS—Legal Investments and Eligibility to Secure Public Funds in Texas”, and “OTHER PERTINENT INFORMATION—Registration and Qualification of Bonds for Sale” in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the Order contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. Certain legal matters will be passed upon by the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas. The legal fees of such firm is contingent upon the sale and delivery of the Bonds. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Bonds are contingent on the sale and initial delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System.

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

Litigation

In the opinion of various officials of the Issuer, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the Issuer in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the Issuer.

Legal Investments and Eligibility to Secure Public Funds in Texas

Pursuant to Section 49.186, Texas Water Code and Chapter 1201, Texas Government Code, the Bonds, whether rated or unrated, are (a) legal investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees and (b) legal investments for public funds of cities, counties, school districts and other political subdivisions or public agencies of the State. The Bonds are also eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State or any political subdivision or public agency of the State and are lawful and sufficient security for those deposits to the extent of their market value. Most political subdivisions in the State of Texas are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose other, more stringent, requirements in order for the Bonds to be legal investments of such entity’s funds or to be eligible to serve as collateral for their funds.

The District makes no representation that the Bonds will be acceptable to banks, savings and loans associations, or public entities for investment purposes or to secure deposits of public funds. The District has not reviewed the laws in other states to determine whether the Bonds are legal investments for various institutions in those states or eligible to serve as collateral for public funds in those states. The District has made no investigation of any other laws, rules, regulations or investment criteria that might affect the legality or suitability of the Bonds for any of the above purposes or limit the authority of any of the above persons or entities to purchase or invest in the Bonds.

FORWARD LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. It is important to note that the District's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

OTHER PERTINENT INFORMATION

Registration and Qualification of Bonds for Sale

The sale of the Bonds has not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act; the Bonds have not been qualified under the Securities Act of Texas in reliance upon exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which they may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Underwriters to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The District agrees to cooperate, at the Underwriters' written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the District shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

Ratings

S&P has assigned a rating of "AA" to the Bonds based solely upon the municipal bond insurance policy to be issued by the Bond Insurer on the date of initial delivery of the Bonds and an underlying rating of "A-". (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.) An explanation of the significance of such rating may be obtained from S&P. The rating of the Bonds by S&P reflects only the view of S&P at the time the rating is given, and the City makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. The District has not made application to Moody's Investors Service, Inc., Fitch Ratings, Inc., or any similar rating agency (other than S&P) for an underlying municipal bond rating on the Bonds, nor does the District anticipate applying for such underlying rating in the future.

Authenticity of Financial Information

The financial data and other information contained herein have been obtained from the Issuer's records, audited financial statements and other sources which are believed to be reliable. All of the summaries of the statutes, documents and the Order contained in this Official Statement are made subject to all of the provisions of such statutes, documents and the Order. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as a Financial Advisor to the Issuer in connection with the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds and has drafted this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for the Financial Advisor are contingent upon the issuance, sale and initial delivery of the Bonds.

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

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the Issuer at a price of $8,877,583.84 (representing the par amount of the Bonds of $8,825,000.00, plus a net reoffering premium of $113,817.75, and less an Underwriters' discount of $61,233.91), and accrued interest on the Bonds in the amount of $12,787.78.

The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Bonds, if any of the Bonds are purchased. The Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

FHN Financial Capital Markets is a division of First Horizon Bank and First Horizon Advisors, Inc., is a wholly owned subsidiary of First Horizon Bank. FHN Financial Capital Markets has entered into a distribution agreement with First Horizon Advisors, Inc., for the distribution of the offered Bonds at the original issue prices. Such arrangement generally provides that FHN Financial Capital Markets will share a portion of its underwriting compensation or selling concession with First Horizon Advisors, Inc.

Certification of the Official Statement

At the time of payment for and delivery of the Bonds, the Underwriters will be furnished a certificate, executed by proper officers of the District, acting in their official capacity, 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 its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Bonds and on the date of the 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, such 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 therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the District, and their activities contained in such Official Statement are concerned, 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; and (d) there has been no material adverse change in the financial condition of the District since the date of the last audited financial statements of the District.

Information from External Sources

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, the Rule.

Concluding Statement

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or 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 of solicitation.

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which the District considers 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 the Order contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Order. 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.

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, the Rule.

The Order authorizing the issuance of the Bonds approved the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized its further use in the re-offering of the Bonds by the Underwriters.

This Official Statement has been approved by the Board for distribution in accordance with the provisions of the Rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

/s/ Frank Inzer
President, Board of Directors

ATTEST:

/s/ Trey Haney
Secretary, Board of Directors

SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS

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SCHEDULE I

Schedule of Refunded Obligations

Orange County Water Control and Improvement District No. 1 Revenue Notes, New Series 2011

(Redemption Date August 15, 2021 @ Par)

Maturity Date	Outstanding Prinicpal Amount	Principal Being Refunded	Interest Rate
8/15/2021 [1]	$ 710,000.00	$ 710,000.00	2.85%
8/15/2022	730,000.00	730,000.00	3.10%
8/15/2023	755,000.00	755,000.00	3.30%
8/15/2024	780,000.00	780,000.00	3.40%
8/15/2025	810,000.00	810,000.00	3.55%
8/15/2026	840,000.00	840,000.00	3.60%
8/15/2027	870,000.00	870,000.00	3.75%
8/15/2028	905,000.00	905,000.00	3.85%
8/15/2029	940,000.00	940,000.00	3.90%
8/15/2030	975,000.00	975,000.00	4.00%
8/15/2031	1,015,000.00	1,015,000.00	4.10%
	$ 9,330,000.00	$ 9,330,000.00	

[1] *The August 15, 2021 maturity of the Refunded Obligations is not subject to early redemption but will be defeased to its stated maturity.*

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APPENDIX A

FINANCIAL INFORMATION RELATING TO
ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

FINANCIAL INFORMATION OF THE ISSUER

REVENUE BOND DEBT DATA — TABLE 1

Revenue Bond Debt Principal Outstanding (As of April 1, 2021):		
Revenue Notes, New Series 2011	$	- [1]
Revenue Refunding Bonds, Series 2021 (the "Bonds")		8,825,000
Total Revenue Debt Principal Outstanding Following Issuance of the Bonds	$	8,825,000

[1] *Excludes the Refunded Obligations.*

STATEMENT OF REVENUES AND EXPENDITURES — TABLE 2

	Fiscal Year Ended June 30				
	2020	**2019**	**2018**	**2017**	**2016**
Beginning Fund Balance	$ 3,292,912	$ 3,170,139	$ 3,431,847	$ 3,872,187	$ 3,518,397
Revenues					
Water Services	$ 1,674,355	$ 1,500,804	$ 1,426,943	$ 1,503,610	$ 1,564,252
Wastewater Services	1,663,889	1,428,107	1,282,234	1,449,565	1,486,930
Other Revenues	1,284,363	1,400,528	1,239,428	1,238,365	1,209,641
Total	$ 4,622,607	$ 4,329,439	$ 3,948,605	$ 4,191,540	$ 4,260,823
Operating Expenses					
Water and Sewer Service	$ 827,792	$ 885,552	$ 788,660	$ 954,515	$ 709,177
Salaries, Benefits and Payroll Taxes	2,320,975	2,168,326	1,865,544	1,631,127	1,681,619
Professional Fees	41,457	36,319	66,899	62,946	72,958
Administrative Expenses	234,525	274,330	210,510	202,259	193,000
Other	40,679	50,929	38,324	27,534	21,161
Bond Principal	655,000	645,000	635,000	620,000	615,000
Bond Interest and Fiscal Charge	364,238	378,346	390,639	400,700	408,791
Capital Outlay	79,046	67,864	106,737	119,147	90,911
Total	$ 4,563,712	$ 4,506,666	$ 4,102,313	$ 4,018,228	$ 3,792,617
Operating Income (Loss)	$ 58,895	$ (177,227)	$ (153,708)	$ 173,312	$ 468,206
Expenses					
Transfers In	$ 200,000	$ 408,000	$ -	$ -	$ -
Insurance Recovery	-	-	-	-	-
Transfers Out (Use)	(100,000)	(108,000)	(108,000)	(613,652)	(114,416)
Total	$ 100,000	$ 300,000	$ (108,000)	$ (613,652)	$ (114,416)
Net Income	$ 158,895	$ 122,773	$ (261,708)	$ (440,340)	$ 353,790
Ending Fund Balance	$ 3,451,807	$ 3,292,912	$ 3,170,139	$ 3,431,847	$ 3,872,187
Net Revenues Available for Debt Service [1]	$ 1,157,179	$ 913,983	$ 978,668	$ 1,313,159	$ 1,582,908
Annual Debt Service Requirements	$ 1,018,538	$ 1,022,647	$ 1,024,939	$ 1,020,001	$ 1,023,091
Coverage per Rate Covenant	1.14X	0.89X	0.95X	1.29X	1.55X

[1] *Net Revenues available for debt service excludes depreciation and capital outlay.*

Source: The Issuer's Annual Audited Financial Statements and other information from the Issuer.

OTHER OBLIGATIONS — TABLE 3

As of April 1, 2021, the District had the following debts outstanding secured soley by the District's ad valorem taxes:

Unlimited Tax Bonds, Series 2009	$	75,000.00
Unlimited Tax Bonds, Series 2012		11,712,848.75
Unlimited Tax Refunding Bonds, Series 2019		8,845,000.00
	$	20,632,848.75

FUND BALANCES

(As of June 30, 2020)

Operating Fund*	$	3,451,807
Interest and Sinking Fund		465,825
Contingency Fund		2,641,448
Construction and Capital Projects Fund		3,138,156
Total	$	9,697,236

[(a)] *The Debt Service Reserve Fund Balance was $1,045,473.93 on April 22, 2021. The Existing Debt Service Reserve Fund Requirement is $953,382 prior to the refunding of the District's Revenue Notes, New Series 2011. The anticipated Debt Service Reserve Fund requirement after effecting the refunding will be $942,688*.*

** The Debt Service Reserve Fund is held within the District's Operating Fund.*
Source: The Issuer's Audit for the fiscal year ending June 30, 2020.

UTILITY SYSTEM REVENUE DEBT — TABLE 4

Fiscal Year June 30	Current Total Debt Service	Less: Refunded Debt Service	The Bonds: Principal	The Bonds: Interest	The Bonds: Total	Combined Debt Service
2021	$ 1,022,569					$ 1,022,569
2022	1,037,920	$ 1,037,920		$ 112,833	$ 112,833	112,833
2023	1,036,488	1,036,488	$ 815,000	127,250	942,250	942,250
2024	1,037,715	1,037,715	835,000	110,750	945,750	945,750
2025	1,036,998	1,036,998	850,000	93,900	943,900	943,900
2026	1,039,360	1,039,360	865,000	76,750	941,750	941,750
2027	1,039,863	1,039,863	885,000	59,250	944,250	944,250
2028	1,038,430	1,038,430	895,000	45,925	940,925	940,925
2029	1,039,696	1,039,696	905,000	36,925	941,925	941,925
2030	1,038,945	1,038,945	915,000	27,825	942,825	942,825
2031	1,036,115	1,036,115	925,000	17,469	942,469	942,469
2032	1,035,808	1,035,808	935,000	5,844	940,844	940,844
	$ 12,439,905	$ 11,417,336	$ 8,825,000	$ 714,721	$ 9,539,721	$ 10,562,289

PRINCIPAL REPAYMENT SCHEDULE — TABLE 5

Fiscal Year Ending 6-30**	Principal Repayment Schedule: Outstanding Bonds	Less: Refunded Bonds	The Bonds	Total	Bonds Unpaid at End of Year	Percent of Principal Retired (%)
2021				$ -	$ 8,825,000	0.00%
2022	$ 710,000	$ 710,000		-	8,825,000	0.00%
2023	730,000	730,000	$ 815,000	815,000	8,010,000	9.24%
2024	755,000	755,000	835,000	835,000	7,175,000	18.70%
2025	780,000	780,000	850,000	850,000	6,325,000	28.33%
2026	810,000	810,000	865,000	865,000	5,460,000	38.13%
2027	840,000	840,000	885,000	885,000	4,575,000	48.16%
2028	870,000	870,000	895,000	895,000	3,680,000	58.30%
2029	905,000	905,000	905,000	905,000	2,775,000	68.56%
2030	940,000	940,000	915,000	915,000	1,860,000	78.92%
2031	975,000	975,000	925,000	925,000	935,000	89.41%
2032	1,015,000	1,015,000	935,000	935,000	-	100.00%
	$ 9,330,000	$ 9,330,000	$ 8,825,000	$ 8,825,000		

**Data shown on a fiscal year (instead of a calendar year) basis.

CAPITAL ASSETS — TABLE 6

(As of June 30, 2020)

Land	$ 303,729
Construction in Progress	981,772
Building	368,802
Improvements Other than Buildings	62,081,023
Machinery and Equipment	1,248,937
Total Capital Assets	$ 64,984,263
Less: Accumulated Depreciation	(25,345,143)
Net Capital Assets	$ 39,639,120

Source: The Issuer's Annual Audited Financial Statements and other information from the Issuer.

