

OFFICIAL STATEMENT
Dated August 3, 2021

Ratings:
Moody's: Underlying "A3"
Moody's: Insured "A2"
S&P: Insured "AA"
(See "BOND INSURANCE" and
"OTHER INFORMATION –
Ratings" herein)

NEW ISSUE – Book-Entry-Only

The Bonds are not obligations described in Section 103(a) of the Internal Revenue Code of 1986. See "TAX MATTERS" in this document.

\$15,075,000
CRANE COUNTY WATER DISTRICT
(CRANE COUNTY)
UNLIMITED TAX REFUNDING BONDS, TAXABLE SERIES 2021

Dated: August 1, 2021

Due: February 15, as shown on page 2

Interest Accrual: Date of Initial Delivery (as defined below)

PAYMENT TERMS . . . The \$15,075,000 Crane County Water District Unlimited Tax Refunding Bonds, Taxable Series 2021 (the "Bonds") will be issued pursuant to the Constitution and general laws of the State of Texas, including particularly Chapter 1207, Texas Government Code, as amended, Chapter 6902, Texas Special District Local Laws Code, as amended, and Chapter 49, Texas Water Code, as amended, and Article XVI, Section 59, of the Texas Constitution, as amended (collectively, the "Act"), a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of Crane County Water District (the "District") and a pricing certificate (the "Pricing Certificate") executed by the pricing officer as designated in the Bond Resolution on the date of sale of the Bonds (the Bond Resolution and the Pricing Certificate are referred to herein, collectively, as the "Resolution"). Interest on the Bonds will accrue from the Date of Initial Delivery to the underwriters shown below (the "Underwriters"), will be payable February 15 and August 15 of each year commencing February 15, 2022, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a stated maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS – Book-Entry-Only System" herein). The initial Paying Agent/Registrar is Zions Bancorporation, National Association, dba Amegy Bank, Houston, Texas.

PAYMENT TERMS . . . The Bonds are direct obligations of the District, payable both as to principal and interest solely from and secured by a continuing and direct annual ad valorem tax levied against all taxable property within the District, without legal limit as to rate or amount, as provided in the Bond Resolution (see "THE BONDS – Security and Source of Payment"). **The Bonds are not payable from any of the operating revenues of the District, and the Bonds are not secured by a mortgage on any of the properties of the District.**

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (i) refund a portion of the District's outstanding obligations (the "Refunded Bonds") and (ii) pay the costs associated with the issuance of the Bonds (see "SCHEDULE I – Schedule of Refunded Bonds" and "PLAN OF FINANCING").



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. ("AGM"). See "BOND INSURANCE" and APPENDIX D – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

CUSIP PREFIX: 224437
MATURITY SCHEDULE & 9-DIGIT CUSIP
See Page 2

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see "APPENDIX C - Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas.

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on September 2, 2021 (the "Date of Initial Delivery").

SAMCO CAPITAL

RAYMOND JAMES

MATURITY SCHEDULE

| <u>Amount</u> | <u>Maturity (February 15)</u> | <u>Interest Rate</u> | <u>Initial Yield</u> | <u>CUSIP Suffix ⁽¹⁾</u> |
|---------------|-----------------------------------|--------------------------|--------------------------|--|
| \$ 325,000 | 2022 | 5.00% | 0.22% | CC5 |
| 325,000 | 2023 | 5.00% | 0.38% | CD3 |
| 340,000 | 2024 | 5.00% | 0.62% | CE1 |
| 355,000 | 2025 | 5.00% | 0.84% | CF8 |
| 375,000 | 2026 | 5.00% | 1.02% | CG6 |
| 395,000 | 2027 | 5.00% | 1.25% | CH4 |
| 415,000 | 2028 | 5.00% | 1.41% | CJ0 |
| 430,000 | 2029 | 3.00% | 1.56% ⁽²⁾ | CK7 |
| 2,640,000 | 2030 | 2.00% | 1.67% ⁽²⁾ | CL5 |
| 2,685,000 | 2031 | 1.80% | 1.80% | CM3 |
| 2,735,000 | 2032 | 1.90% | 1.90% | CN1 |
| 2,790,000 | 2033 | 1.95% | 1.95% | CP6 |
| 1,265,000 | 2034 | 2.00% | 2.00% | CQ4 |

(Interest accrues from the Date of Initial Delivery)

- (1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data 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 shall be responsible for the selection or correctness of the CUSIP numbers shown herein.
- (2) Yield shown is yield to first call date, February 15, 2028.

OPTIONAL REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2029, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Optional Redemption”).

(THE REMINDER OF THIS PAGE LEFT INTENTIONALLY BLANK)

No dealer, broker, salesman or other person has been authorized by the District or the Underwriters to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District or the Underwriters. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

Certain information set forth herein has been obtained from the District and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Financial Advisor or the Underwriters. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

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 JURISDICTION IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

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 ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM.

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

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 cover page contains certain information for general reference only and is not intended as a summary of this offering. 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.

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.

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

TABLE OF CONTENTS

| | | | |
|--|-----------|---|-----------|
| OFFICIAL STATEMENT SUMMARY | 4 | DEBT INFORMATION | 23 |
| DISTRICT OFFICIALS, STAFF AND CONSULTANTS | 6 | TABLE 6 – GENERAL OBLIGATION DEBT SERVICE | |
| INTRODUCTION | 7 | REQUIREMENTS | 23 |
| PLAN OF FINANCING | 7 | FINANCIAL INFORMATION | 24 |
| THE BONDS | 8 | TABLE 7 – CHANGES IN FUND BALANCE | 24 |
| BOND INSURANCE | 14 | INVESTMENTS | 25 |
| BOND INSURANCE RISK FACTORS | 15 | TABLE 8 – CURRENT INVESTMENTS | 26 |
| THE DISTRICT | 16 | TAX MATTERS | 27 |
| AD VALOREM TAX PROCEDURES | 17 | CONTINUING DISCLOSURE OF INFORMATION | 28 |
| TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION | | OTHER INFORMATION | 30 |
| DEBT | 20 | SCHEDULE I | |
| TABLE 2 – VALUATION AND GENERAL OBLIGATION DEBT | | SCHEDULE OF REFUNDED BONDS | 33 |
| HISTORY | 21 | APPENDICES | |
| TABLE 3 – VALUATION, TAX RATE, LEVY AND COLLECTION | | General Information Regarding the District | A |
| HISTORY | 21 | Financial Statements of the District | B |
| TABLE 4 – TEN LARGEST TAXPAYERS..... | 21 | Form of Bond Counsel's Opinion | C |
| TABLE 5 – TAX ADEQUACY | 22 | Specimen Municipal Bond Insurance Policy..... | D |

The cover page hereof, this page, the schedule, and the appendices included herein and any addenda, supplement or amendment hereto, are part of this Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary 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 summary from this Official Statement or to otherwise use it without the entire Official Statement.

| | |
|-------------------------------------|---|
| THE DISTRICT | The Crane County Water District (the “District”) is a political subdivision of the State of Texas (the “State”) and a conservation and reclamation district organized and existing under the laws of the State, particularly Chapter 6902, Texas Special District Local Laws Code, as amended, Chapter 49, Texas Water Code, as amended and Article XVI, Section 59 of the Texas Constitution (collectively, the “Act”), located in Crane County, Texas. For information regarding the District and its economy. See "APPENDIX A" herein for more information about the District (see “INTRODUCTION – Description of the District”). |
| THE BONDS | The Bonds are issued as \$15,075,000 Unlimited Tax Refunding Bonds, Taxable Series 2021. The Bonds are issued as serial bonds maturing February 15 in the years 2022 through 2034, inclusive. |
| PAYMENT OF INTEREST | Interest on the Bonds accrues from the date of their delivery to the Underwriters, and is payable February 15, 2022, and each August 15 and February 15 thereafter until maturity or prior redemption (see “THE BONDS – General”). |
| AUTHORITY FOR ISSUANCE | The Bonds are issued pursuant to the Constitution and the general laws of the State of Texas (the “State”), including particularly Chapter 6902, Texas Special District Local Laws Code, as amended, and Chapter 49, Texas Water Code, as amended, and Article XVI, Section 59, of the Texas Constitution, as amended (collectively, the “Act”), and Chapter 1207, Texas Government Code, as amended, a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of the District, and a pricing certificate (the “Pricing Certificate”) executed by a pricing officer as designated in the Bond Resolution on the date of sale of the Bonds (the “Pricing Certificate”) (the Bond Resolution and the Pricing Certificate are referred to herein, collectively, as the “Resolution”). |
| SECURITY | The Bonds constitute direct obligations of the District, payable from the levy and collection of a continuing and direct annual ad valorem tax levied on all taxable property within the District without legal limit as to rate or amount, as provided in the Resolution (see “THE BONDS – Security and Source of Payment”). The Bonds will not be secured by revenues from the District’s operations, nor from a mortgage of or security interest in any tangible property of the District. |
| REDEMPTION PROVISIONS | The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2029, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Optional Redemption”). |
| TAX MATTERS | The Bonds are not obligations described in Section 103(a) of the Internal Revenue Code of 1986. See “TAX MATTERS” for a discussion of the opinion of Bond Counsel. |
| USE OF PROCEEDS | Proceeds of the Bonds will be used to (i) refund a portion of the District’s outstanding obligations (the “Refunded Bonds”) and (ii) pay the costs associated with the issuance of the Bonds (see “SCHEDULE I – Schedule of Refunded Bonds” and “PLAN OF FINANCING”). |
| RATINGS | The Bonds are expected to be assigned ratings of “AA” and “A2” by S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC (“S&P”) and Moody’s Investors Service, Inc. (“Moody’s”), by virtue of a municipal bond insurance policy to be issued by AGM at the time of delivery of the Bonds (see “BOND INSURANCE”). The Bonds are rated “A3” by Moody’s without regard to the municipal bond insurance (see “OTHER INFORMATION – Ratings”). |

BOOK-ENTRY-ONLY SYSTEM..... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof within a maturity. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS – Book-Entry-Only System”).

PAYMENT RECORD The District has never defaulted in payment of its bonds.

(THE REMINDER OF THIS PAGE LEFT INTENTIONALLY BLANK)

DISTRICT OFFICIALS, STAFF AND CONSULTANTS

DISTRICT BOARD

| <u>Name</u> | <u>Title</u> |
|-----------------|---------------------|
| Ricky Beardslee | President |
| Roy Wright | Vice President |
| Randall Pittman | Secretary/Treasurer |
| Hunter Seabourn | Director |
| Weldon Hayes | Director |

DISTRICT STAFF

| <u>Name</u> | <u>Position</u> |
|---------------|--------------------------|
| Dru Gravens | Crane City Administrator |
| Mendy Nichols | Crane County Auditor |

CONSULTANTS AND ADVISORS

Auditors Weaver and Tidwell, L.L.P.
Midland, Texas

Bond Counsel McCall, Parkhurst & Horton L.L.P.
Dallas, Texas

Financial Advisor.....Specialized Public Finance Inc.
Dallas, Texas

For additional information regarding the District, please contact:

| | | |
|--|----|--|
| Ricky Beardslee President Crane County Water District 409 South Gaston Street Crane, Texas 79731 | or | Vince Viaille Managing Director Specialized Public Finance Inc. 4925 Greenville Avenue, Suite 1350 Dallas, Texas 75206 214/373-3911 |
|--|----|--|

OFFICIAL STATEMENT

CRANE COUNTY WATER DISTRICT \$15,075,000 UNLIMITED TAX REFUNDING BONDS, TAXABLE SERIES 2021

INTRODUCTION

This Official Statement, which includes the Schedule and the Appendices hereto, provides certain information regarding the issuance of the \$15,075,000 Unlimited Tax Refunding Bonds, Taxable Series 2021 (the "Bonds"). The Bonds are being issued pursuant to the Constitution and the general laws of the State of Texas (the "State"), including particularly Chapter 6902, Texas Special District Local Laws Code, as amended, and Chapter 49, Texas Water Code, as amended, and Article XVI, Section 59, of the Texas Constitution, as amended (collectively, the "Act"), and Chapter 1207, Texas Government Code, as amended, and pursuant to a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the Crane County Water District (the "District") and a pricing certificate (the "Pricing Certificate") executed by the pricing officer as designated in the Bond Resolution on the date of sale of the Bonds (the Bond Resolution and the Pricing Certificate are referred to herein, collectively, as the "Resolution"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Resolution, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District's Financial Advisor, Specialized Public Finance Inc., Dallas, Texas, by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. Copies of the Final Official Statement pertaining to the Bonds will be deposited 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.