HISTORICAL PRODUCTION AND CONSUMPTION DATA

	For fiscal Year ended June 30: 2020	2019	2018	2017	2016
Production:					
Gallons pumped into System	436,938,000	383,643,000	399,813,000	427,954,000	409,207,000
Usage:					
Water Meter Count	5,337	5,384	4,848	4,794	4,747
Sewer Meter Count	4,168	4,169	4,158	4,136	4,128
Total Gallons Billed	273,639,300	289,002,700	297,361,400	314,379,537	313,254,200
Average Monthly Usage Per User (Gallons)	6,822	5,938	6,872	7,439	7,184
Percentage Water Loss in System	37.37%	24.67%	25.62%	26.54%	23.45%

Source: The Issuer's annual audit reports (statistical information section) and additional information from Issuer.

WATER SOURCE

The District maintains 3 water wells with a total capacity of 5,700 gallons per minute (GPM). Based on requirements of 0.6 GPM per connection set out by the Texas Commissionof Environmental Quality ("TCEQ"), the Distict is required to have a capacity of 3,186 GPM. The District is curretly at 56% capacity.

WATER RATES

TABLE 7

[Based on Monthly Billing]

Residential

(Effective July 30, 2020)

Gallons	Inside District Limits	Outside District Limits
0 - 2,000	$14.74 (min)	$29.48 (min)
2,001 +	$0.35/100 gallons	$0.70/100 gallons

Commercial

(Effective July 30, 2020)

Gallons	Inside District Limits	Outside District Limits
0 - 2,000	$16.55 (min)	$33.10 (min)
2,001 +	$0.382/100 gallons	$0.762/100 gallons

Flat rate unmetered service - $38.97
Out of District rates are two (2) times In District rates.

SEWER TREATMENT

The District completed construciton on a 3.0 MGD Wastewater Treatement Plant in August of 2013. This plant handles 12.0 MGD of storm water peak flow capacity. It is projected that the 3.0 MGD Wastewater Treatement Plant will be sufficient to handle anticipated growth through 2040.

SEWER RATES

TABLE 8

[Based on Monthly Billing]

Residential

(Effective July 30, 2020)

Gallons	Inside District Limits	Outside District Limits
0 - 2,000	$17.69 (min)	$35.38 (min)
2,001 +	$0.31/100 gallons	$0.70/100 gallons

Commercial

(Effective July 30, 2020)

Gallons	Inside District Limits	Outside District Limits
0 - 2,000	$20.46 (min)	$40.92 (min)
2,001 +	$0.382/100 gallons	$0.762/100 gallons

Flat rate unmetered service - $41.81
Out of District rates are two (2) times In District rates.

EMPLOYEE'S PENSION PLAN

TABLE 9

Information regarding the District's pension plan can be found within their audit "NOTE 8 - Pension Plan".

APPENDIX B

GENERAL INFORMATION REGARDING THE
ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
AND ORANGE COUNTY, TEXAS

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ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

Orange County Water Control and Improvement District No. 1 was created in January 1948 to provide water and sewer facilities for business center and the most compact residential portion of the City of Vidor, located in western Orange County, approximately six miles east of Beaumont. Since 1948, the District ahs grown to incorporate all of the City of Vidor and the immediate surrounding area. It is estimated that the service population is 14,300.

CITY OF VIDOR, TEXAS

The City of Vidor was established in western Orange County in 1902 as a logging camp for the Miller-Vidor-Lumber Company. From the very beginning, it actually existed on the Kansas City Southern Railroad. Vidor was named for mill operator C.S. Vidor. The City was incorporated on April 4, 1960 and covers 10.6 square miles.

The City of Vidor is an industrial center located about 12 miles east of Beaumont. Interstate 1 - bisects the City, and U.S. Highway 90m, State Highway 12, Farm-to-Market Roads 105 and 1132 serve the City. The economy is supported by industrial employment in the Orange, Beaumont, Nederland, Port Neches and Port Arthur areas. The area is one of the world's leading petrochemical centers. The City has a substantial business district that serves surrounding areas.

VIDOR INDEPENDENT SCHOOL DISTRICT

The Vidor Independent School District had its beginnings in 1929 when four common school Districts (Magnolia Grove, Doty, Terry and Pine Forest) consolidated to form the Vidor Rural School District. The District became independent in 1949. Today the Vidor Independent School District encompasses 102.7 square miles in Orange County and 16 square miles in Jasper County. The District is bound in the west by the Neches River, on the east by Cow Bayou, on the south by Pecan Acres Area, and on the north by Jasper County line.

The District has 3 Elementary Schools, 2 Middle Schools, 1 High School and 1 alternative school.

ORANGE COUNTY, TEXAS

Orange County was created and organized in 1852 from Jefferson County. Orange County is the 34th largest of the 254 counties in Texas.

HISTORICAL POPULATIONS

2009	83,959
2010	81,837
2011	82,337
2012	82,889
2013	82,816
2014	83,245
2015	83,928
2016	84,508
2017	85,047
2018	83,572

Labor Force Statistics [1]

	2021 [2]	2020 [3]	2019 [3]	2018 [3]
Civilian Labor Force	36,358	36,027	36,436	36,515
Total Employed	32,307	32,241	34,561	34,391
Total Unemployed	4,051	3,786	1,875	2,124
Unemployment Rate	11.1%	10.5%	5.1%	5.8%
% U.S. Unemployment	6.6%	8.1%	3.7%	3.9%
Texas Unemployment	7.5%	7.6%	3.5%	3.9%

(1) Source: Texas Workforce Commission.
(2) As of February, 2021.
(3) Average Annual Statistics.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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FINAL

IN REGARD to the authorization and issuance of the "Orange County Water Control and Improvement District No. 1 Revenue Refunding Bonds, Series 2021" (the *Bonds*), dated April 15, 2021, in the aggregate principal amount of $8,825,000, we have reviewed the legality and validity of the issuance thereof by the Board of Directors of the Orange County Water Control and Improvement District No. 1 (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of August 15 in each of the years 2022 through 2031, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Order.

WE HAVE SERVED AS BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas, the defeasance and discharge of the Issuer's obligations being refunded by the Bonds, and with respect to the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Board of Directors of the Issuer in connection with the issuance of the Bonds, including the Order and the Escrow Deposit Letter (the *Escrow Agreement*) between the Issuer and UMB Bank, N.A., Austin, Texas (the *Escrow Agent*); (2) the certification (the *Sufficiency Certificate*) by SAMCO Capital Markets, Inc., as Financial Advisor to the Issuer, concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement; (3) customary certifications and opinions of officials of the Issuer; (4) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer, and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Bond executed and delivered initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding special obligations of the Issuer 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. The Bonds are payable from and equally and ratably secured solely by a first and prior lien on and pledge of the Net Revenues (as defined in the Order) of the System (as defined in the Order) In the Order, the Issuer retains the right to issue Additional Prior Lien Obligations, Junior Lien Obligations, and Subordinate Lien Obligations (each as defined in the Order) without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. The Bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the Issuer, except with respect to the Net Revenues. The holder of the Bonds shall never have the right to demand payment of the Bonds out of any funds raised or to be raised by taxation.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that the Escrow Agreement has been duly authorized, executed, and delivered by the Issuer and, assuming due authorization, execution, and delivery thereof by the Escrow Agent, is a valid and binding obligation, enforceable in accordance with its terms (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 that the outstanding obligations refunded, discharged, paid, and retired with certain proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in trust with the Escrow Agent, pursuant to the Escrow Agreement, the resolution authorizing their issuance, and in accordance with the provisions of Chapter 1207, as amended, Texas Government Code. In rendering this opinion, we have relied upon the Sufficiency Certificate concerning the sufficiency of cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION THAT, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Order and in reliance upon the Sufficiency Certificate concerning the sufficiency of cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement and upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and (2) interest on the Bonds will not be included in computing the alternative minimum taxable income of the owners thereof.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Norton Rose Fulbright US LLP

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APPENDIX D

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Independent Auditor's Report, General Financial Statements and Notes to the Financial Statements - not intended to be a complete statement of the Issuer's financial condition. Reference is made to the Annual Financial Report for further information

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J. Pat O'Neill, III, CPA
Michael W. Kiefer, CPA
Troy W. Domingue, CPA

Wathen, DeShong & Juncker, L.L.P.
CPAs & BUSINESS ADVISORS

Stanley (Chip) Majors, Jr., CPA.CITP, CGMA
Jane P. Burns, CPA, CDFA
Jeremy R. Triska, CPA

October 19, 2020

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Orange County Water Control & Improvement District No. 1
Vidor, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of Orange County Water Control & Improvement District No. 1 as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Orange County Water Control & Improvement District No. 1'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 entity'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 Orange County Water Control & Improvement District No. 1 as of June 30, 2020, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Members of the American Institute of Certified Public Accountants

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 4 through 9; the Schedules of Changes in Employer's Net Pension Liability and Related Ratios and Employer Contributions on pages 38 through 39; and the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund on page 40 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 Standard 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 on pages 4 through 9 and pages 38 and 39 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 this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The required supplementary information on page 40 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Orange County Water Control & Improvement District No. 1's, basic financial statements. The Texas Supplementary Information listed in the Table of Contents on pages 41 through 53 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information listed in the Table of Contents 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 current year financial information included in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedules of Services and Rates and Board Members, Key Personnel and Consultants have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on this information.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2020, on our consideration of Orange County Water Control & Improvement District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Orange County Water Control & Improvement District No. 1's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Orange County Water Control & Improvement District No. 1's internal control over financial reporting and compliance.

Wathen, DeShong & Juncker, L.L.P.

WATHEN, DeSHONG & JUNCKER, L.L.P.
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Orange County Water Control & Improvement District No. 1 we offer readers of the Orange County Water Control & Improvement District No. 1 financial statements this narrative overview and analysis of the financial activities of the Orange County Water Control & Improvement District No. 1 for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the independent auditor's report and the District's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The assets of the Orange County Water Control & Improvement District No. 1 exceeded its liabilities at the close of 2020, by $10,632,771. Of this amount, $5,807,099 is considered unrestricted.
- The Orange County Water Control & Improvement District No. 1's total net position decreased by $557,846 in fiscal year 2020.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of $9,697,236 an increase of $79,137. Of this total fund balance, $726,293 is considered spendable and unassigned and is considered available for use.
- The general fund reported a fund balance of $3,451,807 at the end of the current fiscal year. The unassigned fund balance for the general fund was $726,293 or 15.9% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Orange County Water Control & Improvement District No. 1's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements are designed to provide readers with a broad overview of the Orange County Water Control & Improvement District No. 1's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Orange County Water Control & Improvement District No. 1's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decrease in net position may serve as a useful indicator of whether the financial position of the Orange County Water Control & Improvement District No. 1 is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation).

The Statement of Activities includes collection and disbursement of ad valorem taxes to pay off long-term debt.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements are a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Orange County Water Control & Improvement District No. 1, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of Orange County Water Control & Improvement District No. 1 are governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Orange County Water Control & Improvement District No. 1 maintains several governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, Contingency Fund, and Construction & Capital Project Funds which are considered to be major funds.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the Financial Statements can be found on pages 16 through 37.

Other information. In addition to the basic financial statements and accompanying notes, required supplementary information presents a schedule of changes in employer's net pension liability and related ratios, a schedule of employer contribution, and a schedule of revenues, expenditures, and changes in fund balance-budget and actual to demonstrate compliance with the budget. The required supplementary information can be found on pages 38 through 40. Texas Supplementary Information is presented on pages 41 through 53.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Orange County Water Control & Improvement District No. 1, assets exceeded liabilities by $10,632,771 at June 30, 2020.

THE DISTRICT'S NET POSITION

	2020	2019
Current assets:		
Cash & Investments	$ 9,514,780	$ 9,409,104
Taxes Receivable	483,942	436,138
Service Revenues Receivable	801,821	704,668
Due from Others	-	21,552
Inventory	86,571	108,921
Net Pension Asset	79,660	-
Total current assets	10,966,774	10,680,383
Noncurrent Assets:		
Capital Assets	64,984,263	66,525,202
Less accumulated depreciation	(25,345,143)	(24,568,487)
Total noncurrent assets	39,639,120	41,956,715
Total assets	50,605,894	52,637,098
Deferred Outflows of Resources:		
Deferred Outflows of Resources-pension related	127,018	347,366
Current Liabilities:		
Accounts payable and accrued liabilities	174,388	119,260
Customer LPSS deposits and tap fees	56,453	49,770
Unearned revenue	510,089	492,110
Current portion of long-term debt	2,734,050	2,628,264
Total current liabilities	3,474,980	3,289,404
Long-term liabilities:		
Customer deposits	386,290	367,810
Long-term debt	36,102,454	37,873,250
Net Pension Liability	-	207,139
Total long-term liabilities	36,488,744	38,448,199
Total liabilities	39,963,724	41,737,603
Deferred Inflows of Resources:		
Deferred Inflows of Resources-pension related	136,417	56,244
Net Position:		
Net Investment in Capital Assets	2,692,459	3,266,941
Restricted for Debt Service	2,133,213	1,996,702
Unrestricted	5,807,099	5,926,974
Total net position	$ 10,632,771	$ 11,190,617

Changes in net position

The District's total revenues were $6,152,729. A significant portion, 56%, of the District's revenue comes from charges for water and sewer services. Approximately 35% of the revenue comes from taxes.

The total cost of all programs and services was $6,710,575; all these costs are related to water and sewer services.

Governmental Activities

Property tax rates increased by approximately .00638 cents per $100 valuation. This increase resulted in an increase in the tax levy to $2,114,764.

CHANGES IN THE DISTRICT'S NET POSITION

	Government Wide Activities	
	2020	2019
Program Revenues:		
Charges for Services		
Water	$ 1,674,355	$ 1,500,804
Sewer	1,663,889	1,428,107
Service Fees	96,363	95,136
General Revenues:		
Taxes	2,082,453	1,771,712
Penalty & Interest	51,164	54,728
Interest on Temporary Investments	112,527	177,728
Revenue Note Collections	1,015,948	1,018,122
Miscellaneous Revenues	132,758	235,880
Grants and Contributions	37,798	13,926
Insurance Proceeds	-	99,027
Loss on Disposition of Capital Assets	(714,526)	-
Total Revenues	6,152,729	6,395,170
Water and Sewer Service	848,963	969,368
Salaries, Benefits, & Payroll taxes	2,371,764	2,405,824
Professional Fees	46,457	49,832
Administrative Expenses	234,525	274,330
Other	69,371	75,412
Interest and Fiscal Charges	1,314,551	2,031,226
Depreciation	1,824,944	1,866,736
Total Expenses	6,710,575	7,672,728
Change in Net Position	$ (557,846)	$ (1,277,558)

The following presents information of each of the District's largest functions:

- The cost of all governmental activities this year was $6,710,575.
- Property tax revenue was $2,133,617.
- $3,434,607 was paid by those who directly received service.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

General Fund Budgetary Highlights

Over the course of the year, the District did not revise its budget. Actual expenditures were $7,748 or 0.17% below budgeted amounts in the General Fund. Resources available were $47,853 or 1.02% below budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of 2020, the District had invested $64,984,263 in a broad range of capital assets, including land, buildings, water and sewer systems, equipment, and vehicles.

CAPITAL ASSETS

District's Capital Assets
Activities

	2020
Land	$ 303,729
Buildings and Improvements	368,802
Water and Sewer System	62,081,023
Machinery and Equipment	612,617
Autos and Trucks	470,143
Office Furniture and Fixtures	166,177
Construction in Progress	981,772
Totals at historical cost	64,984,263
Total Accumulated Depreciation	(25,345,143)
Net Capital Assets	$ 39,639,120

LONG TERM DEBT AND LIABILITIES

At year-end the District had $28,449,552 in bonds outstanding and $9,870,000 in notes payable. More detailed information about the District's debt is presented in the notes to the financial statements.

Bonds Payable:	Interest Rate	Amounts at Original Issue	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
General Obligation							
2009	1.70%-5.05%	$ 11,115,000	$ 1,300,000	$ -	$ (600,000)	$ 700,000	$ 625,000
2019 Refunding	2.0%-4.0%	9,015,000	9,015,000	-	(115,000)	8,900,000	55,000
Premium - 2019 Refunding			928,980	-	(91,374)	837,606	121,028
Revenue Bonds							
2013 Refunding	1.86%	1,230,000	300,000	-	(165,000)	135,000	135,000
Capital Appreciation							
2012	1.2%-5.3%	13,999,994	12,576,527	-	(448,590)	12,127,937	415,089
Accreted Interest Payable							
2012 Unlimited Tax Bonds			5,612,254	653,165	(516,410)	5,749,009	569,911
Total Bonded Debt			29,732,761	653,165	(1,936,374)	28,449,552	1,921,028
Notes Payable							
2011 Revenue Notes	0.3%-4.1%	13,610,000	10,360,000	-	(490,000)	9,870,000	540,000
Total GASB 88 Type Debt			40,092,761	653,165	(2,426,374)	38,319,552	2,461,028
Compensated Absences Payable			120,984	262	-	121,246	-
OPEB Liability			85,879	36,805	-	122,684	-
Accrued Interest Expense			201,890	273,022	(201,890)	273,022	273,022
Customer Deposits			367,810	78,050	(59,570)	386,290	-
Total Long-Term Liabilities			$ 40,869,324	$ 1,041,304	$ (2,687,834)	$ 39,222,794	$ 2,734,050

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2020-2021 budget was presented with no significant increase in rates or the number of customers in the District. The General Fund Revenue Budget for 2020-2021 is $4,729,200 which is a 1.24% increase from the 2019-2020 General Fund Budget of $4,671,460

There are no major expenditures anticipated other than the normal operating expenditures expected in servicing the customers of the District with the largest expenditures being related to employee wages and salaries. The General Fund Expenditure Budget for 2020-2021 is $ 4,729,200 which is a 1.24% increase from the 2019-2020 General Fund Expenditure Budget of $4,671,460.

The ad valorem tax roll for the 2020 tax year is $519,253,612 with an adopted tax rate of $0.42201 per $100 valuation. All proceeds from ad valorem tax collection are used for debt service retirement.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's offices, located at 460 E. Bolivar Street, Vidor Texas 77662.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	$ 9,032,416
Taxes Receivable, Net	483,942
Accounts Receivable, Net	801,821
Inventories	86,571
Restricted Cash	482,364
Capital Assets:	
Land	303,729
Improvements other than buildings, net	37,819,727
Buildings, Net	167,604
Machinery and Equipment, Net	366,288
Construction in Progress	981,772
Net Pension Asset	79,660
Total Assets	50,605,894
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow Related to Pension Plan	127,018
Total Deferred Outflows of Resources	127,018
LIABILITIES	
Accounts Payable	85,019
Wages and Salaries Payable	69,451
Unearned Revenues	566,542
Other Current Liabilities	19,918
Noncurrent Liabilities:	
Due Within One Year	2,734,050
Due in More Than One Year	36,488,744
Total Libilities	39,963,724
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow Related to Pension Plan	136,417
Total Deferred Inflows of Resources	136,417
NET POSITION	
Net Investment in Capital Assets	2,692,459
Restricted for Debt Service	2,133,213
Unrestricted	5,807,099
Total Net Position	$ 10,632,771

The accompanying notes are an integral part
of these financial statements.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO.1

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
				Primary Government
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary Govenrment:				
GOVERNMENTAL ACTIVITIES:				
Water and Sewer Service	$ 848,963	$ 3,434,607	$ -	$ 2,585,644
Salaries, Benefits and Payroll Taxes	2,371,764	-	-	(2,371,764)
Professional Fees	46,457	-	-	(46,457)
Administrative Expenses	234,525	-	-	(234,525)
Other	69,371	-	-	(69,371)
Depreciation Expense	1,824,944	-	-	(1,824,944)
Bond Interest and Fiscal Charges	1,314,551	-	-	(1,314,551)
TOTAL PRIMARY GOVERNMENT	6,710,575	3,434,607	-	(3,275,968)

General Revenues	
Taxes:	
Property Taxes	2,082,453
Revenue and Note Collections	1,015,948
Penalty and Interest	51,164
Grants and Contributions	37,798
Miscellaneous Revenue	132,758
Investment Earnings	112,527
Loss on Disposition of Capital Assets	(714,526)
Total General Revenues	2,718,122
Change in Net Position	(557,846)
Net Positon - Beginning	11,190,617
Net Position - Ending	$ 10,632,771

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO.1
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Debt Service Fund	Contingency Fund	Construction And Capital Projects Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 2,756,606	$ 430,831	$ 2,641,448	$ 3,203,531	$ 9,032,416
Taxes Receivable	-	569,343	-	-	569,343
Allowance for Uncollectible Taxes	-	(85,401)	-	-	(85,401)
Accounts Receivable, Net	801,821	-	-	-	801,821
Due from Other Funds	17,176	-	-	-	17,176
Inventories	86,571	-	-	-	86,571
Restricted Cash - TWDB Escrow	-	-	-	482,364	482,364
Total Assets	$ 3,662,174	$ 914,773	$ 2,641,448	$ 3,685,895	$ 10,904,290
LIABILITIES					
Accounts Payable	$ 64,544	$ -	$ -	$ 20,475	$ 85,019
Wages and Salaries Payable	69,451	-	-	-	69,451
Due to Other Funds	-	-	-	17,176	17,176
Unearned Revenues	56,454	-	-	510,088	566,542
Other Current Liabilities	19,918	-	-	-	19,918
Total Liabilities	210,367	-	-	547,739	758,106
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	-	448,948	-	-	448,948
Total Deferred Inflows of Resources	-	448,948	-	-	448,948
FUND BALANCES					
Nonspendable Fund Balance:					
Inventories	86,571	-	-	-	86,571
Restricted Fund Balance:					
Capital Acquisition and Obligation	-	-	-	1,645,643	1,645,643
Retirement of Long-Term Debt	2,252,653	465,825	-	-	2,718,478
Other Restricted Fund Balance	386,290	-	-	-	386,290
Assigned Fund Balance:					
Construction	-	-	-	1,492,513	1,492,513
Other Assigned Fund Balance	-	-	2,641,448	-	2,641,448
Unassigned Fund Balance	726,293	-	-	-	726,293
Total Fund Balances	3,451,807	465,825	2,641,448	3,138,156	9,697,236
Total Liabilities, Deferred Inflows And Fund Balances	$ 3,662,174	$ 914,773	$ 2,641,448	$ 3,685,895	$ 10,904,290

The accompanying notes are an integral part
of these financial statements.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

Total Fund Balances - Governmental Funds	$ 9,697,236
Capital assets used in governemntal activities are not financial resources and, therefore, are not reported in governmental funds.	39,639,120
Property taxes receivables are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds	448,948
Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(38,592,574)
Net pension assets (obligations) are not available to pay for current expenditures, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	70,261
Other post employment benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(122,684)
Compensated absences and customer deposits are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(507,536)
Net Position of Governmental Activities	$ 10,632,771

The accompanying notes are an integral part of these financial statements.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	Debt Service Fund	Contingency Fund	Construction And Capital Projects Funds	Total Governmental Funds
REVENUES:					
Taxes:					
Property Taxes	$ -	$ 2,034,649	$ -	$ -	$ 2,034,649
Penalty and Interest on Taxes	-	51,164	-	-	51,164
Intergovernmental Revenue and Grants	-	-	-	30,131	30,131
Water Services	1,674,355	-	-	-	1,674,355
Sewer Services	1,663,889	-	-	-	1,663,889
Other Service Fees	90,135	2,928	-	3,300	96,363
FEMA Funding	7,667	-	-	-	7,667
Investment Earnings	29,375	11,278	33,180	38,694	112,527
Revenue Note Collections	1,015,948	-	-	-	1,015,948
Other Revenue	141,238	-	-	10,000	151,238
Total Revenues	4,622,607	2,100,019	33,180	82,125	6,837,931
EXPENDITURES					
Current:					
General Government:					
Water and Sewer Service	827,792	-	-	-	827,792
Salaries, Benefits and Payroll Taxes	2,320,975	-	-	-	2,320,975
Professional Fees	41,457	-	-	5,000	46,457
Administrative Expenses	234,525	-	-	-	234,525
Other	40,679	28,692	-	-	69,371
Debt Service					
Bond Principal	655,000	1,680,000	-	-	2,335,000
Bond Interest and Fiscal Charges	364,238	317,390	-	-	681,628
Capital Outlay:					
Capital Outlay	79,046	-	-	251,563	330,609
Total Expenditures	4,563,712	2,026,082	-	256,563	6,846,357
Excess (Deficiency) of Revenues Over (Under) Expenditures	58,895	73,937	33,180	(174,438)	(8,426)
OTHER FINANCING SOURCES (USES):					
Transfers In	200,000	80,000	80,000	113,463	473,463
Insurance Recovery	-	-	-	87,563	87,563
Transfers Out (Use)	(100,000)	(80,000)	(280,000)	(13,463)	(473,463)
Total Other Financing Sources (Uses)	100,000	-	(200,000)	187,563	87,563
Net Change in Fund Balances	158,895	73,937	(166,820)	13,125	79,137
Fund Balance - July 1 (Beginning)	3,292,912	391,888	2,808,268	3,125,031	9,618,099
Fund Balance - June 30 (Ending)	$ 3,451,807	$ 465,825	$ 2,641,448	$ 3,138,156	$ 9,697,236

The accompanying notes are an integral part of these financial statements.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020

Total Net Change in Fund Balances - Governmental Funds	$ 79,137
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governemental funds.	47,804
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements.	309,438
Depreciation is not recognized as an expense in the governmental funds since it does not require the use of current financial resources.	(1,824,944)
Disposition of assets is not shown in the fund financial statements, but it is shown on the government-wide financial statements	(802,089)
The repayment of the principal portion of long-term debt consumes current financial resources of the governmental funds; however, it has no impact on the net position of the government-wide activities.	2,335,000
Interest on long-term governmental debt is not due and payable in the current period and, accordingly, is not reported as a current period expenditure. Interest expense on the long-term debt of governmental activities is accrued and accreted in the Statement of Activities.	(632,923)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These include changes in other post employment benefits, net pension asset, and compensated absences.	(69,269)
Change in Net Position of Governmental Activities	$ (557,846)

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – GENERAL STATEMENT

Orange County Water Control and Improvement District No. 1, Vidor, Texas (the District) was created by an order of the Texas State Board of Water Engineers on January 26, 1948 and confirmed by the electorate of the District in a confirmation election held on April, 24, 1948. The District was validated by the 57th Legislature of Texas in 1965 and operates under Chapter 51 of the Texas Water Code. The Board of Directors held its first meeting on February 4, 1948 and the first bonds were sold on May 27, 1955. The general purpose financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the District's significant accounting policies.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The District provides water and sewer to the Vidor area of Orange County. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth by generally accepted accounting principles. Based upon these principles, the basic criteria for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant criteria is financial interdependency. Other factors affecting the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public services. Based upon these criteria, there are no component units to the District, nor is the District a component unit of any governmental body.