DESCRIPTION OF THE DISTRICT . . . The District is a political subdivision of the State of Texas (the "State") and a conservation and reclamation district organized and existing under the laws of the State, particularly Chapter 6902, Texas Special District Local Laws Code, as amended, Chapter 49, Texas Water Code, as amended and Article XVI, Section 59 of the Texas Constitution (collectively, the "Act"), located in Crane County. See "APPENDIX A" hereto. The District is not affiliated with the County, which is a separate and distinct political subdivision.

All financial and other information presented in this Official Statement has been provided by the District, 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 the financial position or other affairs of the District. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue to be repeated in the future.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (i) refund a portion of the District's outstanding obligations to achieve debt service savings (the "Refunded Bonds") and (ii) pay the costs associated with the issuance of the Bonds. See "SCHEDULE I – Schedule of Refunded Bonds" for a detailed listing of the Refunded Bonds and their redemption date.

REFUNDED BONDS . . . The principal and interest due on the Refunded Bonds will be paid on the redemption date of the Refunded Bonds, from funds to be deposited with the Escrow Agent (as defined herein) pursuant to an Escrow Agreement by and between the District and Zions Bancorporation, National Association, dba Amegy Bank, Houston, Texas (the "Escrow Agent"). The Resolution provides that from the proceeds of the sale of the Bonds received from the Underwriters, the District will deposit with the Escrow Agent the full cash amount required to pay all amounts coming due on the Refunded Bonds on the redemption date and to accomplish the discharge and final payment of the Refunded Bonds on the redemption date. Such funds will be held by the Escrow Agent in a trust clearing account pending their disbursement to redeem the Refunded Bonds on the redemption date. By the deposit with the Escrow Agent in such trust clearing account, the District will have effected the defeasance of the Refunded Bonds in accordance with the applicable law.

Public Finance Partners LLC will issue its report (the "Report") verifying at the time of delivery of the Bonds to the Underwriters thereof the mathematical accuracy of the schedules that demonstrate the Federal Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds (see "OTHER INFORMATION - Verification of Arithmetical and Mathematical Computations"). Any surplus funds remaining in the Escrow Fund after the redemption of the Refunded Bonds will be paid to the District. The funds on deposit in the Escrow Fund will not be available to pay the Bonds.

By the deposit of the Federal Securities and cash with the Escrow Agent pursuant to the resolution pursuant to which the Refunded Bonds were issued, the District will have effected the defeasance of all of the Refunded Bonds in accordance with State law and in reliance upon the Report. As a result of such defeasance the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Federal Securities and any cash held for such purpose by the Escrow Agent and such Refunded Bonds will not be deemed as being outstanding obligations of the District nor for the purpose of applying any limitation on the issuance of debt, and the District will have no further responsibility with respect to amounts available in the Escrow Fund for the payment of the Refunded Bonds from time to time, including any insufficiency therein caused by the failure of the Escrow Agent to receive pay when due on the Federal Securities.

SOURCES AND USES OF FUNDS . . . The proceeds from the sale of the Bonds, together with other lawfully available funds of the District, will be applied approximately as follows:

| | |
|--|-------------------------|
| SOURCES OF FUNDS: | |
| Par Amount of the Bonds | \$ 15,075,000.00 |
| Reoffering Premium | 440,250.65 |
| District Contributions | <u>2,078,861.55</u> |
| Total Sources of Funds | <u>\$ 17,594,112.20</u> |
| USES OF FUNDS: | |
| Deposit to Escrow Fund | \$ 17,199,904.00 |
| Underwriter's Discount | 104,772.81 |
| Costs of Issuance, Rounding Amount, and Bond Insurance | <u>289,435.39</u> |
| Total Uses of Funds | <u>\$ 17,594,112.20</u> |

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated August 1, 2021. The Bonds mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Bonds will accrue from the date of the initial delivery (anticipated to be September 2, 2021, the "Date of Initial Delivery"), will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2022, until maturity. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System" herein).

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Texas Government Code, Chapter 1207, as amended ("Chapter 1207"), the Act, and the Bond Resolution adopted by the Board. In the Bond Resolution, the Board of Directors of the District delegated authority to certain official of the district (each a "Pricing Officer") to execute a certificate establishing the final pricing terms for the Bonds (the "Pricing Certificate", and together with the Bond Resolution, the "Resolution").

SECURITY AND SOURCE OF PAYMENT . . . The principal of and interest on the Bonds is payable from a continuing and direct annual ad valorem tax levied by the District within the limits prescribed by law upon all taxable property in the District without legal limit as to rate or amount, as provided in the Resolution.

TAX RATE LIMITATION . . . All taxable property within the District is subject to the assessment, levy and collection by the District of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt without legal limit as to rate or amount.

OPTIONAL REDEMPTION . . . The Bonds having stated maturities on and after February 15, 2029, are subject to redemption, at the option of the District, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2028 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

NOTICE OF REDEMPTION . . . 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 PORTION THEREOF SHALL CEASE TO ACCRUE.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by this Resolution have been met and moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice shall state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient moneys are not received, such notice shall be of no force and effect, the District shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

DTC REDEMPTION PROVISIONS . . . 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 Bonds, notice of proposed amendment to the Resolution or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC Participant, or of any Direct Participant (defined below) or Indirect Participant (defined below) to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on 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 Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption 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 Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of the Bonds for redemption. See "THE BONDS - Book-Entry-Only System" herein.

DEFEASANCE . . . The Resolution 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 the Paying Agent/Registrar, or authorized escrow agent, in trust (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the District with the Paying Agent/Registrar for the payment of its services until all defeased Bonds shall have become due and payable, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Resolution provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (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 of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The District has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Resolution does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or that ratings for any other Defeasance Security will be maintained at any particular rating category.

Upon defeasance, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Upon making such deposit in the manner described, such defeased Bonds shall no longer be deemed outstanding obligations secured by the Resolution, but will be payable only from the funds and Defeasance Securities deposited in escrow and will not be considered debt of the District for purposes of taxation or applying any limitation on the District's ability to issue debt or for any other purpose.

AMENDMENTS . . . In the Resolution, the District has reserved the right to amend the Resolution without the consent of any holder of the Bonds for the purpose of amending or supplementing the Resolution to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Resolution that do not materially adversely affect the interests of the holders, (iv) qualify the Resolution under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Resolution that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the District, do not materially adversely affect the interests of the holders.

The Resolution further provides that the holders of the Bonds aggregating in principal amount 51% of the outstanding Bonds shall have the right from time to time to approve any amendment not described above to the Resolution if it is deemed necessary or desirable by the District; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Bonds, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Bonds; (ii) reducing the rate of interest borne by any of the outstanding Bonds; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Bonds, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment.

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’s name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds 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 will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities Bonds. 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 Standard & Poor’s rating of “AA+”. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual 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 Bonds 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, tenders, 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 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 MMI 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).

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Underwriters take any responsibility for the accuracy thereof.

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, notices that are to be given to registered owners under the Resolution will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District, the Financial Advisor, or the Underwriters.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is Zions Bancorporation, National Association, dba Amegy Bank, Houston, Texas. Interest on and principal of the Bonds will be payable, and transfer functions will be performed, at the office for payment of the Paying Agent/Registrar in Dallas, Texas (the "Designated Payment/Transfer Office"). In the Resolution, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange 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, exchange and transfer.

Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, 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 any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See “Book-Entry-Only System” herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the District nor the Paying Agent/Registrar will be required to make any transfer, conversion, or exchange of Bonds (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

RECORD DATE FOR INTEREST PAYMENT. . . The record date (“Record Date”) for the interest payable on the Bonds on any interest payment date means the last business day of the preceding month. 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 District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (“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 an Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

BONDHOLDERS’ REMEDIES . . . The Resolution establishes specific events of default with respect to the Bonds. 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 Resolution, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the District, the Resolution provides that 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 Resolution and the District’s obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with 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 Resolution 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 Resolution, 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 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, holders of the Bonds may not be able to bring such a suit against the District for breach of the covenants in the Bonds or in the Resolution. 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. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151 through .160, Texas Local Government Code (the “Local Government Immunity Waiver Act”), which, according to the Court, waives “immunity from suit for contract claims against most local governmental entities under certain circumstances.” The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods and services to cities.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) (“*Wasson I*”), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interests LTD. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) (“*Wasson II*”), and together with *Wasson I* (“*Wasson*”), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the State’s immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

As noted above, the Resolution provides that holders of the Bonds may exercise the remedy of mandamus to enforce the obligations of the District under the Resolution. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. 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, should the District avail itself of 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 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, by principles of governmental immunity, and by general principles of equity that permit the exercise of judicial discretion.

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 disaster declaration was extended and is still in effect. Under State law, the proclamation of a state of disaster by the Governor may not continue for more than 30 days unless renewed by the Governor. 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, mitigation and the phased reopening of the State. Most recently, on March 2, 2021, the Governor issued Executive Order GA-34, which, among other things, removed any COVID-19-related operating limits for any business or other establishment and ended the State-wide mask mandate, effective March 10, 2021. The Governor’s order also maintains, in providing or obtaining services, every person (including individuals, businesses, and other legal entities) should use good-faith efforts and available resources to follow the minimum standard health protocols. 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 <http://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.

POTENTIAL IMPACT OF COVID-19 . . . A continued spread of COVID-19, and measures taken to prevent or reduce such spread, could adversely impact state, national and global economic activities and, accordingly, adversely impact the financial condition and performance of the District; the extent of such impact could be material.

While the effects of COVID-19 on the national, state and local levels may be temporary, it has altered the behavior of businesses and people in a manner that has had negative impacts on global and local economies. Stock values and crude oil prices, in the U.S. and globally, have seen significant declines attributed to COVID-19 concerns. Texas may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries, including manufacturing.

While any impact on the District is currently uncertain, the District continues to monitor the impact of COVID-19 on its operations. The District cannot predict the impact COVID-19 may have on the District’s financial and operating condition or an investment in the Bonds. The Bonds are secured by ad valorem tax revenues collected and assessed annually. It is unclear at this time what if any effect the COVID-19 outbreak and resulting economic disruption may have on future assessed values or the collection of taxes, either because of delinquencies or collection and valuation relief resulting from the declared emergency. For a review of the ad valorem tax system, see “AD VALOREM TAX PROCEDURES”.