B. Excluded from the reporting entity

Water and sewer development and improvement grants received from the Texas Department of Housing and Community Affairs through the City of Vidor, the City of Rose City, or the County of Orange are administered by those entities and are not included in the District's general purpose financial statements except for those costs incurred by the District as the project progresses.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of given functions or segments are offset by program revenue. Program revenue includes charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenue is recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting.* Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible during the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if it is collected within 60 days of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are record only when payment is due.

Property taxes, accounts receivable for service, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-wide and Fund Financial Statements (Continued)

The District has the following Governmental Funds:

General Fund – The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.

Debt Service Fund – The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Contingency Fund – The Contingency Fund is a special revenue fund. Established in the fiscal year ended June 30, 2014, it is to be used for emergencies only. Money is set aside regularly, and it is the goal of the Board of Directors to have $3,000,000 available for emergency uses.

Construction Fund – This fund was formerly referred to and shown on the financial statements as the Capital Projects Fund. It accounts for the resources used for the construction or acquisition of major capital facilities when the construction or acquisition is paid for by grants, bonds, or by loans.

Capital Projects Fund – The Capital Projects Fund, established in the fiscal year ended June 30, 2014, accounts for the District's financial resources to be used for the rehabilitation and expansion of the District's infrastructure and facilities.

D. Basis of Accounting

The basis of accounting is the method by which revenues, and expenditures or expenses are recognized in the accounts and reported in the financial statements. The District uses the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Most revenue sources are recorded as revenues when received in cash because they are generally not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt, which is recognized when due.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Investments

Cash includes amounts in demand deposits as well as money market accounts. The District Board has approved making investments in the Lone Star Investment Pool, but the District had no investments in the pool at June 30, 2020.

The District, in compliance with legal requirements, has written investment policy and the District's investment officers have received the required hours of training on the Texas Public Funds Investment Act and related investment issues for the year.

F. Encumbrances

The District does not use encumbrance accounting.

G. Materials and Supplies Inventories

Inventories are valued at cost using the first-in, first-out basis which approximates market. Inventories for all funds consist of expendable supplies held for consumption and the cost thereof is recorded as expenditure as the individual inventory items are issued (consumption method).

H. Interfund Transactions

Interfund Receivable and Payable – Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts.

Transactions Between Funds – Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the District are accounted for as revenues, expenditures, or expenses in the funds involved.

I. Land, Buildings and Equipment

General fixed assets have been acquired or constructed for general governmental purposes. Infrastructure assets and other fixed assets are recorded as expenditures in the governmental funds and capitalized at cost and recorded in the government-wide financial statements. Gifts or contributions of general fixed assets are recorded at estimated fair market value upon receipt. Interest has been capitalized as appropriate.

It is the policy of the District to capitalize assets with an individual cost of $3,000 or more and a useful life of at least two years. Depreciating is computed using the straight-line method over the following useful lives:

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Land, Buildings and Equipment (Continued)

Assets	Years
Buildings and Improvements	35
Water and Sewer System	35
Machinery and Equipment	5-10

J. Long-term Liabilities

Long-term liabilities that will be financed from governmental funds are recorded in the government-wide financial statements. The general long-term debt is secured by the general credit and taxing powers of the District.

K. Compensated Absences

Employees of the District are granted vacation benefits in varying amounts based upon tenure with the District. Unused vacation has a maximum allowable accumulation of twenty-five days. Each December 31, any excess balance will be reduced to the maximums by paid compensation. Unused vacation leave shall by paid upon termination of employment with the District.

Sick leave accrues to regular full-time employees to a maximum of one hundred twenty days. Each December 31, any excess of the maximum is reduced to the maximum without compensation. Unused sick leave is not compensatory upon separation from employment with the District, except that after twelve years of employment and for qualified retirement, the equivalent of one-half of accumulated sick leave shall be paid not to exceed a total of sixty days.

The estimated accrued liability for compensated absences for vacation and sick leave is as follows.

	Number of Qualifying Employees	Maximum Days per Employee	Total Accrued
Sick leave	6	60	$ 65,356
Vacation	26	40	55,890
Total	32	100	$ 121,246

Total accrued sick leave reflects 50% of estimated total liability due to its non-compensatory nature as explained above.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Post-Retirement Benefits

The District currently pays one-half of the medical insurance premiums for its retirees from retirement to age 65. Liability for this benefit for one year is currently estimated to be $122,684.

Financial reports information pertaining to the District's participation in the Texas County and District Retirement System (TCDRS) was prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.*

M. Property Taxes

Ad valorem taxes, penalties and interest are reported as revenue in the fiscal year in which they become available to finance expenditures of the fiscal year.

N. Tax Abatements

The Orange County Water Control and Improvement District No. 1 is committed to an expansion of its tax base, an increase to its population, the promotion of development in the District, and to an ongoing improvement in the quality of life for its residents. The District offers residential tax abatements for residents within the boundaries of the District Reinvestment Zones designated by the City of Vidor Ordinances Nos. 1247, 1248, 1249, 1250 and 1251 as a stimulus for economic development in the District. Property eligible for tax abatement per the guidelines and criteria is defined as: all property used as a single-family residence, located within a designated Reinvestment Zone, and within the boundaries of the District. As provided in the Act, abatement may only be granted for the value of eligible property subsequent to and listed in an abatement agreement between the District and the property owner, or the City of Vidor and the property owner where the District has, by official action, expressed an intent to be bound by the terms of the agreement in accordance with Section 312.206(a) of the Texas Property Code.

Upon determination that all requirements for tax abatement have been satisfied by the applicant, the value and terms of the abatements will be for a period of eight (8) years in accordance with the Schedule of Taxes Assessed stated in resolution no. 01-2018 of the Board of Directors of the District. Abatement shall be granted effective with the January 1 valuation date immediately following the date of approval of the abatement agreement and completion of construction of the property.

For the fiscal year ended June 30, 2020, the District abated property valued at $5,139,642, which resulted in abated property taxes totaling $21,433. All abatement agreements were in relation to residential property, and no single abatement exceeded 15% of the total abated value.

O. Budget

The District adopts an annual budget for the general fund only. The budget is adopted prior to the start of the fiscal and is based on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. Appropriations lapse at year end.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumption that affect the reported amounts off assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts and expenses during the reporting periods. Actual results could differ from those estimates.

Q. Application of Resources

It is the District's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

R. Fund Equity

The District has adopted GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints:

Non-spendable fund balance – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted fund balance – amounts that are restricted to specific purposes externally imposed by creditors, grantors, contributors, or imposed by the laws or regulations of other governments.

Committed fund balance – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the highest level action to remove or change the constraint.

Assigned fund balance – the portion of fund balance that the Board of Directors and management intends to use for specific purposes.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

When the District incurs expenditures for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance. The District establishes (and modifies or rescinds) fund balance commitments by passage of a motion or resolution by the Board of Directors. This is done through adoption and amendment of the budget.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Fund Equity (Continued)

In the government-wide financial statements, net position represents the difference between assets and liabilities. Net position invested in capital assets represents capital asset balances reduced by accumulated depreciation and by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on the use by the board of directors, designation, or through external restriction imposed by creditors, grantors or laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

S. Subsequent Events

In accordance with ASC 855, the Management the Utility District has evaluated subsequent events through October 19, 2020, the date on which the financial statements were available for issue.

NOTE 3 – CASH AND INVESTMENTS

Texas statute and the District's investment policy authorize the District to invest in U.S. Treasury, bills, notes and bonds, which are backed by the full faith and credit of the United States government, U.S. governmental agency securities, and insured or collateralized time deposits issued by banks domiciled in the State of Texas.

At the year-end, the carrying amount of the District's deposits was $9,514,780 and the bank balance was $9,527,715. All deposits as of the financial statement date were insured by FDIC coverage or collateralized by a letter of credit and pledged securities held by the depository's agent in the District's name.

Following are the components of the District's cash and investments at June 30, 2020:

	Total	Bond Revenue Requirements
Cash Accounts		
Interest and Sinking	$ 1,465,043	$ -
Bond Reserves (2011)	1,044,789	953,382
Bond Reserves (2013)	173,652	165,236
Bond Proceeds	1,645,535	-
Customer Deposits	403,327	-
Other	4,782,434	-
	$ 9,514,780	$ 1,118,618

NOTE 4 – PROPERTY TAXES

The District's ad valorem property tax is levied each October 1 on the assessed value listed as of January 1 for all real property located in the District. The assessed value of the roll upon which the levy for the 2019 calendar year was based was $507,125,372. The tax rate assessed for the year ended June 30, 2020, to service bonded indebtedness was $0.41701 per $100 valuation.

Property taxes attach as an enforceable lien on the property as of February 1 following the levy date. Taxes are due October 1 and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2020 were 91.84% of the tax.

NOTE 5 – CAPITAL ASSETS

Following is a summary of the District's capital asset activity:

	Balance July 1, 2019	Additions	Retire-ments	Transfers	Balance June 30, 2020
Capital Assets					
Capital assets, not being depreciated					
Land	$ 303,729	$ -	$ -	$ -	$ 303,729
Construction-in-progress	916,454	82,988	-	(17,670)	981,772
Total capital assets, not being depreciated	1,220,183	82,988	-	(17,670)	1,285,501
Capital assets, being depreciated					
Buildings	348,644	20,158	-	-	368,802
Improvements other than buildings	63,660,145	193,402	(1,790,194)	17,670	62,081,023
Machinery and equipment	1,296,230	12,890	(60,183)	-	1,248,937
Total capital assets, being depreciated	65,305,019	226,450	(1,850,377)	17,670	63,698,762
Less accumulated depreciation					
Buildings	187,681	13,517	-	-	201,198
Improvements other than buildings	23,520,908	1,740,891	(1,000,503)	-	24,261,296
Machinery and equipment	859,898	70,536	(47,785)	-	882,649
Total accumulated depreciation	24,568,487	1,824,944	(1,048,288)	-	25,345,143
Total capital assets, being depreciation, net	40,736,532	(1,598,494)	(802,089)	17,670	38,353,619
Total capital assets, net	$ 41,956,715	$ (1,515,506)	$ (802,089)	$ -	$ 39,639,120

Depreciation expense was $1,824,944 for the fiscal year ended June 30, 2020.

NOTE 5 – CAPITAL ASSETS (CONTINUED)

The following represents the District's construction commitments for the year ended June 30, 2020:

Project		Commitment	Spent to Date	Remaining Commitment
Contract 3	Water and Sewer Service Extensions Project	$ 677,675	$ 58,794	$ 618,881
Contract 4	Sanitary Sewer System Improvements Project	1,099,114	89,611	1,009,503
	Well Site #5 - Ground Storage Tank Replacement	45,934	45,934	-
	Well Site 7 TTHM Treatment System	787,433	787,433	-
	Totals	$ 2,610,156	$ 981,772	$ 1,628,384

NOTE 6 – ADVANCE REFUNDING OF DEBT

2001 Revenue Notes

On January 15, 2013, the District issued $1,230,000 in revenue refunding bonds with an interest rate of 1.86%. The proceeds were used to advance refund the $1,375,000 outstanding balance of the 2001 revenue notes which had interest rates ranging from 3.15% to 3.9%. From the net proceeds of $1,230,000 plus an additional $193,778 of District funds, $28,120 was used to pay the costs of issuance and $1,395,658 was deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded revenue notes. As a result, the 2001 revenue notes are considered defeased and the liability for them has been removed from the statement of net position.

The advance refunding of the revenue notes reduced the total debt service payments over 9 years by $108,350. The present value of the saving from cash flow, $99,131, less prior funds on hand of $25,000, resulted in net present value savings of $74,131.

2007 and 2009 Unlimited Tax Bonds Refunding

On May 21, 2019, the District issued $9,015,000 in unlimited tax refunding bonds with an interest rate of 2.0% - 4.0%. The proceeds were used to advance refund $1,470,000 of outstanding 2007 unlimited tax refunding bonds which had interest rates ranging from 3.15% to 4.0%; and $8,199,242.50 was deposited in an irrevocable trust with an escrow agent to provide funds for the advance refunding of $8,010,000 of outstanding 2009 unlimited tax refunding bonds on August 15, 2019. As a result, the 2007 and 2009 unlimited tax refunding bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The advance refunding of the 2007 and 2009 bonds reduced the total debt service payments over 12 years by $1,182,123. The present value of the saving from cash flow is $1,051,373.

NOTE 6 – ADVANCE REFUNDING OF DEBT (CONTINUED)

Prior Year Defeasance of Debt

In prior years, the District defeased general obligation bonds by placing the proceeds of new bonds in an irrevocable trust account to provide for all future debt payments on those bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2020, 2013 Revenue Refunding Bonds of 2001 Revenue Notes in the amount of $145,000, remain outstanding at year-end.

NOTE 7 – LONG-TERM DEBT

The District issues General Obligation and Capital Appreciation bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation and Capital Appreciation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a schedule of the open bond series at the end of the fiscal year:

Bond Series	Intrest Rates	Payable At
2009 General Obligation	1.70-5.05%	Wells Fargo Bank NA, Ausitn Texas
2012 Capital Appreciation	1.20-5.30%	N/A Zero Coupon Bonds
2013 Revenue Refunding	1.86%	Bank of Texas, Houston, Texas
2019 General Obilgation Refunding	2.0-4.0%	UMB Bank, N.A., Austin, Texas

Except for the revenue refunding bonds, bonds are payable from the proceeds of ad valorem taxes levied on all property subject to taxation in the District without limit as to rate or amount with no revenue pledge. Payment of the principal and interest on the bonds when due is guaranteed by a municipal bond insurance policy issued with the delivery of the bonds by MBIA Insurance Corporation. The revenue refunding bonds are payable from the District's revenues and ad valorem taxes may not be used for their repayment.

Annual debt service requirements to maturity for the bonds are as follows:

Due During Fiscal Year Ended	Bonds Principal	Bonds Interest	Revenue Note Principal	Revenue Note Interest	Total Principal	Total Interest
2021	$ 1,230,089	$ 949,935	$ 540,000	$ 345,058	$ 1,770,089	$ 1,294,993
2022	1,434,309	636,241	710,000	327,920	2,144,309	964,161
2023	1,437,516	660,684	730,000	306,487	2,167,516	967,171
2024	1,454,048	674,552	755,000	282,715	2,209,048	957,267
2025	1,434,343	693,057	780,000	256,997	2,214,343	950,054
2026-2030	7,798,784	3,772,616	4,365,000	831,294	12,163,784	4,603,910
2031-2035	4,945,889	7,397,711	1,990,000	81,922	6,935,889	7,479,633
2036-2038	2,127,959	5,607,041	-	-	2,127,959	5,607,041
Total	$ 21,862,937	$ 20,391,837	$ 9,870,000	$ 2,432,393	$ 31,732,937	$ 22,824,230

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2020, was as follows:

Bonds Payable:	Interest Rate	Amounts at Original Issue	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
General Obligation							
2009	1.70%-5.05%	$ 11,115,000	$ 1,300,000	$ -	$ (600,000)	$ 700,000	$ 625,000
2019 Refunding	2.0%-4.0%	9,015,000	9,015,000	-	(115,000)	8,900,000	55,000
Premium - 2019 Refunding			928,980	-	(91,374)	837,606	121,028
Revenue Bonds							
2013 Refunding	1.86%	1,230,000	300,000	-	(165,000)	135,000	135,000
Capital Appreciation							
2012	1.2%-5.3%	13,999,994	12,576,527	-	(448,590)	12,127,937	415,089
Accreted Interest Payable							
2012 Unlimited Tax Bonds			5,612,254	653,165	(516,410)	5,749,009	569,911
Total Bonded Debt			29,732,761	653,165	(1,936,374)	28,449,552	1,921,028
Notes Payable							
2011 Revenue Notes	0.3%-4.1%	13,610,000	10,360,000	-	(490,000)	9,870,000	540,000
Total GASB 88 Type Debt			40,092,761	653,165	(2,426,374)	38,319,552	2,461,028
Compensated Absences Payable			120,984	262	-	121,246	-
OPEB Liability			85,879	36,805	-	122,684	-
Accrued Interest Expense			201,890	273,022	(201,890)	273,022	273,022
Customer Deposits			367,810	78,050	(59,570)	386,290	-
Total Long-Term Liabilities			$ 40,869,324	$ 1,041,304	$ (2,687,834)	$ 39,222,794	$ 2,734,050

The Debt Service Fund on June 30, 2020 had combined cash, time deposits, and accrued interest amounting to $430,831. The provisions of the bond resolutions relating to debt service requirements are being met and the cash allocated for these purposes is sufficient to meet upcoming debt service requirements for the remainder of the calendar year.

The funds in the General Funds revenue note payment accounts and the monthly deposits to them are sufficient to meet upcoming debt service requirements for the 2013 revenue refunding bonds and the 2011 revenue notes.

The required reserve account balance for the 2013 revenue refunding bonds is $165,236 at June 30, 2020, and the actual account balance is $173,652. The June 30, 2020, reserve requirement for the 2011 revenue note is $953,382 and the account balance is $1,044,789.

NOTE 8 –PENSION PLAN

Plan Description

Orange County Water Control & Improvement District No. 1 provides retirement, disability and death benefits for all of its full-time employees through participation in the statewide Texas County and District Retirement System (TCDRS), a nontraditional defined benefit pension plan. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 798 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The Plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service or with 30 years regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-finance benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of those monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	10
Active employees	33
	53

NOTE 8 – PENSION PLAN (CONTINUED)

Funding Policy

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually.

The employer contributed using the actuarially determined rate of 6.26% for the months of the accounting year in 2019 and 5.81% for the months of the accounting year in 2020. The contribution rate payable by the employee members for calendar years 2019 and 2020 is the rate of 7.00%, as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Annual Pension Cost

For the employer's accounting year ended June 30, 2020, the annual pension cost for the TCDRS plan for its employees was $119,598 and the actual contribution was $105,877. The required contribution was determined as part of the December 31, 2019 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2019 included (a) 8.0 percent investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.9 percent. Both (a) and (b) included an inflation component of 2.75 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of covered payroll basis over a closed period with a layered approach.

Net Pension Liability (Asset)

	December 31, 2018	December 31, 2019
Total pension liability	$ 3,590,065	$ 3,956,557
Fiduciary net position	3,382,926	4,036,217
Net pension liability / (asset)	$ 207,139	$ (79,660)
Fiduciary net position as a % of total pension liability	94.23%	102.01%
Pensionable covered payroll[1]	$ 1,489,257	$ 1,761,843
Net pension liability as a % of covered payroll	13.91%	-4.52%

[1] *Payroll is calculated based on contributions as reported to TCDRS.*

NOTE 8 –PENSION PLAN (CONTINUED)

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below.

Discount Rate

	December 31, 2018	December 31, 2019
Discount rate [(2)]	8.10%	8.10%
Long-term expected rate of return, net of investment expenses [(2)]	8.10%	8.10%
Municipal bond rate [(3)]	Does not apply	Does not apply

(2) This rate reflects the long-term rate of return funding valuation assumption of 8.00%, plus 0.10% adjustment to be gross of administrative expenses required by GASB 68.

(3) The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply.

Other Key Actuarial Assumptions

All actuarial assumptions that determined the total pension liability as of December 31, 2019 were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 68.

	Beginning Date	Ending Date
Valuation date	December 31, 2018	December 31, 2019
Measurement date	December 31, 2018	December 31, 2019
Reporting date	July 1, 2019	June 30, 2020

NOTE 8 –PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions Used for GASB Calculations

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial Cost Method	Entry Age Normal[1]
Amortization Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.1% (Gross of administrative expenses)
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Orange County Water Control and Improvement District #1 are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	60 and above
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

[1] *Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.*

NOTE 8 –PENSION PLAN (CONTINUED)

Long-term Expected Rate of Return

The Long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on April 2020 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017.

Asset Class	Benchmark	Target Allocation [1]	Geometric Real Rate of Return (Expected minus Inflation)[2]
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index [3]	20.00%	8.20%
Global Equities	MSCI World (net) Index	2.50%	5.50%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) index	7.00%	5.20%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	7.00%	5.70%
Investment - Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-2.00%
Srategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	3.14%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.16%
Distressed Debt	Cambridge Assoc. Distressed Securities Index [4]	4.00%	6.90%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	3.00%	4.50%
Master Limited Partnership (MLPs)	Alerian MLP Index	2.00%	8.40%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index [5]	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	8.00%	2.30%

(1) *Target asset allocation adopted at the June 2020 TCDRS Board Meeting.*

(2) *Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.80%, per Cliffwater's 2020 capital market assumptions.*

(3) *Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.*

(4) *Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.*

(5) *Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.*

NOTE 8 –PENSION PLAN (CONTINUED)

Changes in Net Pension Liability/ (Asset)

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances as of December 31, 2018	$ 3,590,065	$ 3,382,926	$ 207,139
Changes for the year:			
Service Cost	185,603	-	185,603
Interest on total pension liability[1]	300,406	-	300,406
Effect of plan changes[2]	-	-	-
Effect of economic/demographic gains or losses	17,058	-	17,058
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(4,789)	(4,789)	-
Benefit payments	(131,786)	(131,786)	-
Administrative expenses	-	(3,076)	3,076
Member contributions	-	123,329	(123,329)
Net Investment income	-	555,445	(555,445)
Employer contributions	-	110,283	(110,283)
Other [3]	-	3,885	(3,885)
Balances as of December 31, 2019	$ 3,956,557	$ 4,036,217	$ (79,660)

[1] *Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.*

[2] *No plan changes valued.*

[3] *Relates to allocation of system-wide items.*

NOTE 8 –PENSION PLAN (CONTINUED)

Sensitivity Analysis

The following presents the net pension liability of the county/district, calculated using the discount rate of 8.10%, as well as what the Orange County Water Control & Improvement District No. 1 net pension liability would be if it were calculated using a discount rate that is 1 percent point lower (7.10%) or 1 percent higher (9.10)% than the current rate.

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	$ 4,480,702	$ 3,956,557	$ 3,513,914
Fiduciary net position	4,036,217	4,036,217	4,036,217
Net pension liability / (asset)	$ 444,485	$ (79,660)	$ (522,303)

Pension Expense/ (Income)

	January 1, 2019 to December 31, 2019
Service cost	$ 185,603
Interest on total pension liability[1]	300,406
Effect on plan changes	-
Administrative expenses	3,076
Member contributions	(123,329)
Expected investment return net of investment expenses	(277,903)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	7,955
Recognition of assumption changes or inputs	6,016
Recognition of investment gains or losses	21,659
Other[2]	(3,885)
Pension expense / (income)	$ 119,598

[1] Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

[2] Relates to allocation of system-wide items.

NOTE 8 –PENSION PLAN (CONTINUED)

Deferred Inflows/ Outflows of Resources

As of June 30, 2020, the deferred inflow and outflow resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 46,756	$ 63,083
Changes of assumption	-	16,379
Net difference between projected and actual earnings	89,661	-
Contributions made subsequent to measurement date	n/a	47,556
	$ 136,417	$ 127,018

Amounts currently reported as deferred outflows of resources and deferred inflow of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31:	
2020	$ (7,278)
2021	(12,836)
2022	21,891
2023	(54,344)
2024	(6,824)
Thereafter	2,436

NOTE 9 –OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure, as part of the basic financial statements, of certain information concerning individual funds including the following:

In the General Fund, actual expenditures exceeded the budget by the following amounts:

	Amount	Percent of Line Item
Salaries, Benefits and Payroll Taxes	$ (22,415)	1.0%
Administrative Expenses	(19,525)	9.1%
Capital Outlay	(9,546)	13.7%
Total Budget	$ (51,486)	9.9%

NOTE 10 –COMMITMENTS AND CONTINGENCIES

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 obtains insurance coverage through commercial insurance carriers. Workers' compensation and auto liability insurance are covered through participation in a public entity risk pool, where risk is transferred to the pool within policy limits purchased. There have been no significant reductions in insurance coverage from the preceding year and settlement amounts have not exceeded insurance coverage for the current year.

NOTE 11 – TEXAS WATER DEVELOPMENT BOARD PRINCIPAL FORGIVENESS AGREEMENT

On January 22, 2019, the Texas Water Development Board approved the District's Project No. 73825 for $500,000 from the Clean Water State Revolving Fund with 100 percent of the loan to be forgiven. The $500,000 was deposited into an escrow account controlled by the Texas Water Development Board. Money is transferred from the escrow account to the District's account as project milestones are achieved and approved by the Texas Water Development Board. Interest income is credited to the escrow account and is used for payment before principal. The unspent balance in the escrow account of $482,364 is shown as restricted cash. Unearned revenue at June 30, 2020 for this project is $461,889. Project activity through June 30, 2020 is shown below:

	6/30/2019	6/30/2020	Total
Escrow balance Beginning of Year	$ -	$ 492,110	$ -
TWDB Deposit to escrow account	500,000	-	500,000
Interest Income	1,745	5,945	7,690
Project milestones transferred to the District	(9,635)	(15,691)	(25,326)
Escrow balance End of Year	$ 492,110	$ 482,364	$ 482,364
Less End of Year Accounts Payable		(20,475)	(20,475)
Unearned revenue		$ 461,889	$ 461,889

NOTE 12 – COVID-19

The coronavirus pandemic (COVID-19) has impacted numerous sectors of the economy, and many businesses are suffering downturns and the long-term economic consequences remain unknown. The spread of COVID-19 has severely impacted many local economies and some businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of nonessential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Stock markets have also experienced great volatility and a significant weakening. Government and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The statement of net position and statement of activities as of and for the year ended June 30, 2020 have not been adjusted to reflect the impact of the pandemic. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the District for future periods.