BOND INSURANCE

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

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

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

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

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

On October 29, 2020, KBRA announced it had affirmed AGM’s insurance financial strength rating of “AA+” (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

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

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

Capitalization of AGM . . . At June 30, 2021:

- The policyholders’ surplus of AGM was approximately \$2,943 million.
- The contingency reserve of AGM was approximately \$947 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,137 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM’s wholly owned subsidiaries Assured Guaranty UK Limited (“AGUK”) and Assured Guaranty (Europe) SA (“AGE”).

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

Merger of MAC into AGM . . . On April 1, 2021, MAC was merged into AGM, with AGM as the surviving company. Prior to that merger transaction, MAC was an indirect subsidiary of AGM (which indirectly owned 60.7% of MAC) and AGM’s affiliate, Assured Guaranty Corp., a Maryland-domiciled insurance company (“AGC”) (which indirectly owned 39.3% of MAC). In connection with the merger transaction, AGM and AGC each reassumed the remaining outstanding par they ceded to MAC in 2013, and AGC sold its indirect share of MAC to AGM. All of MAC’s direct insured par exposures have become insured obligations of AGM.

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

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

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

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

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

BOND INSURANCE RISK FACTORS

GENERAL . . . 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 bond owner 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 absence 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 will not be subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see “BONDHOLDERS’ REMEDIES”). The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the Bondholders.

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 solely from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the District. 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 ratings on the Bonds will be dependent in part 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 ratings on the Bonds, whether or not subject to a Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Bonds.

The obligations of the Insurer under a 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 Financial Advisor or the Underwriters have made independent investigation into the claims-paying ability of any potential Insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential Insurer is given.

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS . . . Moody’s Investor Services, Inc., S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, and Fitch Ratings (the “Rating Agencies”) have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most 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 such bond insurers, including any bond insurer of the Bonds. Thus, when making an investment decision, potential investors should carefully consider the ability of any such bond insurer to pay principal and interest on the Bonds and the claims-paying ability of any such bond insurer, particularly over the life of the Bonds.

THE DISTRICT

GENERAL . . . The District was created by Chapter 775, 69th Legislature, 1985, under Article XVI, Section 59 of the Texas Constitution, and now operates pursuant to and is governed by the Act. The District includes all of the territory in the boundaries of Crane County (the “County”) as the boundaries of the County existed on January 1, 1985.

The District is authorized by the Act to (i) acquire or construct inside or outside the District reservoirs and any work, water well, water field, pump, plant, transmission line, or other facility necessary or useful to divert, impound, drill for, store, treat, or transport water to the City of Crane, Texas (the “City”) and others for municipal, domestic, industrial, mining, oil flooding, or other useful purposes, (ii) lease, purchase, or otherwise acquire rights in and to storage and storage capacity in any reservoir and (iii) to develop or otherwise acquire underground sources of water. The Act also provides that the District may contract with municipalities, public agencies, special districts, other political subdivisions of the State, and other entities, including the City of Crane, for supplying water to them. The District may sell water inside or outside the boundaries of the District.

Members of the District’s Board are appointed by the Commissioners Court of the County, and the District has no full time employees. Pursuant to an interlocal agreement between the District and the City, the City provides administrative services for the District as part of the City’s responsibility for all maintenance and repairs to the District’s Water System. See “– The Interlocal Water Agreement” below.

DESCRIPTION OF THE DISTRICT’S FACILITIES AND OPERATIONS . . . The City provides water service to residents of the City and the surrounding area from the District’s Water System. Pursuant to the Interlocal Water Agreement the District owns the Water System and the Water System is operated by the City.

The District’s Water System consists of two separate well fields, approximately 72 wells, three pump stations and fourteen and eighteen inch transmission lines. The Water System receives water from two well fields, the Frost Well Field and Edwards Well Field (together, the “Well Fields”). Both Well Fields are in the Pecos Alluvium aquifer. The Frost Well Field is under a continuous water rights lease between the City and the owners of the Frost Well Field. The Edwards Well Field is under a water rights lease between the City and the owners of the Edwards Well Field. There is currently less than 30 years remaining on the lease term of the Edwards Well Field Lease. Raw water from the two Well Fields is pumped to the City where it is chlorinated and then pumped into the City’s water distribution system (the “City System”). See “– Description of the Project – Acquisition of Water Rights” below.

The Frost Well Field was developed in the 1960’s and consists of about 34 wells ranging in capacity from 21–80 gpm, a pump station and transmission line to the City’s storage Reservoirs. The Frost Well Field consists of two separate systems, 22 older wells (retrofitted in 1988) are located to the west of the pump station site, and 12 newer wells are located to the east of the pump station site. The Frost Well Field provides the main source of water capacity for the Water System. The wells discharge into two 1 million gallon storage reservoirs at the pump station site. The stored water is pumped to the City’s pump station reservoirs as required by the City System’s capacity needs.

The Edwards Well Field was developed in 1988 to provide additional water supply as well as allow for blending with the Frost Well Field to increase water supply and extend the life of both Well Fields. The Edwards Well Field consist of 38 wells ranging in capacity from 40–125 gpm. The storage reservoirs for the Edwards Well Field located at the pump station site for the Edwards Well Field provide a total of 2 million gallons of storage capacity for the Water System. The stored water may be pumped to the storage reservoirs for the Edwards Well Field or it may flow by gravity, depending on capacity needs of the Water System.

Water from any combination of the Well Fields is stored at the City’s pump station site (the “City Pump Station”), which is a facility owned by the District and located in the City of Crane. There are 3 million gallons of storage before the City Pump Station pumps water directly into the City System. The vacuum-operated chlorination system at the City Pump Station provides disinfection of water to prevent the growth of pathogenic organisms in the City’s System.

See APPENDIX A to this Official Statement for certain additional information concerning the District’s financial condition.

AD VALOREM TAX PROCEDURES

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Reference is made to Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

VALUATION OF TAXABLE PROPERTY . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board ("Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the District is the responsibility of the Crane County Appraisal District (the "Appraisal District"). Except as described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the District, in establishing their tax rolls and tax rates.

STATE MANDATED HOMESTEAD EXEMPTIONS . . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than \$5,000) and (2) an additional exemption of the market value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable.

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED . . . The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

PERSONAL PROPERTY . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

FREEPORT AND GOODS-IN-TRANSIT EXEMPTIONS . . . Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

OTHER EXEMPT PROPERTY . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

TAX INCREMENT FINANCING ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones (“TIRZ”) within its boundaries, and other overlapping taxing units, such as the District, may agree to contribute taxes levied against the “Incremental Value” in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, general located within the TIRZ. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “Incremental Value,” and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. See “AD VALOREM TAX PROCEDURES – District Application of Property Tax Code” for descriptions of any TIRZ created in the District.

TAX ABATEMENT AGREEMENTS . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See “AD VALOREM TAX PROCEDURES – District Application of Property Tax Code” for descriptions of any of the District’s tax abatement agreements.

For a discussion of how the various exemptions described above are applied by the District, see “AD VALOREM TAX PROCEDURES – District Application of Property Tax Code” herein.

PUBLIC HEARING AND MAINTENANCE AND OPERATION TAX RATE LIMITATIONS. . .The following terms as used in this section have the meanings provided below:

“adjusted” means lost values are not included in the calculation of the prior year’s taxes and new values are not included in the current year’s taxable values.

“de minimis rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year’s taxable value, plus the debt service tax rate.

“no-new-revenue tax rate” means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year’s total tax levy (adjusted) from the current year’s total taxable values (adjusted).

“voter-approval tax rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted) multiplied by 1.08, plus the debt service tax rate, plus the “unused increment rate.”

The portion of the District’s overall tax rate used to pay current expenses is herein referred to as the maintenance and operations tax rate and the portion of the tax rate used for funding debt service in the current year is referred to herein as the debt service tax rate. As a general matter, the District’s maintenance and operations tax rate cannot increase by more than 8% from one year to the next, subject to various exceptions, including the de minimis rate described above. Such limitation does not apply to the District’s debt service tax rate.

Under State law, the Crane County assessor-collector must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the District to the District by August 1 or as soon as practicable thereafter. The District must then calculate its annual voter-approval tax rate and no-new-revenue tax rate (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the District and the Crane County tax assessor-collector. The District must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If the District fails to timely adopt a tax rate, the tax rate is statutorily

set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the District for the preceding tax year.

The Property Tax Code provides that if a District adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its de minimis rate, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

The District may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until the Crane County Appraisal District has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the District has held a public hearing on the proposed tax increase.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the District’s ability to set a debt service tax rate in each year sufficient to pay debt service on all of the District’s tax-supported debt obligations, including the Bonds (see “THE BONDS - Tax Rate Limitations” herein).

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the District is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses pricing information contained in either the standard edition of the Annual Energy Outlook published by the United States Energy Information Administration or, if the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, the Short-Term Energy Outlook report published in January of the current calendar year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due before February 1 of each year and the final installment due before August 1.

PENALTIES AND INTEREST . . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

| <u>Month</u> | <u>Cumulative Penalty</u> | <u>Cumulative Interest</u> | <u>Total</u> |
|--------------|-------------------------------|--------------------------------|--------------|
| February | 6% | 1% | 7% |
| March | 7 | 2 | 9 |
| April | 8 | 3 | 11 |
| May | 9 | 4 | 13 |
| June | 10 | 5 | 15 |
| July | 12 | 6 | 18 |

After July, penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney’s collection fee of up to 20% may be added to the total tax penalty and interest charge. A taxpayer who is 65 years of age or older or is disabled may defer the collection of delinquent property taxes on his or her residence homestead and prevent the filing of a lawsuit to collect delinquent taxes until the 181st day after the taxpayer no longer owns and occupies the property as a residence homestead. However, taxes and interest continue to accrue against the property, and the delinquent taxes incur a penalty of 8% per annum with no additional penalties or interest assessed. The lien securing such taxes and interest remains in existence during the deferral or abatement period. In general, property subject to the District’s lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

DISTRICT’S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the District, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser’s deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an

automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

DISTRICT APPLICATION OF PROPERTY TAX CODE . . . Property within the District is appraised by the Crane County Appraisal District. The District’s taxes are collected by the Crane County Appraisal District.

The District grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$15,000.

The District has not granted an additional exemption of 20% of the market value of residence homesteads.

Ad valorem taxes are not levied by the District against the exempt value of residence homesteads for the payment of debt.

The District does not tax nonbusiness personal property.

The District does not tax freeport property.

The District has adopted a tax abatement policy.

The District does not permit split payments and does not allow discounts.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

| | |
|--|------------------------------|
| 2021/2022 Market Valuation Established by Crane County Appraisal District (excluding totally exempt property) | \$ 1,499,340,970 |
| Less Exemptions/Reductions at 100% Market Value: | 150,835,450 |
| 2021/2022 Taxable Assessed Valuation | <u>\$ 1,348,505,520</u> |
| Debt Payable from Ad Valorem Taxes (as of 6/30/21) | \$ 14,865,000 ⁽¹⁾ |
| The Bonds | <u>15,075,000</u> |
| Total Debt Payable from Ad Valorem Taxes | <u>\$ 29,940,000</u> |
| Interest and Sinking Fund (as of 6/30/2021) | \$ - |
| Ratio Tax Supported Debt to Taxable Assessed Valuation | 2.22% |

2021 Estimated Population - 4,375
Per Capita Taxable Assessed Valuation - \$308,230
Per Capita Funded Debt Payable from Ad Valorem Taxes - \$6,843

(1) Excludes the Refunded Bonds.

TABLE 2 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

| Fiscal Year Ended 9/30 | Estimated District Population ⁽¹⁾ | Taxable Assessed Valuation ⁽²⁾ | Taxable Assessed Valuation Per Capita | Tax Supported Debt | Tax Supported Debt Per Capita | Ratio Tax Debt to Taxable Assessed Valuation |
|------------------------|--|---|---------------------------------------|---------------------------|-------------------------------|--|
| 2017 | 4,375 | \$ 869,135,530 | \$ 198,660 | \$ 35,640,000 | \$ 8,146 | 4.10% |
| 2018 | 4,375 | 866,320,690 | 198,016 | 34,295,000 | 7,839 | 3.96% |
| 2019 | 4,375 | 949,037,830 | 216,923 | 32,900,000 | 7,520 | 3.47% |
| 2020 | 4,375 | 1,272,049,575 | 290,754 | 31,445,000 | 7,187 | 2.47% |
| 2021 | 4,375 | 1,448,400,926 | 331,063 | 29,940,000 ⁽³⁾ | 6,843 | 2.07% |
| 2022 | 4,375 | 1,348,505,520 | 308,230 | 28,050,000 ⁽³⁾ | 6,411 | 2.08% |

⁽¹⁾ Estimated by District officials.

⁽²⁾ As reported by the Crane County Appraisal District on the District's annual State Property Tax Board Reports; subject to change during the ensuing year.

⁽³⁾ Includes the Bonds and excludes the Refunded Bonds.

TABLE 3 - VALUATION, TAX RATE, LEVY AND COLLECTION HISTORY

| Fiscal Year Ended 9/30 | Tax Rate | Local Maintenance | Interest and Sinking Fund | Tax Levy | % of Total Collections |
|------------------------|-----------|-------------------|---------------------------|--------------|------------------------|
| 2017 | \$ 0.3450 | \$ - | \$ 0.3450 | \$ 2,998,518 | 98.7% |
| 2018 | 0.3460 | - | 0.3460 | 2,997,470 | 100.1% |
| 2019 | 0.3460 | - | 0.3460 | 3,283,671 | 99.7% |
| 2020 | 0.2700 | - | 0.2700 | 3,434,534 | 98.5% |
| 2021 | 0.2500 | - | 0.2500 | 3,621,002 | 97.2% |

⁽¹⁾ Collections as of June 30, 2021.

TABLE 4 - TEN LARGEST TAXPAYERS ⁽¹⁾

| Name of Taxpayer | 2020/2021 Taxable Assessed Valuation | % of Total Taxable Assessed Valuation |
|--------------------------------|--------------------------------------|---------------------------------------|
| Blackbeard Operating LLC | \$ 216,403,940 | 14.94% |
| US Silica Co. | 61,242,310 | 4.23% |
| Chevron USA | 55,464,290 | 3.83% |
| Plains Pipeline LP | 54,287,220 | 3.75% |
| Targa Midstream Services LLC | 48,185,330 | 3.33% |
| Apache Corp. | 47,118,070 | 3.25% |
| Gray Oak Pipeline LLC | 46,553,030 | 3.21% |
| Oxy USA Inc. | 40,148,550 | 2.77% |
| Epic Crude Terminal Co. LP | 38,496,580 | 2.66% |
| Stronghold Energy II Oper. LLC | 36,514,270 | 2.52% |
| | <u>\$ 644,413,590</u> | <u>44.49%</u> |

⁽¹⁾ Based on 2020/2021 Taxable Assessed Valuation \$1,448,400,926. As shown in the table above, the top ten taxpayers in the District currently account for over 44% of the District's tax base, with the majority of such property comprised of minerals and related business activities. Adverse developments in economic conditions, especially in the oil and natural gas industry, could adversely impact the businesses that own mineral properties in the District and the tax values in the District, resulting in less local tax revenue. If any major taxpayer were to default in the payment of taxes, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or, perhaps, to sell tax anticipation notes until such amounts could be collected, if ever. See "THE BONDS – Bondholders' Remedies" and "TAX INFORMATION – Penalties and Interest" in the Official Statement.

TABLE 5 - TAX ADEQUACY ⁽¹⁾

| | |
|--|--------------|
| 2021 Net Tax Supported Debt Principal and Interest Requirements | \$ 2,172,988 |
| \$0.1645 Tax Rate at 98% Collection Produces | \$ 2,173,926 |
| Average Net Tax Supported Debt Annual Principal and Interest Requirements, 2021 - 2034 | \$ 2,731,411 |
| \$0.2067 Tax Rate at 98% Collection Produces | \$ 2,731,614 |
| Maximum Net Tax Supported Debt Principal and Interest Requirements, 2027 | \$ 3,518,869 |
| \$0.2663 Tax Rate at 98% Collection Produces | \$ 3,519,249 |

⁽¹⁾ Includes the Bonds and excludes the Refunded Bonds.

ESTIMATED OVERLAPPING TAXING JURISDICTIONS

Expenditures of the various taxing bodies within the territory of the District are paid out of ad valorem taxes levied by these taxing bodies on properties within the District. These political taxing bodies are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date stated above, and such entities may have programs requiring the issuance of substantial amounts of additional bonds the amount of which cannot be determined. This table reflects the estimated share of overlapping funded debt of the District.

| Taxing Jurisdiction | Total Tax Supported Debt as of 6/30/2021 | Estimated % Applicable | District's Overlapping Tax Supported Debt as of 6/30/2021 ⁽¹⁾ |
|--|--|---------------------------|---|
| Crane County Water District | \$ 29,940,000 | 100.00% | \$ 29,940,000 |
| City of Crane | - | 100.00% | - |
| Crane Independent School District | 2,335,000 | 100.00% | 2,335,000 |
| Crane County | 8,110,000 | 100.00% | 8,110,000 |
| Total Direct and Overlapping Tax Supported Debt | | | \$ 40,385,000 |
| Ratio of Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation | | | 2.99% |
| Per Capita Overlapping Tax Supported Debt | | | \$ 9,231 |

⁽¹⁾ Includes the Bonds and excludes the Refunded Bonds.

DEBT INFORMATION

TABLE 6 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

| Fiscal Year Ended 9/30 | Outstanding Debt ⁽¹⁾ | | | The Bonds ⁽²⁾ | | | Total Debt Service Requirements |
|---------------------------------|---------------------------------|---------------------|----------------------|--------------------------|---------------------|----------------------|---------------------------------------|
| | Principal | Interest | Total | Principal | Interest | Total | |
| 2021 | \$ 1,505,000 | \$ 667,988 | \$ 2,172,988 | \$ - | \$ - | \$ - | \$ 2,172,988 |
| 2022 | 1,565,000 | 606,288 | 2,171,288 | 325,000 | 346,499 | 671,499 | 2,842,786 |
| 2023 | 1,645,000 | 526,038 | 2,171,038 | 325,000 | 347,825 | 672,825 | 2,843,863 |
| 2024 | 1,730,000 | 441,663 | 2,171,663 | 340,000 | 331,200 | 671,200 | 2,842,863 |
| 2025 | 1,820,000 | 352,913 | 2,172,913 | 355,000 | 313,825 | 668,825 | 2,841,738 |
| 2026 | 1,915,000 | 259,538 | 2,174,538 | 375,000 | 295,575 | 670,575 | 2,845,113 |
| 2027 | 1,995,000 | 852,544 | 2,847,544 | 395,000 | 276,325 | 671,325 | 3,518,869 |
| 2028 | 2,060,000 | 110,775 | 2,170,775 | 415,000 | 256,075 | 671,075 | 2,841,850 |
| 2029 | 2,135,000 | 37,363 | 2,172,363 | 430,000 | 239,250 | 669,250 | 2,841,613 |
| 2030 | - | - | - | 2,640,000 | 206,400 | 2,846,400 | 2,846,400 |
| 2031 | - | - | - | 2,685,000 | 155,835 | 2,840,835 | 2,840,835 |
| 2032 | - | - | - | 2,735,000 | 105,688 | 2,840,688 | 2,840,688 |
| 2033 | - | - | - | 2,790,000 | 52,503 | 2,842,503 | 2,842,503 |
| 2034 | - | - | - | 1,265,000 | 12,650 | 1,277,650 | 1,277,650 |
| | <u>\$ 16,370,000</u> | <u>\$ 3,855,106</u> | <u>\$ 20,225,106</u> | <u>\$ 15,075,000</u> | <u>\$ 2,939,649</u> | <u>\$ 18,014,649</u> | <u>\$38,239,755</u> |

⁽¹⁾ Excludes the Refunded Bonds.

⁽²⁾ Interest on the Bonds has been calculated at the rates set forth on page 2.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

As of June 30, 2021, the District does not have any authorized but unissued general obligation bonds.

OTHER OBLIGATIONS

As of June 30, 2021, the District has no other obligations.

FINANCIAL INFORMATION

TABLE 7 - CHANGES IN FUND BALANCE

| | Fiscal Year Ending September 30, | | | | |
|--|----------------------------------|----------------------|---------------------|---------------------|---------------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| REVENUES | | | | | |
| General Revenues: | | | | | |
| Ad valorem tax revenue | \$ 3,446,973 | \$ 3,263,495 | \$ 2,993,161 | \$ 2,975,067 | \$ 3,273,927 |
| Penalties and interest | 15,084 | 18,017 | 22,053 | 15,225 | - |
| Other income | 58,077 | - | - | - | - |
| Interest income | 86,163 | - | - | - | - |
| Water transportation revenues | 241,792 | 163,764 | 225,353 | 226,884 | 261,494 |
| Total Revenues | \$ 3,848,089 | \$ 3,445,276 | \$ 3,240,567 | \$ 3,217,176 | \$ 3,535,421 |
| EXPENDITURES/EXPENSES | | | | | |
| Water transportation expense | \$ 241,792 | \$ 163,764 | \$ 225,353 | \$ 226,884 | \$ 261,494 |
| Depreciation and amortization expense | - | 246,949 | 238,599 | 110,858 | 185,220 |
| Appraisal and collection services | 50,699 | 59,325 | 56,969 | 57,946 | 68,830 |
| Administration | 42,333 | 10,440 | 10,848 | 39,617 | 340 |
| Legal | 94,111 | 74,291 | 68,755 | 71,603 | 34,382 |
| Capital outlay | 5,202,295 | - | - | - | - |
| Debt service: | | | | | |
| Principal | 145,500 | - | - | - | - |
| Interest and fiscal fees | 1,398,277 | - | - | - | - |
| Total expenditures/expenses | \$ 8,484,507 | \$ 554,769 | \$ 600,524 | \$ 506,908 | \$ 550,266 |
| Deficiency of revenues under expenditures and increase in net position | \$ (4,636,418) | \$ 2,890,507 | \$ 2,640,043 | \$ 2,710,268 | \$ 2,985,155 |
| Non-operating income | | | | | |
| Bond issuance Costs | \$ - | \$ - | \$ - | \$ - | \$ (699,030) |
| Interest income | - | 364,184 | 279,522 | 99,358 | - |
| Other income | - | - | 2,000 | - | - |
| Total non-operating income | \$ - | \$ 364,184 | \$ 281,522 | \$ 99,358 | \$ (699,030) |
| Fund Balances/Net Position - beginning balance | \$ 12,120,826 ⁽¹⁾ | \$ 8,017,316 | \$ 5,095,751 | \$ 2,286,125 | \$ - |
| Fund Balance/Net Position - Ending | \$ 7,484,408 | \$ 11,272,007 | \$ 8,017,316 | \$ 5,095,751 | \$ 2,286,125 |

⁽¹⁾ See "APPENDIX B - Excerpts from the District's Annual Financial Report" - Note 12. If these changes would have been applied to 2019, the change in net position would have decreased by \$1,166,584 from the amount reported in the statement of activities and the general fund change in fund balance would have decreased by \$11,080,783 in the statement of governmental fund revenues, expenditures and changes in fund balance.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For detail information concerning Summary of Significant Accounting Policies, see "APPENDIX B - Excerpts from the District's Annual Financial Report - Note 1".