REQUIRED SUPPLEMENTARY INFORMATION

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2020

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Total Pension Liability			
Service cost	$ 185,603	$ 147,806	$ 124,504
Interest on total pension liability	300,406	269,777	243,472
Effect of plan changes	-	119,853	-
Effect of assumption changes or inputs	-	-	15,212
Effect of economic/demographic (gains)or losses	17,058	(64,815)	40,659
Benefit payments/refunds of contributions	(136,574)	(128,153)	(116,871)
Net change in total pension liability	366,493	344,468	306,976
Total pension liability, beginning	3,590,065	3,245,597	2,938,621
Total pension liability, ending (a)	3,956,558	3,590,065	3,245,597
Fiduciary Net Position			
Employer contributions	110,283	56,294	47,633
Member contributions	123,329	104,248	95,265
Investment income net of investment expenses	555,445	(63,263)	432,303
Benefit payments/refunds of contributions	(136,574)	(128,153)	(116,871)
Administrative expenses	(3,076)	(2,717)	(2,271)
Other	3,885	1,308	327
Net change in fiduciary net position	653,292	(32,283)	456,386
Fiduciary net position, beginning	3,382,926	3,415,209	2,958,823
Fiduciary net position, ending (b)	4,036,218	3,382,926	3,415,209
Net pension liability / (asset), ending = (a) - (b)	$ (79,660)	$ 207,139	$ (169,612)
Fiduciary net position as a % of total pension liability	102.01%	94.23%	105.23%
Pensionable covered payroll	$ 1,761,843	$ 1,489,257	$ 1,360,927
Net pension liability as a % of covered payroll	-4.52%	13.91%	-12.46%

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
	$ 122,477	$ 101,557	$ 103,617
	215,074	197,203	180,582
	-	(17,589)	-
	56,100	26,900	-
	-	(1,604)	8,286
	(98,503)	(84,829)	(96,633)
	295,148	221,638	195,852
	2,643,473	2,421,835	2,225,983
	2,938,621	2,643,473	2,421,835
	50,942	45,340	49,669
	114,310	74,328	75,419
	197,926	1,695	165,930
	(98,503)	(84,829)	(96,633)
	(2,150)	(1,909)	(1,952)
	28,507	6,726	664
	291,032	41,351	193,097
	2,667,791	2,626,440	2,433,343
	2,958,823	2,667,791	2,626,440
	$ (20,202)	$ (24,318)	$ (204,605)
	100.69%	100.92%	108.45%
	$ 1,235,678	$ 1,061,834	$ 1,077,414
	-1.63%	-2.29%	-18.99%

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2020

Year Ending December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll[(1)]	Actual Contribution as a % of Covered Payroll
2010	$ 32,191	$ 32,191	$ -	$ 972,546	3.3%
2011	36,287	36,287	-	1,045,735	3.5%
2012	42,031	42,031	-	1,091,718	3.8%
2013	47,052	47,052	-	1,131,051	4.2%
2014	49,669	49,669	-	1,077,414	4.6%
2015	45,340	45,340	-	1,061,834	4.3%
2016	50,910	50,942	(32)	1,235,678	4.1%
2017	47,633	47,633	-	1,360,927	3.5%
2018	56,294	56,294	-	1,489,257	3.8%
2019	110,283	110,283	-	1,761,843	6.3%

(1) Payroll is calculated based on contribution as reported to TCDRS

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

SCHEDULE OF REVENEUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or Negative
	Original	Final		
REVENUES:				
Water Services	$ 1,728,780	$ 1,728,780	$ 1,674,355	$ (54,425)
Sewer Services	1,664,780	1,664,780	1,663,889	(891)
Other Service Fees	99,400	99,400	90,135	(9,265)
FEMA Funding	-	-	7,667	7,667
Investment Earnings	45,000	45,000	29,375	(15,625)
Revenue Note Collections	1,020,000	1,020,000	1,015,948	(4,052)
Other Revenue	112,500	112,500	141,238	28,738
Total Revenues	4,670,460	4,670,460	4,622,607	(47,853)
EXPENDITURES				
Current:				
General Government:				
Water and Sewer Service	845,600	845,600	827,792	17,808
Salaries, Benefits and Payroll Taxes	2,298,560	2,298,560	2,320,975	(22,415)
Professional Fees	81,500	81,500	41,457	40,043
Administrative Expenses	215,000	215,000	234,525	(19,525)
Other	41,200	41,200	40,679	521
Debt Service				
Bond Principal	655,000	655,000	655,000	-
Bond Interest and Fiscal Charges	365,100	365,100	364,238	862
Capital Outlay:				
Capital Outlay	69,500	69,500	79,046	(9,546)
Total Expenditures	4,571,460	4,571,460	4,563,712	7,748
Excess (Deficiency) of Revenues Over (Under) Expenditures	99,000	99,000	58,895	(40,105)
OTHER FINANCING SOURCES (USES):				
Transfers In	1,000	1,000	200,000	199,000
Transfers Out (Use)	(100,000)	(100,000)	(100,000)	-
Total Other Financing Sources (Uses)	(99,000)	(99,000)	100,000	199,000
Net Change in Fund Balances	-	-	158,895	158,895
Fund Balance - July 1 (Beginning)	3,292,912	3,292,912	3,292,912	-
Fund Balance - June 30 (Ending)	$ 3,292,912	$ 3,292,912	$ 3,451,807	$ 158,895

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APPENDIX E

SELECTED PROVISIONS FROM THE ORDER

APPENDIX E

Selected Provisions of the Order

The following constitutes a summary of certain selected provisions of the Order. This summary should be qualified by reference to other provisions of the Order referred to elsewhere in this Official Statement, and all references and summaries pertaining to the Order in this Official Statement are, separately and in whole, qualified by reference to the exact terms of the Order, a copy of which may be obtained from the District.

SECTION 9: Definitions. For all purposes of this Order (as defined below), except as otherwise expressly provided or unless the context otherwise requires: the terms defined in this Section have the meanings assigned to them in this Section, and certain terms used in Sections 35 and 50 of this Order have the meanings assigned to them in Sections 35 and 50, and all such terms include the plural as well as the singular; all references in this Order to designated "Sections" and other subdivisions are to the designated Sections and other subdivisions of this Order as originally adopted; and the words "herein", "hereof", and "hereunder" and other words of similar import refer to this Order as a whole and not to any particular Section or other subdivision.

(a) The term *Additional Prior Lien Obligations* shall mean (i) any bonds, notes, warrants, certificates of obligation, or other evidences of indebtedness which the District reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in Section 18 of this Order and which are equally and ratably secured solely by a prior and first lien on and pledge of the Pledged Revenues of the System and (ii) any obligations hereafter issued to refund any of the foregoing if issued in a manner so as to be payable from and secured by a prior and first lien on and pledge of the Pledged Revenues as determined by the Board in accordance with applicable law.

(b) The term *Authorized Official* shall mean the President, Board of Directors, the Secretary, Board of Directors, and/or the General Manager.

(c) The term *Average Annual Debt Service Requirements* shall mean that average amount which, at the time of computation, will be required to pay the Debt Service Requirements on the Bonds when due (either at Stated Maturity or mandatory redemption) and derived by dividing the total of such Debt Service Requirements by the number of Fiscal Years then remaining before Stated Maturity of such Bonds. For purposes of this definition, a fractional period of a Fiscal Year shall be treated as an entire Fiscal Year. Capitalized interest payments provided from any bond proceeds shall be excluded in making the aforementioned computation.

(d) The term *Bond Fund* shall mean the special Fund or account created and established by the provisions of Section 13 of this Order.

(e) The term *Bonds* shall mean the "Orange County Water Control and Improvement District No. 1 Revenue Refunding Bonds, Series 2021", dated April 15, 2021, authorized by this Order.

(f) The term *Bonds Similarly Secured* shall mean the Bonds and any Additional Prior Lien Obligations hereafter issued by the District or bonds issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured by a first and prior lien on and pledge of the Pledged Revenues of the System.

(g) The term *Closing Date* shall mean the date of physical delivery of the Initial Bonds for the payment in full by the Purchasers.

(h) The term *Credit Agreement* shall mean a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase debt, purchase or sale agreements, interest rate swap agreements, or commitments or other contracts or agreements authorized, recognized, and approved by the District as a Credit Agreement in connection with the authorization, issuance, security, or payment of any obligation authorized by law.

(i) The term *Credit Facility* shall mean (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations, provided that a national rating agency having an outstanding rating on any Bond would rate such Bond fully insured by a standard policy issued by the insurer in its highest generic rating category for such obligations, or (ii) a letter or line of credit issued by any financial institution, provided that a national rating agency having an outstanding rating on any Bond would rate such Bond in one of its two highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of such Bond and the interest thereon.

(j) The term *Credit Provider* shall mean any bank, financial institution, insurance company, surety bond provider, or other institution which provides, executes, issues, or otherwise is a party to or provider of a Credit Facility.

(k) The term *Debt Service Requirements* shall mean as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the District as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest calculated by assuming (i) that the interest rate for every 12-month period on such bonds is equal to the rate of interest reported in the most recently published edition of The Bond Buyer (or its successor) at the time of calculation as the "Revenue Bond Index" or, if such Revenue Bond Index is no longer being maintained by The Bond Buyer (or its successor) at the time of calculation, such interest rate shall be assumed to be 80% of the rate of interest then being paid on United States Treasury obligations of like maturity and (ii) that the principal of such bonds is amortized such that annual debt service is substantially level over the remaining stated life of such bonds, and further assuming in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity, the principal amounts thereof will be redeemed prior to Stated Maturity in accordance with the mandatory redemption provisions applicable thereto.

(l) The term *Depository* shall mean an official depository bank of the District.

(m) The term *District* shall mean Orange County Water Control and Improvement District No. 1 and any other public agency succeeding to the powers, rights, privileges and functions of the District and, when appropriate, the Board of Directors of the District.

(n) The term *Fiscal Year* shall mean the twelve month accounting period used by the District in connection with the operation of the System, currently ending on June 30th of each year, which may be any twelve consecutive month period established by the District, but in no event may the Fiscal Year be changed more than one time in any three calendar year period.

(o) The term *Government Securities* shall mean (i) direct noncallable obligations of the United States, 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 Board 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; (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 Board 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; or (iv) any additional securities and obligations hereafter authorized by the laws of the State of Texas as eligible for use to accomplish the discharge of obligations such as the Bonds.

(p) The term *Gross Revenues* shall mean, for any defined period, all income, receipts, revenues, and increment, including, but not limited to, connection fees which may be received or derived from the ownership and/or operation of the System as it is purchased, constructed or otherwise acquired, but shall not mean the income and increment derived from a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities which under the terms of the authorizing resolution(s) or order(s) that may be pledged for the requirements of the District's special project obligations issued particularly to finance the water and/or sewer facilities needed in performing any such contract or contracts.

(q) The term *Holder* or *Holders* shall mean the registered owner, whose name appears in the Security Register, for any Bond.

(r) The term *Insurance Policy* means each insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Bonds when due.

(s) The term *Insurer* means Build America Mutual Assurance Company, or its successors or assigns.

(t) The term *Interest Payment Date* shall mean the date semiannual interest is payable on the Bonds, being February 15 and August 15 of each year, commencing February 15, 2022, while any of the Bonds remain Outstanding.

(u) The term *Junior Lien Obligations* shall mean (i) any bonds, notes, warrants, certificates of obligation or other obligations hereafter issued by the District payable wholly or in part from and equally and ratably secured by a junior and inferior lien and pledge of the Net

Revenues of the System, that is junior and inferior to the first and prior lien thereon and pledge thereof that is a part of the Pledged Revenues that secures the payment of the Bonds Similarly Secured, but prior and superior to the lien on and pledge of the limited amount of the Net Revenues securing, in part, the payment of any Subordinate Lien Obligations hereafter issued by the District, all as further provided in Section 19 of this Order, and (ii) any obligations issued to refund the foregoing that are payable from and secured by such a junior and inferior lien on and pledge of the Net Revenues of the System as determined by the Board in accordance with any applicable law.

(v) The term *Maintenance and Operating Expenses* shall mean the expenses necessary to provide for the administration, efficient operation and adequate maintenance of the District's System, together with such other costs and expenses as may now or hereafter be defined by law as proper maintenance and operation expenses of the System.

(w) The term *Net Revenues* shall mean Gross Revenues of the System, with respect to any period, after deducting the System's Maintenance and Operating Expenses during such period.

(x) The term *Order* shall mean this Order adopted by the Board on April 19, 2021.

(y) The term *Outstanding* shall mean when used in this Order with respect to Bonds means, as of the date of determination, all Bonds theretofore issued and delivered under this Order, except:

(1) those Bonds cancelled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;

(2) those Bonds for which payment has been duly provided by the District in accordance with the provisions of Section 37 of this Order by the irrevocable deposit with the Paying Agent/Registrar, or an authorized escrow agent, of money or Government Securities, or both, in the amount necessary to fully pay the principal of, premium, if any, and interest thereon to maturity or redemption, as the case may be, provided that, if such Bonds are to be redeemed, notice of redemption thereof shall have been duly given pursuant to this Order or irrevocably provided to be given to the satisfaction of the Paying Agent/Registrar, or waived; and

(3) those Bonds that have been mutilated, destroyed, lost, or stolen and replacement Bonds have been registered and delivered in lieu thereof as provided in Section 31 hereof.