INVESTMENTS

The District invests its investable funds in investments authorized by Texas law 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, the District is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the District in compliance with the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the "PFIA"), (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the District's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the District appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) (i) certificates of deposit and share certificates meeting the requirements of the PFIA that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or in any other manner and amount provided by law for District deposits, or (ii) certificates of deposit where (a) the funds are invested by the District through a broker or institution that has a main office or branch office in the State and selected by the District in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the Bonds of deposit is insured by the United States or an instrumentality of the United States; and (d) the District appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the District with respect to the Bonds of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that provide the District with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the District is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party designated by the District, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution.

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under State law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All District funds must be invested consistent with a formally adopted “Investment Strategy Statement” that specifically addresses each fund’s investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

The investment officer of a local government is allowed to invest bond proceeds or pledged revenue only to the extent permitted by the PFIA and in accordance with (i) statutory provisions governing the debt issuance (or lease, installment sale, or other agreement) and (ii) the local government’s investment policy regarding the debt issuance or the agreement.

Under State law, the District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived.” At least quarterly the District’s investment officers must submit an investment report to the Board detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) State law. No person may invest District funds without express written authority from the Board.

Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance, or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (4) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District’s investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District’s investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the District’s entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority),, and (c) deliver a written statement attesting to these requirements, (5) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District’s investment policy, (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (7) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, (9) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

TABLE 8 – CURRENT INVESTMENTS

As of June 30, 2021, the District’s investable funds were invested in the following categories of investments, valued as set forth below:

| <u>Description</u> | <u>Market Value</u> |
|---------------------------|---------------------|
| TEXSTAR | \$ 3,796,266 |
| Lone Star Investment Pool | 211,996 |
| Bank Accounts | 2,991,276 |
| | <u>\$ 6,999,539</u> |

TAX MATTERS

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS . . . The following discussion is a summary of certain expected material federal income tax consequences of the purchase, ownership and disposition of the Bonds and is based on the Internal Revenue Code of 1986 (the "Code"), the regulations promulgated thereunder, published rulings and pronouncements of the Internal Revenue Service ("IRS") and court decisions currently in effect. There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS, has been, or is expected to be, sought on the issues discussed herein. Any subsequent changes or interpretations may apply retroactively and could affect the opinion and summary of federal income tax consequences discussed herein.

The following discussion is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of the Bonds and does not address U.S. federal gift or estate tax or (as otherwise stated herein) the alternative minimum tax, state, local or other tax consequences. This summary does not address special classes of taxpayers (such as partnerships, or other pass-thru entities treated as a partnerships for U.S. federal income tax purposes, S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the U.S., broker-dealers, traders in securities and tax-exempt organizations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be subject to branch profits tax or personal holding company provisions of the Code or taxpayers qualifying for the health insurance premium assistance credit) that are subject to special treatment under U.S. federal income tax laws, or persons that hold Bonds as a hedge against, or that are hedged against, currency risk or that are part of hedge, straddle, conversion or other integrated transaction, or persons whose functional currency is not the "U.S. dollar". This summary is further limited to investors who will hold the Bonds as "capital assets" (generally, property held for investment) within the meaning of section 1221 of the Code. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

As used herein, the term "U.S. Holder" means a beneficial owner of an Obligation who or which is: (i) an individual citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof or therein, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if (a) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes. As used herein, the term "Non-U.S. Holder" means a beneficial owner of an Obligation that is not a U.S. Holder.

THIS SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF THE U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF BONDS IN LIGHT OF THE HOLDER'S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE HOLDERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE BONDS BEFORE DETERMINING WHETHER TO PURCHASE BONDS. THE FOLLOWING DISCUSSION IS NOT INTENDED OR WRITTEN TO BE USED TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED THEREIN. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF RECENTLY ENACTED LEGISLATION OR THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE BONDS UNDER APPLICABLE STATE OR LOCAL LAWS, OR ANY OTHER TAX CONSEQUENCE. FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO NON-U.S. HOLDERS.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO U.S. HOLDERS . . . Periodic Interest Payments and Original Issue Discount. The Bonds are not obligations described in section 103(a) of the Code. Accordingly, the stated interest paid on the Bonds or any original issue discount accruing on the Bonds will be includable in "gross income" within the meaning of section 61 of the Code of each owner thereof and be subject to federal income taxation when received or accrued, depending upon the tax accounting method applicable to such owner.

Disposition of the Bonds. An owner will recognize gain or loss on the redemption, sale, exchange or other disposition of a Bond equal to the difference between the redemption or sale price (exclusive of any amount paid for accrued interest) and the owner's tax basis in the Bonds. Generally, a U.S. Holder's tax basis in the Bonds will be the owner's initial cost, increased by income reported by such U.S. Holder, including original issue discount and market discount income, and reduced, but not below zero, by any amortized premium. Any gain or loss generally will be a capital gain or loss and either will be long-term or short-term depending on whether the Bonds has been held for more than one year.

Defeasance of the Bonds. Defeasance of any Taxable Obligation may result in a reissuance thereof, for U.S. federal income tax purposes, in which event a U.S. Holder will recognize taxable gain or loss as described above.

State, Local and Other Tax Consequences. Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the Bonds under applicable state or local laws, or any other tax consequence, including the application of gift and estate taxes. Certain individuals, estates or trusts may be subject to a 3.8% surtax on all or a portion of the taxable interest that is paid on the Bonds. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE FOREGOING MATTERS.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS . . . A Non-U.S. Holder that is not subject to U.S. federal income tax as a result of any direct or indirect connection to the U.S. in addition to its ownership of a Bond, will not be subject to U.S. federal income or withholding tax in respect of such Bond, provided that such Non-U.S. Holder complies, to the extent necessary, with identification requirements including delivery of a signed statement under penalties of perjury, certifying that such Non-U.S. Holder is not a U.S. person and providing the name and address of such Non-U.S. Holder. Absent such exemption, payments of interest, including any amounts paid or accrued in respect of accrued original issue discount, may be subject to withholding taxes, subject to reduction under any applicable tax treaty. Non-U.S. Holders are urged to consult their own tax advisors regarding the ownership, sale or other disposition of a Bond. The foregoing rules will not apply to exempt a U.S. shareholder of a controlled foreign corporation from taxation on the U.S. shareholder's allocable portion of the interest income received by the controlled foreign corporation.

INFORMATION REPORTING AND BACKUP WITHHOLDING . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to withholding under sections 1471 through 1474 or backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

CONTINUING DISCLOSURE OF INFORMATION

In the Resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge from the MSRB via the EMMA system at www.emma.msrb.org.

ANNUAL REPORTS . . . The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables numbered 1 through 7 and in APPENDIX B, which is the District's annual audited financial report. The District will update and provide the information in the numbered tables referred to above within six (6) months after the end of each fiscal year ending in and after 2021. The District will additionally provide audited financial statements within twelve (12) months after the end of each fiscal year ending in or after 2021. If the audit of such financial statements is not complete within twelve (12) months after any such fiscal year end, then the District will file unaudited financial information of the type described in the numbered tables above by the required time and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

All financial information, operating data, financial statements and notices required to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB. Financial information and operating data to be provided as set forth above may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB's Internet Web site or filed with the Securities and Exchange Commission (the "SEC"), as permitted by the Rule.

The District's current fiscal year end is September 30. Accordingly, it must provide updated financial and operating data by March 31 of each year and financial statements by September 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

NOTICES 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; (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 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.”

For these purposes, any event described in (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. For purposes of the events described in (15) and (16) above, "Financial Obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

AVAILABILITY OF INFORMATION FROM MSRB . . . The District has agreed to provide the foregoing information only as described above. The information will be available free of charge via the MSRB’s EMMA system at www.emma.msrb.org.

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 continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The continuing disclosure agreement may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (1) the provisions, as amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretation of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Resolution that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized Bond Counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Bonds. The District may also amend or repeal the provisions of the continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. 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.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . Except as described below, during the past five years, the District has complied in all material respects with all continuing disclosure agreements made in accordance with Rule 15c2-12.

OTHER INFORMATION

RATINGS . . . The Bonds are expected to be assigned ratings of “AA” and “A2” by S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC (“S&P”) and Moody’s Investors Service, Inc. (“Moody’s”), respectively, by virtue of a municipal bond insurance policy to be issued by AGM at the time of delivery of the Bonds (see “BOND INSURANCE”). The Bonds are rated “A3” by Moody’s without regard to the municipal bond insurance. An explanation of the significance of such rating may be obtained from Moody’s. The ratings reflect only the view of such organization and the District makes no representation as to the appropriateness of any ratings. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of the companies, circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

LITIGATION . . . The District is not a party to any litigation or other proceeding pending or to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the District, would have a material adverse effect on the financial condition of the District.

As a local governmental unit the District is subject to the provisions of the Texas statute known as the Texas Tort Claims Act, including the provisions thereof that limit liability in tort claims involving personal injury and death caused by a condition or use of tangible personal or real property. Currently, the liability of the District is limited under this act to money damages in a maximum amount of \$100,000 for each person, \$300,000 for each single occurrence for bodily injury or death, and \$100,000 for each single occurrence for injury to or destruction of property.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE . . . The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds 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 provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of not less than “A” or its equivalent as to investment quality by a national rating agency. See “OTHER INFORMATION - Ratings” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the District has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL OPINIONS . . . The District will furnish to the Underwriters a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bond and to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under “TAX MATTERS” herein. Though it may represent the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in the issuance of the Bonds. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under captions “PLAN OF FINANCING – Refunded Bonds,” “THE BONDS” (exclusive of subcaptions “DTC Redemption Provisions”, “Book-Entry-Only System” and “Bondholders’ Remedies”), “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” (exclusive of the subcaption “Compliance with Prior Undertakings”) and the subcaptions “Legal Opinions” (excluding the last two sentences of the first paragraph thereof), “Registration and Qualification of Bonds for Sale” and “Legal Investments and Eligibility to Secure Public Funds in Texas” under the caption “OTHER INFORMATION” in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Resolution. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The legal fees of such firm are contingent upon the sale and delivery of the Bonds.

The 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 that 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.

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Specialized Public Finance Inc., in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the District 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, and as part of, 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.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS . . . Public Finance Partners LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Government Obligations, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds.

Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Public Finance Partners LLC has relied on any information provided to it by the District's retained advisors, consultants or legal counsel.

UNDERWRITING . . . The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the District, at a price equal to the initial offering prices to the public, as shown on page 2 of this Official Statement, less an underwriting discount of \$104,772.81. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters has 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.

FORWARD-LOOKING STATEMENTS DISCLAIMER . . . 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. The District's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included 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.

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

The Bond Resolution delegated to the Pricing Officer the authority to approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Underwriters.

This Official Statement has been approved by the Pricing Officer for distribution in accordance with the provisions of Rule 15c2-12.

CRANE COUNTY WATER DISTRICT

By: Ricky Beardslee
Pricing Officer

SCHEDULE OF REFUNDED BONDS

| <u>Original Dated Date</u> | <u>Maturity (February 15)</u> | <u>Interest Rate</u> | <u>Principal Amount</u> |
|--------------------------------|-----------------------------------|--------------------------|-----------------------------|
| 8/15/2015 | 2030 | 5.000% | \$ 2,230,000 |
| | 2031 | 5.000% | 2,340,000 |
| | 2032 | 5.000% | 2,460,000 |
| | 2033 | 4.000% | 2,575,000 |
| | 2034 | 4.000% | 2,680,000 |
| | 2035 | 4.000% | 2,790,000 |
| | | | <u>\$ 15,075,000</u> |

Redemption Date: 2/15/2025
 Redemption Price: 100%

THIS PAGE LEFT INTENTIONALLY BLANK

APPENDIX A

General Information Regarding the District

THIS PAGE LEFT INTENTIONALLY BLANK

THE DISTRICT

GENERAL

The Crane County Water District was created by Chapter 775, 69th Legislature, 1985, under Article XVI, Section 59 of the Texas Constitution, and now operates pursuant to and is governed by the Act. The District includes all of the territory in the boundaries of Crane County, as the boundaries of Crane County existed on January 1, 1985.

Crane County was formed in 1887 from land that had once been Tom Green County. Crane County was organized in 1927 after the discovery of oil. Crane, Texas is the only city in Crane County.

Crane, Texas is located 32 miles south of Odessa, Texas; 20 miles north of McCamey, Texas; 32 miles west of Rankin, Texas; and 30 miles east of Grandfalls, Texas.

Crane was an oil boom town in the 1920's, and remains the center of a prominent oil-producing area. Oil continues to be Crane's main source of revenue. Crane was incorporated in 1933.

ECONOMY

Oil, gas, agriculture and government services.

CRANE COUNTY POPULATION

| <u>Year</u> | <u>Population</u> |
|-------------|-------------------|
| 2010 | 4,375 |
| 2000 | 3,996 |
| 1990 | 4,652 |

Source: U.S. Census Bureau.

CRANE COUNTY EMPLOYMENT STATISTICS

| | May | Average Annual | | | |
|----------------------|-------|----------------|-------|-------|-------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| Civilian Labor Force | 1,539 | 1,624 | 1,569 | 1,780 | 1,594 |
| Total Employed | 1,378 | 1,403 | 1,506 | 1,712 | 1,510 |
| Total Unemployed | 161 | 221 | 63 | 68 | 84 |
| % Unemployed | 10.5% | 13.6% | 4.0% | 3.8% | 5.3% |

Source: Texas Labor Market Information.

RECREATION

Museum of the Desert Southwest; sites of pioneer trails and historic Horsehead Crossing on Pecos River; hunting of mule deer, quail; camping park; rodeo in May.

THIS PAGE LEFT INTENTIONALLY BLANK

APPENDIX B

**Financial Statement of the District
For the Year Ended September 30, 2020**

THIS PAGE LEFT INTENTIONALLY BLANK



Independent Auditor's Report

The Board of Directors
Crane County Water District
Crane, Texas

We have audited the accompanying financial statements of the governmental activities and the general fund, the only major fund of the Crane County Water District (the District) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

Management is responsible for the preparation and fair presentation of these basic 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 basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic 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 basic 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 basic financial statements.

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the general fund, the only major fund of the Crane County Water District as of September 30, 2020, and the respective changes changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Restatement

As discussed in Note 12 to the financial statements the beginning net position of governmental activities and the fund balance of the general fund have been restated to correct errors in long-term liabilities, capital assets and to correct the presentation of the District's financial statements to include the governmental fund balance sheet and the governmental fund revenues, expenditures and changes in fund balance. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule on page 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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

The Board of Directors
Crane County Water District

Other Matter

The financial statements of the District for the year ended September 30, 2019, before the restatements described in Note 12, were audited by another auditor whose report dated December 17, 2019, expressed an unmodified opinion.

As part of our audit of the September 30, 2020 financial statements, we also audited the adjustments described in Note 12 that were applied to restate the 2019 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2019 financial statements of the entity other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2019 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2021 on our consideration of the District'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 solely 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 the District'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 the District's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Midland, Texas
February 23, 2021

This Page Intentionally Left Blank

Basic Financial Statements

Crane County Water District
Statement of Net Position and Governmental Fund Balance Sheet
September 30, 2020

| | <u>Governmental Fund Balance Sheet</u> | | <u>Governmental Activities Statement of Net Position</u> |
|--|--|---------------------------------|--|
| | <u>General</u> | <u>Adjustments (Note 2)</u> | |
| ASSETS | | | |
| Restricted current assets: | | | |
| Cash and cash equivalents | \$ 8,271,431 | \$ - | \$ 8,271,431 |
| Taxes receivable, net of allowance of \$55,638 | <u>22,562</u> | <u>-</u> | <u>22,562</u> |
| Total restricted current assets | <u>8,293,993</u> | <u>-</u> | <u>8,293,993</u> |
| Non-current assets | | | |
| Non-depreciable | - | 30,063,915 | 30,063,915 |
| Depreciable | - | 4,871,988 | 4,871,988 |
| Accumulated depreciation | <u>-</u> | <u>(1,011,877)</u> | <u>(1,011,877)</u> |
| Total noncurrent assets | <u>-</u> | <u>33,924,026</u> | <u>33,924,026</u> |
| Total assets | 8,293,993 | 33,924,026 | 42,218,019 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Asset retirement cost - net | - | 136,623 | 136,623 |
| Total deferred outflows of resources | <u>-</u> | <u>136,623</u> | <u>136,623</u> |
| Total assets and deferred outflows of resources | <u>\$ 8,293,993</u> | <u>\$ 34,060,649</u> | <u>\$ 42,354,642</u> |
| LIABILITIES | | | |
| Accounts payable | 787,023 | - | 787,023 |
| Accrued interest payable | - | 167,661 | 167,661 |
| Current portion of bonds payable | <u>-</u> | <u>1,505,000</u> | <u>1,505,000</u> |
| Total current liabilities | <u>787,023</u> | <u>1,672,661</u> | <u>2,459,684</u> |
| Non-current liabilities: | | | |
| Asset retirement obligation | - | 151,803 | 151,803 |
| Bonds payable | <u>-</u> | <u>31,166,507</u> | <u>31,166,507</u> |
| Total noncurrent liabilities | <u>-</u> | <u>31,318,310</u> | <u>31,318,310</u> |
| Total liabilities | <u>787,023</u> | <u>32,990,971</u> | <u>33,777,994</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue - taxes | <u>22,562</u> | <u>(22,562)</u> | <u>-</u> |
| Total deferred inflows of resources | <u>22,562</u> | <u>(22,562)</u> | <u>-</u> |
| FUND BALANCE | | | |
| Restricted: | | | |
| Debt service | 1,570,520 | (1,570,520) | - |
| Capital projects | 5,878,513 | (5,878,513) | - |
| Unassigned | <u>35,375</u> | <u>(35,375)</u> | <u>-</u> |
| Total fund balances | <u>7,484,408</u> | <u>(7,484,408)</u> | <u>-</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 8,293,993</u> | | |
| NET POSITION | | | |
| Net investment in capital assets | | 7,131,032 | 7,131,032 |
| Restricted for debt service | | 1,425,421 | 1,425,421 |
| Unrestricted | | <u>20,195</u> | <u>20,195</u> |
| TOTAL NET POSITION | | <u>\$ 8,576,648</u> | <u>\$ 8,576,648</u> |

The Notes to the Financial Statements are an integral part of this statement.

Crane County Water District

Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance For the Fiscal Year Ended September 30, 2020

| | Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance | | Governmental Activities |
|---|--|-------------------------|----------------------------|
| | General | Adjustments (Note 2) | Statement of Activities |
| REVENUES | | | |
| General revenues: | | | |
| Ad valorem tax revenue | \$ 3,446,973 | \$ 22,562 | \$ 3,469,535 |
| Penalties and interest | 15,084 | - | 15,084 |
| Other income | 58,077 | - | 58,077 |
| Interest income | 86,163 | - | 86,163 |
| Water transportation revenues | 241,792 | - | 241,792 |
| Total revenues | 3,848,089 | 22,562 | 3,870,651 |
| EXPENDITURES/EXPENSES | | | |
| Water transportation expense | 241,792 | - | 241,792 |
| Depreciation and amortization expense | - | 250,744 | 250,744 |
| Appraisal and collection services | 50,699 | - | 50,699 |
| Administration | 42,333 | - | 42,333 |
| Legal | 94,111 | - | 94,111 |
| Capital outlay | 5,202,295 | (5,202,295) | - |
| Debt service: | | | |
| Principal | 1,455,000 | (1,455,000) | - |
| Interest and fiscal fees | 1,398,277 | (135,927) | 1,262,350 |
| Total expenditures/expenses | 8,484,507 | (6,542,478) | 1,942,029 |
| Deficiency of revenues under expenditures and increase in net position | (4,636,418) | 6,565,040 | 1,928,622 |
| Fund balance/Net Position - beginning balance (as previously stated) | - | 11,272,007 | 11,272,007 |
| Restatement - Note 12 | 12,120,826 | (16,744,807) | (4,623,981) |
| Fund balance/Net Position - beginning balance (as restated) | 12,120,826 | (5,472,800) | 6,648,026 |
| FUND BALANCE/NET POSITION - ENDING | \$ 7,484,408 | \$ 1,092,240 | \$ 8,576,648 |

The Notes to the Financial Statements are an integral part of this statement.

This Page Intentionally Left Blank

Crane County Water District

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

The financial statements of the Crane County Water District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District's significant accounting policies are described below.

A. Reporting Entity

Crane County Water District (the District) was created in 1986 by the Special District-Local Water Code, Title 6 – Water and Wastewater, Subtitle B, Fresh Water Supply Districts Chapter 6902. The District operates under the Statutes of Texas. The District was created for the rehabilitation of existing wells and pipelines.

The District has adopted GASB Statements No. 14, *The Financial Reporting Entity*, No. 39, *Determining Whether Certain Organizations Are Component Units*, and No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. In accordance with these statements, a financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are no component units that are legally separate for which the District is considered financially accountable.

The District is governed by a Board of Directors consisting of five voting members appointed by the Crane County Commissioners Court.

B. Financial Statement Presentation

The District is considered a special-purpose government engaged in a single governmental program. In accordance with GASB 34, the District has elected to combine its government-wide and fund financial statements into one set of financial statements with a reconciliation of the individual line items in a separate column on the financial statements. The financial statements are referred to as the "Statement of Net Position and Governmental Funds Balance Sheet" and the "Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances."

The government-wide financial statement columns are labeled "Statement of Net Position" and "Statement of Activities". They report financial information for the District as a whole.