(z) The term *Pledged Revenues* shall mean (1) a prior and first lien on and pledge of the Net Revenues, plus (2) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations, or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, for the benefit of the System which hereafter are pledged by the District to the payment of the Bonds Similarly Secured or any Additional Prior Lien Obligations hereafter issued by the District, and excluding those revenues excluded from Gross Revenues.

(aa) The term *Purchasers* shall mean the initial purchaser or purchasers of the Bonds named in Section 32 of this Order.

(bb) The term *Required Reserve Amount* shall mean the amount required to be deposited and maintained in the Reserve Fund under the provisions of Section 14 of this Order.

(cc) The term *Required Reserve Fund Deposits* shall mean the monthly deposit required to be deposited and maintained in the Reserve Fund under the provisions of Section 14 of this Order.

(dd) The term *Stated Maturity* shall mean the annual principal payments of the Bonds payable on August 15 of each year, as set forth in Section 2 of this Order.

(ee) The term *Subordinate Lien Obligation* shall mean (i) any bonds, notes, warrants, certificates of obligation or any similar obligations hereafter issued by the District that are payable wholly or in part from and equally and ratably secured by a subordinate and inferior lien on and pledge of the Net Revenues of the System that is subordinate and inferior to the lien thereon and pledge thereof securing the payment of the Bonds Similarly Secured (as a result of such first and prior lien on and pledge of Net Revenues being made a part of the Pledged Revenues) and any Junior Lien Obligations hereafter issued by the District, all as further provided in Section 19 of this Order and (ii) any obligations issued to refund the foregoing that are payable from and equally and ratably secured by a subordinate and inferior lien on and pledge of the Net Revenues of the System as determined by the Board in accordance with any applicable law.

(ff) The term *Surety Policy* shall mean a surety bond, insurance policy, letter of credit, or other agreement or instrument whereby the District is obligated to provide funds up to and including the maximum amount and under the conditions specified in such agreement or instrument.

(gg) The term *System* shall mean the works, improvements, facilities, plants, equipment, appliances, property, easements, leaseholds, licenses, privileges, rights of use or enjoyment, contract rights or other interests in property comprising the waterworks system and sewer system of the District now owned or to be hereafter purchased, constructed or otherwise acquired whether by deed, contract or otherwise, together with any additions or extensions thereto or improvements and replacements thereof, or the waterworks system and sewer system of any other entity to which the District has contractual rights of use, except the water and/or sewer facilities which the District may purchase or acquire with the proceeds of the sale of special project bonds, so long as such special project bonds are outstanding, notwithstanding that such facilities may be physically connected with the System.

SECTION 10: Pledge of Pledged Revenues. (a) The District hereby covenants and agrees that the Pledged Revenues of the System are hereby irrevocably pledged to the payment and security of the Bonds Similarly Secured including the establishment and maintenance of the special funds or accounts created and established for the payment and security thereof, all as hereinafter provided; and it is hereby ordered that the Bonds Similarly Secured, and the interest thereon, shall constitute a first and prior lien on and pledge of the Pledged Revenues of the System and be valid and binding without any physical delivery thereof or further act by the District, and the lien created hereby on the Net Revenues of the System resulting from this lien on and pledge of the Pledged Revenues for the payment and security of the Bonds Similarly Secured shall be prior in right and claim as to the lien on and pledge of the Net Revenues securing payment of any Junior Lien Obligations or Subordinate Lien Obligations hereafter issued by the District.

(b) Chapter 1208, as amended, Texas Government Code, applies to the issuance of the Bonds and the pledge of Pledged Revenues granted by the District under subsection (a) of this Section, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the Pledged Revenues granted by the District is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in this pledge, the Board agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, as amended, Texas Business & Commerce Code and enable a filing to perfect the security interest in this pledge to occur.

SECTION 11: Rates and Charges. For the benefit of the Holders of the Bonds Similarly Secured and in addition to all provisions and covenants in the laws of the State of Texas and in this Order, the District hereby expressly stipulates and agrees, while any of the Bonds Similarly Secured are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year sufficient:

(a) To pay all Maintenance and Operating Expenses, or any expenses required by statute to be a first claim on and charge against the Gross Revenues of the System;

(b) To produce Net Revenues sufficient to pay (1) 1.05 times the interest on and principal of all Bonds Similarly Secured as the same became due and payable and (2) the amounts required to be deposited in any reserve or contingency fund or account created for the payment and security of the Bonds Similarly Secured, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a prior and first lien on an pledge of the Net Revenues of the System;

(c) To produce Net Revenues sufficient to (1) pay 1.05 times the principal of and interest on any Junior Lien Obligations hereafter issued by the District as the same become due and payable and (2) deposit the amounts required to be deposited in any special fund or account created and established for the payment and security of any Junior Lien Obligations hereafter issued by the District, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a junior lien on and pledge of the Net Revenues of the System;

(d) To produce Net Revenues sufficient to (1) pay 1.05 times the principal of and interest on any Subordinate Lien Obligations hereafter issued by the District as the same become due and payable and (2) deposit the amounts required to be deposited in any special fund or account created and established for the payment and security of any Subordinate Lien Obligations hereafter issued by the District, and any other obligations or evidences of indebtedness issued or incurred that are payable from equally and ratably secured, in part, by a subordinate and inferior lien on and pledge of the Net Revenues of the System; and

(e) To pay any other legally incurred indebtedness payable from the Net Revenues of the System and/or secured by a lien on the System.

SECTION 12: System Fund. The District hereby covenants, agrees, and affirms that the Gross Revenues of the System shall be deposited, as collected and received, into a separate Fund or account to be created, established, and maintained with the Depository known as the "Orange County Water Control and Improvement District No. 1 System Revenue Fund" (the *System Fund*) and that the Gross Revenues of the System shall be kept separate and apart from all other funds of the District. All Gross Revenues deposited into the System Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

> FIRST: to the payment of all necessary and reasonable Maintenance and Operating Expenses as defined herein or required by statute, to be a first charge on and claim against the Gross Revenues of the System.
>
> SECOND: to the payment of the amounts required to be deposited into the special funds and accounts created and established for the payment, security and benefit of any Bonds Similarly Secured.
>
> THIRD: to the payment of the amounts that must be deposited in any special funds and accounts created and established for the payment, security and benefit of any Junior Lien Obligations hereafter issued by the District.
>
> FOURTH: to the payment of the amounts that must be deposited in any special funds and accounts created and established for the payment, security, and benefit of any Subordinate Lien Obligations hereafter issued by the District.

Any Net Revenues remaining in the System Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other District purpose now or hereafter permitted by law.

SECTION 13: Bond Fund; Excess Bond Proceeds. For purposes of providing funds to pay the principal of and interest on the Bonds Similarly Secured as the same become due and payable, the District agrees to maintain, at the Depository, a separate and special Fund or account to be created and known as the "Orange County Water Control and Improvement District No. 1 Revenue Refunding Bonds, Series 2021 Interest and Sinking Fund" (the *Bond Fund*). The District covenants that there shall be deposited into the Bond Fund prior to each principal and interest payment date from the available Pledged Revenues an amount equal to one hundred percent (100%) of the amount required to fully pay the interest on and the principal of the Bonds Similarly Secured then falling due and payable, such deposits to pay maturing principal and accrued interest on the Bonds Similarly Secured to be made in substantially equal monthly installments on or before the tenth day of each month, beginning on or before the tenth day of the month next following the delivery of the Bonds to the Purchasers. If the Pledged Revenues in any month are insufficient to make the required payments into the Bond Fund, then the amount of any deficiency in such payment shall be added to the amount otherwise required to be paid into the Bond Fund in the next month.

The required monthly deposits to the Bond Fund for the payment of principal of and interest on the Bonds Similarly Secured shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in the Bond Fund and Reserve Fund is equal to the amount required to fully pay and discharge all Outstanding Bonds Similarly Secured (principal and interest) or (ii) the Bonds are no longer Outstanding.

Accrued interest and premium, if any, received from the Purchasers shall be taken into consideration and reduce the amount of the monthly deposits hereinabove required to be deposited into the Bond Fund from the Pledged Revenues of the System. Additionally, any proceeds of the Bonds, and investment income thereon, not expended for authorized purposes shall be deposited into the Bond Fund and shall be taken into consideration and reduce the amount of monthly deposits required to be deposited into the Bond Fund from the Pledged Revenues of the System.

SECTION 14: Reserve Fund. To accumulate and maintain a reserve for the payment of the Bonds Similarly Secured (the "Required Reserve Amount") equal to the lesser of (i) the maximum annual debt service requirements (calculated on a Fiscal Year basis and determined as of the date of issuance of the Bonds or the most recently issued series of Additional Prior Lien Obligations then Outstanding) for the Bonds Similarly Secured or (ii) the maximum amount in a reasonably required reserve fund for the Bonds Similarly Secured from time to time that can be invested without restriction as to yield pursuant to section 148 of the Code (as defined in Section 35), the District agrees to create, establish, and maintain a separate and special fund or account known as the "Orange County Water Control and Improvement District No. 1 Revenue Bond Reserve Fund" (the *Reserve Fund*), which fund or account shall be maintained at the Depository. All funds deposited into the Reserve Fund (excluding earnings and income derived or received from deposits or investments which will be transferred to the System Fund established in Section 12 of this Order during such period as there is on deposit in the Reserve Fund the Required Reserve Amount) shall be used solely for the payment of the principal of and interest on the Bonds Similarly Secured when (whether at maturity, upon defeasance, or upon a redemption date or any Interest Payment Date) other funds available for such purposes are insufficient, and, in addition, may be used to retire the last stated maturity or interest on the Bonds Similarly Secured.

By reason of the issuance of the Bonds, the total amount required to be accumulated and maintained in the Reserve Fund is hereby determined to be $942,688.00, which shall be accumulated, if necessary (and subject to the further conditions on funding such Reserve Fund on the Closing Date as provided in this Section), in the following manner. Beginning on or before the tenth day of the month next following the delivery of the Bonds to the Purchasers and on or before the tenth day of each following month until the Required Reserve Amount has been accumulated in the Reserve Fund, the District covenants and agrees to deposit to the Reserve Fund from the Net Revenues of the System, at the level of priority specified in Section 12, or any other lawfully available funds, an amount not less than $942,688.00, being the Required Reserve Fund Deposits (and equaling the minimum amount necessary to cause the accumulation of the Required Reserve Amount to occur over a period of 60 months). The Required Reserve Amount may only be released from the Reserve Fund with the written consent of the Purchasers.

As and when Additional Prior Lien Obligations are delivered or incurred, the Required Reserve Amount shall be increased, if required, to an amount calculated in the manner provided in the first paragraph of this Section. Any additional amount required to be maintained in the

Reserve Fund shall be so accumulated by the deposit of the necessary amount of the proceeds of the issue or other lawfully available funds in the Reserve Fund immediately after the delivery of the then proposed Additional Prior Lien Obligations, or, at the option of the District, by the deposit of monthly installments, made on or before the tenth day of each month following the month of delivery of the then proposed Additional Prior Lien Obligations, of not less than 1/60th of the additional amount to be maintained in the Reserve Fund by reason of the issuance of the Additional Prior Lien Obligations then being issued (or 1/60th of the balance of the additional amount not deposited immediately in cash), thereby ensuring the accumulation of the appropriate Required Reserve Amount.

When and so long as the cash and investments in the Reserve Fund equal the Required Reserve Amount, no deposits need be made to the credit of the Reserve Fund; but, if and when the Reserve Fund at any time contains less than the Required Reserve Amount (other than as the result of the issuance of Additional Prior Lien Obligations as provided in the preceding paragraph), the District covenants and agrees to cure the deficiency in the Required Reserve Amount by resuming the Required Reserve Fund Deposits to said Fund or account from the Net Revenues of the System, or any other lawfully available funds, such monthly deposits to be in amounts equal to not less than 1/60th of the Required Reserve Amount covenanted by the District to be maintained in the Reserve Fund with any such deficiency payments being made on or before the tenth day of each month until the Required Reserve Amount has been fully restored. The District further covenants and agrees that, the Net Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve Amount and to cure any deficiency in such amounts as required by the terms of this Order and any other Order pertaining to the issuance of any Additional Prior Lien Obligations.

During such time as the Reserve Fund contains the Required Reserve Amount, the District may, at its option, withdraw all surplus funds in the Reserve Fund in excess of the Required Reserve Amount and deposit such surplus in the System Fund.

The District, at its option and consistent with the provisions of this Section may fund the Reserve Fund at the Required Reserve Amount by purchasing an insurance policy that will unconditionally obligate the insurance company or other entity to pay all, or any part thereof, of the Required Reserve Amount in the event funds on deposit in the Bond Fund are not sufficient to pay the debt service requirements on the Bonds Similarly Secured. All Orders adopted after the date hereof authorizing the issuance of Additional Prior Lien Obligations shall contain a provision to this effect. The District reserves the right to use Gross Revenues of the System to fund the payment of (1) periodic premiums on the insurance policy or Surety Policy as a part of the payment of Maintenance and Operating Expenses and (2) any repayment obligation incurred by the District (including interest) to the issuer of the insurance policy or Surety Policy, the payment of which will result in the reinstatement of such insurance policy or Surety Policy, prior to making payments required to be made to the Reserve Fund pursuant to the provisions of this Section to restore the balance in such fund to the Required Reserve Amount for the Bonds Similarly Secured.

In the event an insurance policy or other Surety Policy issued to satisfy all or part of the District's obligation with respect to the Reserve Fund causes the amount then on deposit in the Reserve Fund to exceed the Required Reserve Amount, the District may transfer such excess amount to any fund or account established for the payment of or security for the Bonds Similarly

Secured (including any escrow established for the final payment of any such obligations pursuant to Chapter 1207, as amended, Texas Government Code) or use such excess amount for any lawful purpose now or hereafter provided by law; provided, however, to the extent that such excess amount represents Bond proceeds, then such amount must be transferred to the Bond Fund or as otherwise permitted in accordance with then applicable Texas law.

SECTION 15: Deficiencies; Excess Net Revenues. (a) If on any occasion there shall not be sufficient Pledged Revenues of the System (after making all payments pertaining to the then-currently Outstanding Bonds Similarly Secured) to make the required deposits into the Bond Fund and the Reserve Fund, then such deficiency shall be cured as soon as possible from the next available unallocated Net Revenues of the System, or from any other sources available for such purpose, and such payments shall be in addition to the amounts required to be paid into these Funds or accounts during such month or months.

(b) Subject to making the required deposits to the Bond Fund and the Reserve Fund when and as required by this Order, or any Order authorizing any Bonds Similarly Secured (or any Junior Lien Obligations or Subordinate Lien Obligations hereafter issued), the excess Net Revenues of the System may be used by the District for any lawful purpose, including but not limited to, the redemption of any Bonds Similarly Secured.

SECTION 16: Payment of Bonds. While any of the Bonds Similarly Secured are outstanding, an Authorized Official shall cause to be transferred to the Paying Agent/Registrar therefor, from funds on deposit in the Bond Fund, and, if necessary, in the Reserve Fund, amounts sufficient to fully pay and discharge promptly each installment of interest on and principal of the Bonds Similarly Secured as such installment accrues or matures or comes due by reason of redemption prior to maturity; such transfer of funds must be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Bonds Similarly Secured at the close of the business day next preceding the date a debt service payment is due on the Bonds Similarly Secured.

SECTION 17: Investments. Funds held in any Fund or account created, established, or maintained pursuant to this Order, at the option of the District, be placed in time deposits, certificates of deposit, guaranteed investment contracts or similar contractual agreements as permitted by the provisions of the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code, or any other law (collateralized pursuant to the Public Funds Collateral Act, as amended, Chapter 2257, Texas Government Code), and secured (to the extent not insured by the Federal Deposit Insurance Corporation) by obligations of the type hereinafter described, including investments held in book-entry form, in securities including, but not limited to, direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, or invested in indirect obligations of the United States of America, including, but not limited to, evidences of indebtedness issued, insured, or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, Farmers Home Administration, Federal Home Loan Mortgage Association, or Federal Housing Association; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any Fund or account will be available at the proper time or times. Such investments (except State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value within 45 days of the close of each Fiscal Year and, with respect to investments held for the account of the Reserve Fund, within 30 days of the date of passage of each Order authorizing the issuance of any Additional Prior Lien Obligations. All interest and income derived from deposits and investments in the Bond Fund immediately shall be credited to, and any losses debited to, the Bond Fund. All interest and interest income derived from deposits in and investments of the Reserve Fund shall, subject to the limitations provided in Section 14, be credited to and deposited in the System Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds.

SECTION 18: Issuance of Additional Prior Lien Obligations. The District reserves the right hereafter to issue Additional Prior Lien Obligations when issued in compliance with the terms and conditions hereinafter prescribed, shall be payable from and equally and ratably secured by a first and prior lien on and pledge of the Net Revenues of the System. The Additional Prior Lien Obligations may be issued in one or more installments, provided, however, that none shall be issued unless and until the following conditions have been met:

(a) except for a refunding to cure a default, or the deposit of a portion of the proceeds of any Additional Prior Lien Obligations to satisfy the District's obligations under this Order, the District is not then in default as to any covenant, condition, or obligation prescribed in this Order or in the orders authorizing the issuance of the then outstanding Bonds Similarly Secured;

(b) the laws of the State of Texas in force at such time provide for the issuance of the Additional Prior Lien Obligations;

(c) the District has secured from its chief financial officer or General Manager a certificate or opinion to the effect that, the Net Revenues of the System, for the preceding Fiscal Year or for any 12 consecutive calendar month period out of the 18 months immediately preceding the month the order authorizing the Additional Parity Obligations is adopted, are at least equal to 1.25 times the Average Annual Debt Service Requirements for the payment of principal of and interest on all outstanding Bonds Similarly Secured after giving effect to the issuance of the Additional Prior Lien Obligations then proposed. In making a determination of the Net Revenues, the chief financial officer or General Manager may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective less than ninety (90) days prior to adoption of the order authorizing the issuance of the Additional Prior Lien Obligations and, for purposes of satisfying the Net Revenues test, make a pro forma determination of the Net Revenues for the period of time covered by his certification or opinion based on such change in rates and charges being in effect for the entire period covered by the chief financial officer or General Manager's certificate or opinion;

(d) the order authorizing the issuance of the Additional Prior Lien Obligations provides for deposits to be made to the Bond Fund in amounts sufficient to pay the principal of and interest on such Additional Prior Lien Obligations as the same mature; and

(e) the order authorizing the issuance of the Additional Prior Lien Obligations provides that the amount to be accumulated and maintained in the Reserve Fund shall be in an amount equal to not less than the Required Reserve Amount after giving effect to the issuance of the proposed Additional Prior Lien Obligations, and provides that any additional amount to be maintained in the Reserve Fund shall be accumulated within sixty (60) months from the date the Additional Prior Lien Obligations are delivered.

All such Additional Prior Lien Obligations provided for in this Section, when issued in accordance with the above provisions, shall be payable from and equally and ratably secured by a first and prior lien on and pledge of the Net Revenues, and the provisions of this Order relating to the use of Net Revenues shall be applicable to such Additional Prior Lien Obligations as though the same were a part of such original authorization.

The right to issue such other and further Additional Prior Lien Obligations shall exist as often as the need therefor shall arise and so long as such Additional Prior Lien Obligations are issued in compliance with law and the terms and conditions contained in this Order.

SECTION 19: Obligations of Inferior Lien and Pledge. The District hereby reserves the right to issue, at any time, obligations including, but not limited to, Junior Lien Obligations and/or Subordinate Lien Obligations payable from and equally and ratably secured, in whole or in part, by a lien on and pledge of the Net Revenues of the System, subordinate and inferior in rank and dignity to the lien on and pledge of such first lien on and pledge of Net Revenues of the System included in the Pledged Revenues securing the payment of the Bond Similarly Secured, as may be authorized by the laws of the State of Texas upon satisfying any conditions precedent contained in the Orders authorizing the issuance of any Bonds Similarly Secured.

SECTION 20: Refunding Bonds. The District reserves the right to issue refunding bonds to refund all or any part of the Outstanding Bonds Similarly Secured, pursuant to any law then available, upon such terms and conditions as the Board of the District may deem to be in the best interest of the District and its inhabitants, and if less than all such Outstanding Bonds Similarly Secured are refunded, the conditions precedent prescribed, for the issuance of Additional Prior Lien Obligations, set forth in Section 18 of this Order shall be satisfied and the certificate required in subparagraph (b) shall give effect to the Debt Service Requirements of the proposed refunding bonds (but shall not give effect to the Debt Service Requirements of the bonds being refunded following their cancellation or provision being made for their payment); provided, however, if the refunding of any then-Outstanding Bonds Similarly Secured (in whole or in part) produces an aggregate net present value debt service savings, then the certificate identified in Section 18(b) above shall not be required as a condition to the issuance of such refunding obligations (notwithstanding the fact that, upon issuance, such refunding obligations shall be Bonds Similarly Secured for all purposes) .

SECTION 21: Special Project Bonds. The District further reserves the right to issue bonds in one or more installments for the purchase, construction, improvement, extension, replacement, enlargement or repair of water, sewer and/or drainage facilities necessary under a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities, such bonds to be payable from and secured by the proceeds of such contract or contracts. The District further reserves the right to refund such bonds and secure the payment of the debt service requirements on the refunding bonds in the same manner.

SECTION 22: Maintenance of System - Insurance. The District covenants, agrees, and affirms its covenants that while the Bonds Similarly Secured remain outstanding it will maintain and operate the System with all possible efficiency and maintain casualty and other insurance on the properties of the System and its operations of a kind and in such amounts customarily carried by municipal corporations in the State of Texas engaged in a similar type of business (which may include an adequate program of self-insurance); and that it will faithfully and punctually perform all duties with reference to the System required by the laws of the State of Texas. All money received from losses under such insurance policies, other than public liability policies, shall be retained for the benefit of the holders of the Bonds until and unless the proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, either by replacing the property destroyed or repairing the property damaged, and adequate provision for making good such loss or damage must be made within ninety (90) days after the date of loss. The payment of premiums for all insurance policies required under the provisions hereof shall be considered Maintenance and Operating Expenses. Nothing in this Order shall be construed as requiring the District to expend any funds which are derived from sources other than the operation of the System but nothing herein shall be construed as preventing the District from doing so.

SECTION 23: Records and Accounts – Annual Audit. The District covenants, agrees, and affirms its covenants that so long as any of the Bonds Similarly Secured remain outstanding, it will keep and maintain separate and complete records and accounts pertaining to the operations of the System in which complete and correct entries shall be made of all transactions relating thereto, as provided by applicable law. The Holder or Holders of any Bonds Similarly Secured or any duly authorized agent or agents of such Holders shall have the right at all reasonable times to inspect such records, accounts and data relating thereto, and to inspect the System and all properties comprising the same. The District further agrees that following (and in no event later than 270 days) the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of certified public accountants. Expenses incurred in making the annual audit of the operations of the System are to be regarded as Maintenance and Operating Expenses.

SECTION 24: Special Covenants. The District further covenants and agrees by and through this Order as follows:

(a) It has the lawful power to pledge the Net Revenues supporting the Bonds and has lawfully exercised this power under the laws of the State of Texas, including the power existing under Chapters 49 and 54, as amended, Texas Water Code;

(b) The Bonds Similarly Secured shall be equally and ratably secured by a first and prior lien on and pledge of the Net Revenues of the System in a manner that one bond shall have no preference over any other bond;

(c) Other than for the payment of the Bonds Similarly Secured, the Net Revenues of the System have not in any manner been pledged to the payment of any debt or obligation of the District or of the System;

(d) As long as any Bonds, or any interest thereon, remain Outstanding, the District will not sell, lease, or encumber the System or any substantial part thereof (except as provided in

Sections 18, 19, 20, and 21 of this Order) provided that this covenant shall not be construed to prohibit the sale of such machinery, or other properties or equipment which has become obsolete or otherwise unsuited to the efficient operation of the System;

(e) No free service of the System (except water provided to the District for municipal fire-fighting purposes) shall be allowed, and, should the District or any of its agents or instrumentalities make use of the services and facilities of the System, payment of the reasonable value thereof shall be made by the District out of funds from sources other than the revenues and income of the System;

(f) It will pay and discharge from time to time and before the same become delinquent all lawful debts and liabilities of the District and all lawful claims for rents, royalties, labor, materials or supplies which if unpaid might by law become a lien or charge upon any part of the System the lien of which would be prior to or interfere with the liens hereof, so that the priority of the liens granted hereunder shall be fully preserved in the manner provided herein; and the District will not create or suffer to be created any mechanic's, laborer's, materialman's or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided, however, that no such debts, liabilities or claims which might be used as the basis of a mechanic's, laborer's, materialman's or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the District; and

(g) To the extent that it legally may, the District further covenants and agrees that, so long as any of the Bonds, or any interest thereon, are Outstanding, no franchise shall be granted for the installation or operation of any competing utility systems other than those owned by the District, and the operation of any such systems by anyone other than the District is hereby prohibited.

SECTION 25: Limited Obligations of the District. The Bonds Similarly Secured are limited, special obligations of the District payable from and equally and ratably secured solely by a first and prior lien on and pledge of the Pledged Revenues of the System, and the Holders thereof shall never have the right to demand payment of the principal or interest on the Bonds Similarly Secured from any funds raised or to be raised through taxation by the District.

SECTION 26: Security of Funds. All money on deposit in the Funds or accounts for which this Order makes provision (except any portion thereof as may be at any time properly invested as provided herein) shall be secured in the manner and to the fullest extent required by the laws of Texas for the security of public funds, and money on deposit in such Funds or accounts shall be used only for the purposes permitted by this Order.

* * * *

APPENDIX F

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _________

Risk Premium: $_________
Member Surplus Contribution: $_________
Total Insurance Payment: $_________

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

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Financial Advisory Services
Provided By:

SAMCO Capital