The governmental fund financial statement column are provided, with a total column for fund. The financial statements include an adjustment column which reconciles the governmental fund financial statements to the government-wide financial statements.

Crane County Water District

Notes to the Financial Statements

C. Measurement Focus and Basis of Accounting

The financial statements of the District are prepared in accordance with accounting principles generally accepted in the United States of America.

The government-wide financial statement columns are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the elimination of activity between or within funds. Property tax revenues are recognized in the year for which they are levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statement columns are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, except for principal and interest on long-term debt, which are recognized when due.

D. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets and deferred outflows are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities and deferred inflows are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows and liabilities and deferred inflows is reported as a fund balance.

The District reports the following major governmental fund:

The *general fund* is used to account for all financial resources of the District except for those required to be accounted for in another fund. The general fund is the general operating fund of the District.

G. Governmental Fund Balances

Fund Balance Classification – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Non-Spendable fund balance. Assets that will never convert to cash, such as inventory and prepaid items. At September 30, 2020, the District had no non-spendable fund balance.

Restricted fund balance. The portion of fund balance that reflects resources that are subject to externally enforceable legal restrictions imposed by parties outside the District at September 30, 2020. The District has classified the unspent debt service property tax proceeds balance as restricted. The District has also classified unspent bond proceeds of \$6,656,259 less construction related payables of \$777,746 for a total of \$5,878,513 as restricted for capital projects.

Crane County Water District

Notes to the Financial Statements

Committed fund balance. The portion of fund balance that reflects resources that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. At September 30, 2020, the District had no committed fund balance.

Assigned fund balance. The portion of fund balance that reflects resources intended for a specific purpose. Intent is expressed or authorized by the Board of Directors. The District had no assigned fund balance at September 30, 2020.

Unassigned fund balance. The portion of fund balances in excess of non-spendable, restricted, committed, and assigned. This classification includes the residual fund balance for the General Fund.

Spending Prioritization in Using Available Resources – when restricted (i.e. committed, assigned, and unassigned) resources are available to be used for the same purpose, the District considers the restricted resources to be expended first. When all categories of unrestricted fund balance are available, the flow assumption is as follows: the committed resources get expended first, the assigned resources get expended second, and the unassigned resources get expended last.

H. Cash and Cash Equivalents

The District considers highly liquid investments with maturities of less than three months to be cash and cash equivalents. The District's investments in Pools to be cash and cash equivalents.

I. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost based on the corresponding asset class. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. The District's Arsenic Plant has a useful life of 20 years.

J. Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Revenue recognition - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 of the taxable year. Taxes are levied on or about October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year.

Crane County Water District
Notes to the Financial Statements

In the governmental fund financial statement columns, property tax revenues are recognized when they become available. The amount available includes those property tax receivables expected to be collected within 60 days after the fiscal year end.

In the government-wide financial statement columns, property tax revenues are recorded when due regardless of when cash is received.

L. Annual Budget

The District prepares an operating budget which includes proposed expenditures and the means of financing them for the upcoming year. Prior to September 30, the budget is adopted by passage by the Board of Directors. The annual operating budget is adopted on a basis consistent with GAAP. Any subsequent amendment to the budget must be approved by the Board of Directors. All unused budget authorizations lapse at year end. The budget for the year ended September 30, 2020 did not include budgeted amounts for debt service and capital outlay since the District had been reporting this activity as changes in the long-term assets and liabilities of the enterprise fund rather than expense in a governmental fund. The District utilized a governmental fund (general fund) in the current year as discussed in Note 10.

M. Estimates

The District uses estimates and assumptions in preparing the basic financial statements. Those estimates and assumptions affect the reported assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Note 2. Reconciliation of Fund Statements to Government-Wide Statements

| | | |
|---|-----------|------------------|
| TOTAL FUND BALANCE - GOVERNMENTAL FUND | \$ | 7,484,408 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported at the fund level. | | 33,924,026 |
| Asset retirement costs used in governmental activities are not financial resources and therefore are not reported at the fund level. | | 136,623 |
| Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental funds, an interest expenditure is reported when due. | | (167,661) |
| Receivables not available to pay for current period expenditures are deferred in the funds. | | 22,562 |
| Certain liabilities are not due and payable in the current period and therefore not reported in the funds. Those liabilities are as follows: | | |
| Bonds payable | | (32,671,507) |
| Asset retirement obligation | | (151,803) |
| | | <hr/> |
| TOTAL NET POSITION- GOVERNMENTAL ACTIVITIES | \$ | 8,576,648 |
| | | <hr/> <hr/> |

Crane County Water District
Notes to the Financial Statements

TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND \$ (4,636,418)

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

Revenue from property taxes is deferred in the fund financial statements until it is considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectible accounts, in the government-wide financial statements. 22,562

Certain revenue/expenses are reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental fund. (266,582)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized. 5,202,295

Current year long-term debt principal payments are reported as expenditures in the governmental fund financial statements and are shown as a reduction in long-term debt in the statement of activities. 1,455,000

Bond premiums are recognized as an other financing source in the governmental fund, but are considered bonds payable on the statement of net position. Premiums are amortized over the life of the bonds. This amount represents current year premium amortization. 146,451

CHANGES IN NET POSITION- GOVERNMENTAL ACTIVITIES \$ 1,923,308

Note 3. Cash and Investments

Funds of the District may be invested and reinvested by the Board or its authorized representative in investments authorized by the Public Funds Investment Act, Government Code Section 2256.005 (Act). The Act authorizes the District to invest funds under a written investment policy. The District's deposits and investments are invested pursuant to the investment policy, which is approved by the Board of Directors. The primary objectives of the District's investment strategy, in order of priority, are safety, liquidity, public trust and yield.

At September 30, 2020, the District's restricted cash consisted of four operating bank accounts with the balances as follows:

| | <u>Carrying amount</u> | <u>Bank Balance</u> |
|-------------------|------------------------|---------------------|
| Checking accounts | <u>\$ 1,615,172</u> | <u>\$ 1,638,453</u> |

Crane County Water District
Notes to the Financial Statements

At September 30, 2020, the District had the following investments which are considered cash equivalents:

| | Reported Amount | Fair Value | Weighted Average Maturity (Days) |
|-----------------------------------|---------------------|---------------------|---|
| Local government investment pools | | | |
| TexStar | \$ 211,937 | \$ 211,937 | 40 |
| Lone Star | 6,444,322 | 6,444,322 | 39 |
| | <u>\$ 6,656,259</u> | <u>\$ 6,656,259</u> | |

Investment pools are measured at amortized cost and are exempt for fair value reporting.

TexSTAR: J.P. Morgan Investment Management Inc. and First Southwest Company serve as co-administrators for TexSTAR under an agreement with the TexSTAR board of directors. J.P. Morgan Investment Management Inc. provides investment management services, and First Southwest Company provides participant services and marketing. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investor Services Co. TexSTAR is Texas Short Term Asset Reserve Program organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. It is rated AAAM by Standard & Poors. The primary objectives of TexSTAR are, in order of priority, preservation and protection of principal, maintenance of sufficient liquidity to meet participants' needs, diversification to avoid unreasonable or avoidable risks, and yield.

Lonestar: Lonestar is administered by First Public. Lonestar is a local government investment cooperative created under the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. Lonestar is an AAA rated local government investment pool created by Texas local government officials who understand the specific needs and challenges of investing public funds. The general investment objectives of Lonestar are safety of principal, liquidity in accordance with the operating requirements of the Participants, and a competitive rate of return.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At September 30, 2020, investments were included in local governmental investment pools with AAAM rating from Standard and Poor's in compliance with the District's investment policy. The District's cash and investments were partially covered by the Federal depository insurance, and the balance was fully collateralized by securities held by the District's agent in the District's name as of September 30, 2020.

Interest Rate Risk. Interest rate risk is the risk that the interest earnings and the market value of investments in the portfolio will fall due to changes in general interest rates. In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to six months (185 days).

Crane County Water District
Notes to the Financial Statements

Note 4. Property Taxes

All property values are determined by the Crane County Appraisal District. A tax lien attaches to properties within the District on January 1 of each year when property valuations for the use in levying taxes are established. Taxes are levied on or about October 1 and are due and payable at that time. All unpaid taxes levied on October 1 become delinquent on February 1 of the following year. The Crane County Tax Assessor/Collector bills and collects the District's property taxes.

The tax rate for the 2019 tax year (District's fiscal year 2020) was \$0.27 per \$100 assessed valuation and in its entirety went to finance debt service expenditures.

In the governmental fund financial statement columns, the receivables at year end represent delinquent taxes. If delinquent taxes are not paid within sixty days of year end, they are recorded as unavailable revenue.

In the government-wide financial statement columns, property taxes receivable and related revenue include all amounts due to the District regardless of when cash is received. Property taxes receivable are recorded net of allowance of \$55,638.

Note 5. Capital Assets

A summary by category of changes in capital assets is as follows:

| | Beginning Balance October 1, 2019 (As restated) | Additions | Deletions | Ending Balance September 30, 2020 |
|---|---|---------------------|-------------|--------------------------------------|
| Capital assets not being depreciated: | | | | |
| Construction in progress | | | | |
| Engineering | \$ 2,298,754 | \$ 95,537 | \$ - | \$ 2,394,291 |
| Survey, Testing, Land | 543,420 | | | 543,420 |
| Construction Phase | 21,491,028 | 4,937,783 | - | 26,428,811 |
| Resource, Testing and Development | 528,418 | 168,975 | - | 697,393 |
| Total construction in progress | 24,861,620 | 5,202,295 | - | 30,063,915 |
| Capital assets, subject to depreciation | | | | |
| Arsenic Water Treatment Plant | 1,952,194 | - | - | 1,952,194 |
| Tank Rehabilitation and Pad Restoration | 2,919,794 | - | - | 2,919,794 |
| Total depreciable capital assets | 4,871,988 | - | - | 4,871,988 |
| Less: accumulated depreciation | (773,277) | (238,600) | - | (1,011,877) |
| Net depreciable capital assets | 4,098,711 | (238,600) | - | 3,860,111 |
| Total capital assets, net | \$ 28,960,331 | \$ 4,963,695 | \$ - | \$ 33,924,026 |

Crane County Water District
Notes to the Financial Statements

Note 6. Long-Term Debt

A summary of changes in long-term debt for the year ended September 30, 2020 is as follows:

| | Outstanding October 1, 2019 | Additions | Deductions | Outstanding September 30, 2020 | Due Within One Year |
|----------------------------------|--------------------------------|-------------|-----------------------|-----------------------------------|------------------------|
| Bonds and notes payable: | | | | | |
| Series 2015, unlimited tax bonds | \$ 32,900,000 | \$ - | \$ (1,455,000) | \$ 31,445,000 | \$ 1,505,000 |
| Plus deferred amounts: | | | | | |
| Premiums | 1,372,958 | - | (146,451) | 1,226,507 | - |
| Total long-term debt | \$ 34,272,958 | \$ - | \$ (1,601,451) | \$ 32,671,507 | \$ 1,505,000 |

At September 30, 2020, long-term debt consisted of bonds payable which was comprised of the following individual issues:

| | Interest Rates | Issue Amount | Outstanding at September 30, 2020 |
|--|-------------------|-----------------|--------------------------------------|
| Crane County Water District Unlimited Tax Bonds, Series 2015 | 2.0% to 5.0% | \$ 38,675,000 | \$ 31,445,000 |
| Total bonds payable | | | \$ 31,445,000 |

Series 2015 Tax Bond Payable

The District issued unlimited tax bonds to provide funds for construction of a groundwater system to augment or replace the nearly depleted water supplies. These bonds constitute special obligations of the District and are payable with ad valorem taxes.

At September 30, 2020, the District held \$38,675,000 of Crane County Water District unlimited tax bonds, Series 2015 with interest rates of 2.0% to 5.0%.

There are a number of limitations and restrictions contained in the bond indentures. Management has complied with all significant limitations and restrictions through September 30, 2020.

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury for investment income received at yields that exceed the issuer's tax exempt borrowing rates. The Treasury requires payment for each issue every five years; therefore, the estimated liability is updated at that time for all tax-exempt issuances or when there is a change in yields. The District had no arbitrage rebate liability at September 30, 2020.

On February 15, 2025 or any date thereafter, the Bonds of the series may be redeemed prior to their scheduled maturities, at the option of the Issuer, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular Bonds, or portions thereof, to be redeemed shall be selected and designated by the Issuer (provided that a portion of a Bond may be redeemed only in an integral multiple of \$5,000), at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption.

Crane County Water District
Notes to the Financial Statements

The annual debt service requirements for the revenue refunding bonds as of September 30, 2020 are as follows:

| Year Ending September 30, | Principal | Interest | Total |
|------------------------------|----------------------|----------------------|----------------------|
| 2021 | \$ 1,505,000 | \$ 1,341,288 | \$ 2,846,288 |
| 2022 | 1,565,000 | 1,279,588 | 2,844,588 |
| 2023 | 1,645,000 | 1,199,338 | 2,844,338 |
| 2024 | 1,730,000 | 1,114,963 | 2,844,963 |
| 2025 | 1,820,000 | 1,026,213 | 2,846,213 |
| 2026-2030 | 10,335,000 | 3,897,670 | 14,232,670 |
| 2031-2035 | 12,845,000 | 1,377,894 | 14,222,894 |
| Totals | \$ 31,445,000 | \$ 11,236,954 | \$ 42,681,954 |

There are a number of limitations and restrictions contained in the bond indentures. Management has complied with all significant limitations and restrictions through September 30, 2020.

Note 7. Asset Retirement Obligations / Asset Retirement Cost

The District follows the provisions of GASB 83 (Certain Asset Retirement Obligations), which requires the District to recognize a liability for the present value of all legal obligations associated with the retirement of tangible, long-lived assets and capitalize an equal amount as a cost of the asset. The asset retirement obligation is included on the Statement of Net Position as a long term liability and the asset retirement cost is shown as a deferred outflow of resources net of accumulated amortization. The District has evaluated the original estimate of the asset retirement obligation totaling \$151,803 at September 30, 2002 and determined that the amount recorded continues to be a reasonable estimate of the obligation. For the years ended September 30, activities related to the District’s asset retirement cost is as follows:

| | 2020 |
|---|------------|
| Balance at beginning of year | \$ 148,767 |
| Asset retirement cost and obligations additions | - |
| Asset retirement cost and obligations disposals | - |
| Amortization expense of asset retirement cost | (12,144) |
| Balance at end of year | \$ 136,623 |

Note 8. General Management Contract

On September 4, 2013, the District entered into a contract with a general manager to provide the District with overall general management services such as: (1) planning which involves providing leadership and vision to the District by assisting the board with a strategic plan to bring water to the District’s residents, (2) general management by collaborating with the District’s Board President and the District attorney to plan all Board meetings and development of agendas, (3) general financial management which involves developing tools and systems to provide critical financial and operational to the Board, (4) community relationships by serving as spokesperson and assisting the board in representing the District in the community and region, and (5) providing programmatic effectiveness to oversee design, delivery and quality of programs and projects.

Crane County Water District
Notes to the Financial Statements

Note 9. Tax Abatements

In June 2017, the District entered into a Tax Abatement Agreement with CED Crane Electric LLC (“Crane I”). The Tax Abatement Agreement. On November 2018, there was an amendment to the Tax Abatement and in 2020 construction started.

In January 2018, the District entered into a Tax Abatement Agreement with Crane I Solar Electric LLC (“Crane I”). The Tax Abatement Agreement had similar provision as noted above. However, the Base Year Value was approximately \$0. The tax abatement shall begin January 1st of the first year in which 50% or more of the Project solar panels are installed on the property provided that Year 1 is no later than The percentage of tax abatement shall decline in accordance with the following schedule:

In January 2018, the District entered into a Tax Abatement Agreement with Crane II Solar Electric LLC (“Crane II”). The Tax Abatement Agreement had similar provision as noted above. However, the Base Year Value was approximately \$0. The tax abatement shall begin January 1st of the first year in which 50% or more of the Project solar panels are installed on the property provided that Year 1 is no later than January 1, 2021. The Abatement shall continue for ten years and expire on December 31 such tenth tax year.

The percentage of tax abatement shall decline in accordance with the following schedule for each of these abatement agreements:

| <u>Year of Abatement</u> | <u>Amount of Abatement Percentage to be</u> |
|--------------------------|---|
| Year 1 | 90% |
| Year 2 | 90% |
| Year 3 | 90% |
| Year 4 | 90% |
| Year 5 | 90% |
| Year 6 | 85% |
| Year 7 | 85% |
| Year 8 | 85% |
| Year 9 | 85% |
| Year 10 | 85% |

During the period that the abatements are effective ad valorem taxes shall be payable as follows:

1. The value of the Ineligible Property shall be fully taxable;
2. The Base year Value of the Property shall be fully taxable; and
3. The Added Value of Eligible Property made a part of the Improvements shall be abated as noted in the table above.

Under the tax abatement agreements there are various stipulations to provide that the improvements to be complete. In the event that improvements are not completed in accordance with these agreements, then they may be terminated by the District.

Crane County Water District

Notes to the Financial Statements

Note 10. Commitments and Contingencies

There are no claims or lawsuits pending against the District at September 30, 2020, management is not aware of any contingencies that would have a material effect on the financial statements.

COVID-19 Pandemic

In March 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses and organizations. It is not possible for management to predict the duration or magnitude of the adverse results of the outbreak and its disruptive effects on the District's operations and financial results at this time.

Note 11. New Accounting Pronouncements

GASB Statement No. 83. Certain Asset Retirement Obligations. Statement 83 was issued on November 2016. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts or court judgement, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. This standard was implemented by the District in fiscal year 2020. The implementation had no significant effect on the district's financial statements.

GASB Statement No. 84. Fiduciary Activities. Statement 84 was issued on January 2017. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with who a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This standard was implemented by the District in fiscal year 2020. The implementation had no significant effect on the district's financial statements.

GASB Statement No. 87. Leases. Statement 87 was issued on June 2017. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying assets. This standard becomes effective for the District fiscal year 2022. The District has not determined the impact of this statement.

GASB Statement No. 89. Accounting for Interest Cost Incurred Before the End of a Construction Period. Statement 89 was issued on June 2018. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of the construction period. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. This standard becomes effective for the District fiscal year 2021. The District has not determined the impact of this statement.

Crane County Water District

Notes to the Financial Statements

GASB Statement No. 91. Conduit Debt Obligations. Statement 91 was issued on May 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This standard becomes effective for the District fiscal year 2022, The District has not determined the impact of this statement.

GASB Statement No. 92. Omnibus 2020. Statement 92 was issued January 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments.

This standard becomes effective for the District fiscal year 2021. The District has not determined the impact of this statement.

GASB Statement No. 93. Replacement of Interbank Offered Rates. Statement 93 was issued March 2020. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap

Crane County Water District

Notes to the Financial Statements

- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of *reference rate*, as it is used in Statement 53, as amended

This standard becomes effective for the District fiscal year 2022. The District has not determined the impact of this statement.

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. Statement 94 was issued on March 2020. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This standard becomes effective for the District fiscal year 2023, The District has not determined the impact of this statement.

GASB Statement No. 95, Postponement of Effective Dates of Certain Authoritative Guidance. Statement 95 was issued on May 2020. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities.*

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases.*

Crane County Water District

Notes to the Financial Statements

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in *each* pronouncement as originally issued. This standard becomes effective at the time the standard was issued. The implementation had no significant effect on the District's financial statements.

GASB Statement No. 96. Subscription -Based Information Technology Arrangements. Statement 96 was issued on May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. This standard becomes effective for the District fiscal year 2023. The District has not determined the impact of this statement.

GASB Statement No. 97. Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an Amendment of GASB Statements No. 14 and No. 84 and a Supersession of GASB Statement No. 32. Statement 97 was issued on June 2020. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This standard becomes effective for the District fiscal year 2022. The District has not determined the impact of this statement.

Crane County Water District
Notes to the Financial Statements

Note 12. Restatement

As a result of various errors discovered by the District, as well as reflecting the activities of the District in a governmental fund rather than a proprietary fund, the opening balance of government-wide net position and fund balance of the general fund have been restated as follows:

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Beginning net position, as previously reported | \$ 11,272,007 |
| To remove capitalized interest for construction in progress which is not allowed for governmental funds. | (4,322,863) |
| To correct beginning accumulated amortization of bond premiums and remove issuance costs that should have been expensed in the year incurred. | <u>(301,118)</u> |
| Beginning net position, as restated | <u><u>\$ 6,648,026</u></u> |
| | <u>General Fund</u> |
| Fund balance as previously reported | \$ - |
| The general fund should have been reported with the modified accrual basis of assets and liabilities. | <u>12,120,826</u> |
| Beginning fund balance, as restated | <u><u>\$ 12,120,826</u></u> |

If these changes would have been applied to 2019, the change in net position would have decreased by \$1,166,584 from the amount reported in the statement of activities and the general fund change in fund balance would have decreased by \$11,080,783 in the statement of governmental fund revenues, expenditures and changes in fund balance.

THIS PAGE LEFT INTENTIONALLY BLANK

APPENDIX C

Form of Bond Counsel's Opinion

THIS PAGE LEFT INTENTIONALLY BLANK

PROPOSED FORM BOND COUNSEL'S OPINION

*An opinion in substantially the following form will be delivered by McCall,
Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the
Bonds, assuming no material changes in facts or law.*

_____, 2021

**CRANE COUNTY WATER DISTRICT
UNLIMITED TAX REFUNDING BONDS, TAXABLE SERIES 2021
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$15,075,000**

AS BOND COUNSEL FOR THE CRANE COUNTY WATER DISTRICT (the "Issuer"), in connection with the issuance of the Unlimited Tax Refunding Bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Bonds and in the resolution of the Issuer authorizing the issuance and sale of the Bonds (the "Resolution"). Terms used herein and not otherwise defined shall have the meaning given in the Resolution.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance and sale of the Bonds, including executed Bond Number T-1.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued and delivered in accordance with law; and that except as may be limited by laws applicable to the Issuer relating to sovereign immunity of political subdivisions, bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, the Bonds constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Bonds have been levied and pledged for such purpose, without limit as to rate or amount, all as defined and provided in the Resolution.

WE EXPRESS NO OPINION as to any federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

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.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering



our opinions with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. 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, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of and assessed valuation of taxable property within the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

APPENDIX D

Specimen Municipal Bond Insurance Policy

THIS PAGE LEFT INTENTIONALLY BLANK



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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

THIS PAGE LEFT INTENTIONALLY BLANK



SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES