OFFICIAL NOTICE OF SALE, BID FORM
and
PRELIMINARY OFFICIAL STATEMENT

$26,560,000*

ANDREWS COUNTY HOSPITAL DISTRICT

(Andrews County, Texas)

General Obligation Refunding Bonds
Series 2021

Bids Due
November 22, 2021
at 11:00 a.m., Central Time

**Preliminary, subject to change. See "THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS" herein.*

This Official Notice of Sale does not alone constitute an invitation for bids but is merely notice of sale of the Bonds defined and described herein. The invitation for bids on the Bonds is being made by means of this Official Notice of Sale, the Official Bid Form, and the Preliminary Official Statement.

OFFICIAL NOTICE OF SALE

$26,560,000*
ANDREWS COUNTY HOSPITAL DISTRICT
(A political subdivision of the State of Texas located in Andrews County, Texas)

GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021

THE SALE

BONDS OFFERED FOR SALE AT COMPETITIVE BID: The Board of Directors (the "Board") of the Andrews County Hospital District (the "District" or the "Issuer") is offering for sale at competitive bid its $26,560,000* General Obligation Refunding Bonds, Series 2021 (the "Bonds"). Bidders may submit bids for the Bonds by either of the following methods:

(1) Submit bids electronically as described below in "BIDS BY INTERNET;" or
(2) Submit bids by facsimile as described below in "BIDS BY FACSIMILE."

BIDS BY INTERNET: Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 11:00 A.M., Central time, on November 22, 2021. Bidders submitting a bid by internet **shall not** be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of the i-Deal, LLC Parity System ("PARITY") and should, as a courtesy, register with PARITY by 10:00 A.M., Central time, on November 22, 2021 indicating their intent to submit a bid by internet.

In the event of a malfunction in the electronic bidding process, bidders may submit their bids by facsimile, as described below. Any bid received after the scheduled time for their receipt will not be accepted.

The official time for the receipt of bids shall be the time maintained by PARITY. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale, the Official Bid Form, and the Preliminary Official Statement. To the extent that any instructions or directions set forth in PARITY conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about the PARITY System, potential bidders may contact i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone 212-849-5021.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in this Official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the Issuer. The Issuer shall not be responsible for any malfunction or mistake made by, or as a result of the use of PARITY, the use of such facilities being the sole risk of the prospective bidder.

BIDS BY FACSIMILE: Interested bidders may, at their option and risk, submit their bid by facsimile to the District's Financial Advisor, SAMCO Capital Markets, Inc. Attention: Mr. Doug Whitt at (214) 279-8683 by 11:00 A.M., Central time, on November 22, 2021. Bidders submitting a bid by facsimile shall not be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit a bid by facsimile should, as a courtesy, submit an email message to dwhitt@samcocapital.com by 11:00 A.M., Central time, on November 22, 2021 indicating their intent to submit a bid by facsimile.

Neither the District nor SAMCO Capital Markets, Inc. is responsible for any failure of either of the Financial Advisor's or the bidder's fax machine. Bids received by facsimile after the bid deadline will not be accepted. Bidders who fax bids do so at their own risk. All such bids are binding on the bidder.

PLACE AND TIME OF BID OPENING: The bids for the Bonds will be opened at the District offices at 11:00 A.M. Central time, on November 22, 2021.

AWARD OF THE BONDS: In the order authorizing the Bonds that was adopted on September 23, 2021 (the "Bond Order"), the Board of Directors has delegated authority to certain District officials (each, a "Designated Financial Officer") the authority to execute a pricing certificate (the "Pricing Certificate") to establish the final terms and effectuate the sale of the Bonds, which terms will be evidenced in the Pricing Certificate (the Bond Order and the Pricing Certificate are collectively referred to herein as the "Order"). Upon the opening of the bids as described above, the Designated Financial Officer shall award the Bonds by executing the Official Bid Form and the Pricing Certificate. The District, acting through the Designated Financial Officer, reserves the right to reject any and all bids and to waive any irregularities except time of submission.

THE BONDS

DESCRIPTION: The Bonds will be dated December 1, 2021 (the "Dated Date") but interest on the Bonds will accrue from the date of Initial Delivery (defined herein). Interest on the Bonds will be due on March 15, 2022, and each September 15 and March 15 thereafter until maturity. The Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" in the Preliminary Official Statement.)

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**Preliminary, subject to change. See "THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS" herein.*

MATURITY SCHEDULE: The Bonds will be stated to mature on March 15 in each of the following years in the following amounts:

Maturity	Principal Amount*	Maturity	Principal Amount*
2022	$540,000	2028	$2,600,000
2023	2,350,000	2029	2,670,000
2024	2,400,000	2030	2,755,000
2025	2,450,000	2031	2,835,000
2026	2,495,000	2032	2,920,000
2027	2,545,000		

ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS: After selecting the winning bid, the aggregate principal amount of the Bonds and the principal amortization schedule may be adjusted as determined by the District and its Financial Advisor in $5,000 increments to reflect the actual interest rates and to create a substantially level debt service schedule for the District. Such adjustments will not change the aggregate principal amount of the Bonds by more than 10% from the amount set forth herein or change the principal amount due on the Bonds in any year by more than 20% (excluding maturity 2022 and 2023). The dollar amount bid for the Bonds by the winning bidder will be adjusted proportionately to reflect any increase or decrease in the aggregate principal amount of the Bonds finally determined to be issued. The District will use its best efforts to communicate to the winning bidder any such adjustment within four (4) hours after the opening of the bids. Purchaser's compensation will be based upon the final par amount after any adjustment thereto, subsequent to the receipt and tabulation of the winning bid, within the aforementioned parameters.

In the event of any adjustment of the maturity schedule for the Bonds as described above, no rebidding or recalculation of the proposals submitted will be required or permitted. Any such adjustment of the aggregate principal amount of the Bonds and/or the maturity schedule for the Bonds made by the District or its Financial Advisor shall be subsequent to the award of the Bonds to the winning bidder as determined pursuant to "CONDITIONS OF THE SALE – BASIS OF AWARD" herein and shall not affect such determination. The winning bidder may not withdraw its bid as a result of any changes made within the aforementioned limits.

SERIAL BONDS AND/OR TERM BONDS: Bidders may provide that all of the Bonds be issued as serial maturities or may provide that maturities 2031 through 2032 be combined into term bonds (the "Term Bonds"). Such Term Bonds would be subject to mandatory sinking fund redemption in accordance with the Bond Order (see "THE BONDS – Mandatory Sinking Fund Redemption").

MANDATORY SINKING FUND REDEMPTION: If the successful bidder designates principal amounts of the Bonds to be combined into one or more Term Bonds, each such Term Bond will be subject to mandatory sinking fund redemption commencing on March 15 of the first year which has been combined to form such Term Bond and continuing on March 15 in each year thereafter until the stated maturity date of that Term Bond. The amount redeemed in any year will be equal to the principal amount for such year set forth in the table above under the caption "MATURITY SCHEDULE" (subject to adjustment, as provided in "ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS"). Term Bonds to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par and will be selected by lot from among the Term Bonds then subject to redemption. The District, at its option, may credit against any mandatory sinking fund redemption requirement Term Bonds of the maturity then subject to redemption which have been purchased and canceled by the District and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

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

AUTHORITY FOR ISSUANCE AND SECURITY FOR PAYMENT: The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas including, particularly Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), and an order adopted by the Board of Directors on September 23, 2021 (the "Bond Order"). As permitted by the provisions of Chapter 1207, the Board of Directors, in the Bond Order, delegated the authority to certain District officials to execute approval of, a pricing certificate establishing the pricing terms for the Bonds (the pricing certificate, together with the Bond Order, are collectively referred to herein as the "Order"). The Bonds are direct obligations of the District and are payable as to both principal and interest from ad valorem taxes to be levied annually on all taxable property within the District, within the limitations presented by law. (See "THE BONDS – Security" in the Preliminary Official Statement.)

PAYING AGENT/REGISTRAR: The initial Paying Agent/Registrar for the Bonds is BOKF, NA, Dallas, Texas. In the Bond Order, the District covenants to provide a Paying Agent/Registrar at all times while the Bonds are outstanding, and any Paying Agent/Registrar selected by the District shall be a commercial bank or trust company organized under the laws of the United States and any state and duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds. The Paying Agent/Registrar will maintain the Security Register containing the names and addresses of the registered owners of the Bonds.

In the Order the District retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, such Paying Agent/Registrar, promptly upon the appointment of a successor, is required to deliver the Security Register to the successor Paying Agent/Registrar.

In the event there is a change in the Paying Agent/Registrar, the District has agreed to notify each registered owner of the Bonds by United States mail, first-class postage prepaid, at the address in the Security Register, stating the effective date of the change and the mailing address of the successor Paying Agent/Registrar.

BOOK-ENTRY-ONLY SYSTEM: The District intends to utilize the Book-Entry-Only System of DTC with respect to the issuance of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" in the Preliminary Official Statement.

OFFICIAL STATEMENT AND OTHER TERMS AND COVENANTS IN THE ORDER: Further details regarding the Bonds and certain covenants of the District contained in the Bond Order are set forth in the Preliminary Official Statement, to which reference is made for all purposes.

**Preliminary, subject to change. See "THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS" herein.*

CONDITIONS OF THE SALE

TYPES OF BIDS AND INTEREST RATES: The Bonds will be sold in one block, on an "All or None" basis, and at a price of not less than their par value, and no accrued interest. **No bid producing a cash premium on the Bonds that results in a dollar price of less than $103.50 nor greater than $120.00 will be considered; provided, however, that any bid is subject to adjustment as described under the caption "THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS."** Bidders are invited to name the rate(s) of interest to be borne by the Bonds, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest rate for the Bonds (calculated in the manner required by Chapter 1204, as amended, Texas Government Code) must not exceed 15%. **The highest rate bid may not exceed the lowest rate bid by more than 300 basis points (or 3.00% in rate)**. **No limitation is imposed upon bidders as to the number of rates or changes which may be used**. All Bonds of one stated maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

BASIS OF AWARD: The sale of the Bonds will be awarded to the bidder making a bid that conforms to the specifications herein and which produces the **lowest True Interest Cost (defined herein) rate on the Bonds to the District**. The "True Interest Cost" rate is that rate which, when used to compute the total present value as of the **Dated Date** of all debt service payments on the Bonds on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Bonds plus the premium bid. In the event of a bidder's error in interest cost rate calculations, the interest rates, and premium set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the District with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986, as amended (the "Code") relating to the exclusion of interest on the Bonds from the gross income of their owners, the Purchaser will be required to complete, execute, and deliver to the District (on or before the date of Initial Delivery of the Bonds) a certification as to their "issue price" (the "Issue Price Certificate") in the form and to the effect attached hereto or accompanying this Official Notice of Sale. In the event the successful bidder is unable to sell a substantial amount of the Bonds of any maturity by the date of Initial Delivery, the Issue Price Certificate may be modified in a manner approved by the District. Each bidder, by submitting its bid, agrees to complete, execute, and deliver the Issue Price Certificate by the date of Initial Delivery of the Bonds, if its bid is accepted by the District. It will be the responsibility of the Purchaser to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel (identified in the Preliminary Official Statement).

ESTABLISHING THE ISSUE PRICE FOR THE BONDS: In order to provide the Issuer with information that enables it to comply with certain requirements of the Internal Revenue Code of 1986, as amended relating to the exclusion of interest on the Bonds from the gross income of their owners, the winning bidder will be required to complete, execute, and deliver to the Issuer or to the Issuer's municipal advisor, SAMCO Capital Markets, Inc. (the "Issuer's Municipal Advisor") (within 5 business days of the date on which the 10% Test, as defined below, is satisfied with respect to each of the maturities of the Bonds) the appropriate certification as to the Bonds' "issue price" (the "Issue Price Certificate") substantially in the form and to the effect attached hereto or accompanying this Notice of Sale. In the event the winning bidder will not reoffer any maturity of the Bonds for sale to the Public (as defined herein) by the Closing Date, the Issue Price Certificate may be modified in a manner approved by the Issuer. Each bidder, by submitting its bid, agrees to complete, execute, and timely deliver the appropriate form of the Issue Price Certificate, if its bid is accepted by the Issuer. It will be the responsibility of the winning bidder to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain such facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel (identified in the Preliminary Official Statement).

For purposes of this section of this Notice of Sale:

(i) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party,

(ii) "Underwriter" means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public),

(iii) "Related Party" means any two or more persons (including an individual, trust, estate, partnership, association, company, or corporation) that are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "Sale Date" means the date that the Bonds are awarded by the Issuer to the winning bidder.

All actions to be taken by the Issuer under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the Issuer by the Issuer's Municipal Advisor, and any notice or report to be provided to the Issuer may be provided to the Issuer's Municipal Advisor.

The Issuer will consider any bid submitted pursuant to this Notice of Sale to be a firm offer for the purchase of the Bonds, as specified in the bid and, if so stated, in the Official Bid Form. The Issuer intends to rely on Treasury Regulation section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of municipal bonds), which requires, among other things, that the Issuer receives bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds (the "Competitive Sale Requirement"), generally. Moreover, the Issuer intends to rely on Treasury Regulations section 1.148-1(f)(2)(ii)(establishing the general rule requiring compliance with the 10% Test or hold-the-offering-price of each Hold-the-Price Bonds, as defined below) with respect to the CABs, as further describe in the next paragraph.

The sale of the Bonds will be awarded to the bidder making a bid that conforms to the specifications herein. In the event that the bidding process does not satisfy the Competitive Sale Requirement, bids will not be subject to cancellation and the winning bidder will be required to hold-the-offering-price of each maturity of the Bonds, other than any maturity 10% of which have been sold to the Public on the Sale Date at the initial offering prices or any higher prices ("Hold-the-Price Bonds"), as described in the next paragraph.

By submitting a bid, the winning bidder agrees, on behalf of each Underwriter participating in the purchase of the Bonds, that each Underwriter will neither offer nor sell any maturity of the Hold-the-Price Bonds to any person at a price that is higher than the initial offering price to the Public during the period starting on the Sale Date and ending on the earlier of the following:

(1) the close of the fifth (5th) business day after the Sale Date; or

(2) the date on which the Underwriters have sold at least 10% of that maturity of the Bonds to the Public at a price that is no higher than the initial offering price to the Public.

In the event that the bidding process does not satisfy the Competitive Sale Requirement, in order to assist the Issuer with documenting the establishment of the issue prices of the Bonds, the winning bidder agrees to promptly report to the Issuer the prices at which at least 10% of each maturity of the Bonds have been sold to the Public (the "10% Test") (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% Test).

That reporting obligation shall continue until 10% of each maturity of the Bonds is sold to the Public. By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the Public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the Public, if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the Public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the Public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder or such Underwriter that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the Public, if and for so long as directed by the winning bidder or such Underwriter an d as set forth in the related pricing wires.

GOOD FAITH DEPOSIT: A bank cashier's check, payable to the order of "Andrews County Hospital District", in the amount of $531,200 which is 2% of the proposed par value of the Bonds (the "Good Faith Deposit"), is required to accompany any bid. The Good Faith Deposit of the Purchaser will be retained uncashed by the District pending the Purchaser's compliance with the terms of its bid and this Official Notice of Sale. In the event the Purchaser should fail or refuse to take up and pay for the Bonds in accordance with its bid, then said check shall be cashed and accepted by the District as full and complete liquidated damages. The Good Faith Deposit may accompany the Official Bid Form or it may be submitted separately; however, if submitted separately, it shall be made available to the District prior to the opening of the bids, and shall be accompanied by instructions from the bank on which it is drawn which authorizes its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. **The Good Faith Deposit of the Purchaser will be returned to the Purchaser on the date of Initial Delivery upon completion of the Closing of the Bonds**. No interest will be allowed on the Good Faith Deposit. Checks accompanying bids other than the winning bid will be returned promptly after the bids are opened, and an award of the Bonds has been made by the District.

ADDITIONAL CONDITION OF AWARD — DISCLOSURE OF INTERESTED PARTY FORM:

2252.908, (the "Interested Party Disclosure Act") the District may not award the Bonds to a bidder unless the winning bidder either:

> (i) submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the District as prescribed by the Texas Ethics Commission ("TEC"),
>
> or
>
> (ii) certifies in the Official Bid Form that it is exempt from filing the Disclosure Form by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

In the event that the bidder's bid for the Bonds is the best bid received, the District, acting through its financial advisor, will promptly notify the winning bidder. That notification will serve as the District's conditional verbal acceptance of the bid, and, unless the bidder is exempt from filing a Disclosure Form, such notification will obligate the winning bidder to promptly file a completed Disclosure Form, as described below, in order to allow the District to complete the award. The District reserves the right to reject any bid that does not comply with the requirements prescribed herein.

Process for completing the Disclosure Form. For purposes of illustration, the Disclosure Form is attached hereto, and reference should be made to such form for the following information needed to complete it: (a) item 2 – name of the governmental entity (*Andrews County Hospital District*) and (b) item 3 – the identification number assigned to this contract by the District (*0001*) and description of the goods or services (*Purchase of the Andrews County Hospital District General Obligation Refunding Bonds, Series 2021*). **The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the "Disclosure Rules") require certain business entities contracting with the District to complete the Disclosure Form electronically at https://www.ethics.state.tx.us/main/file.htm, print, complete the unsworn declaration, sign, and deliver the certified Disclosure Form that is generated by the TEC's "electronic portal" to the District. The completed and signed Disclosure Form must be sent by email, to the District's financial advisor at dwhitt@samcocapital.com as soon as possible following the notification of conditional verbal acceptance and prior to the final written award.** Upon receipt of the final written award, the winning bidder must submit the Disclosure Form with original signatures by email to Bond Counsel as follows: sgill@mphlegal.com.

Preparations for completion, and the significance of, the reported information. To the extent that the bidder is not exempt from filing a Disclosure Form and therefor makes such filing with the District, the Interested Party Disclosure Act and the Disclosure Form provide that such declaration is made under penalty of perjury." Consequently, a bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form. **Time will be of the essence in submitting the form to the District, and no final award will be made by the District regarding the sale of the Bonds until a completed Disclosure Form is received. The District reserves the right to reject any bid that does not satisfy the requirement of a completed Disclosure Form, as described herein.** Neither the District nor its consultants have the ability to verify the information included in a Disclosure Form, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Bonds should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form promptly upon notification from the District that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC's website at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm.

IMPACT OF BIDDING SYNDICATE ON AWARD: For purposes of contracting for the sale of the Bonds, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the District is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

NO BOYCOTT OF ISRAEL VERIFICATION: Pursuant to Chapter 2271, Texas Government Code, as amended ("Chapter 2271") the District and other governmental entities in the State may not enter into a contract with a company for goods or services unless the contract contains a written verification from the company that it: (1) does not boycott Israel; and (2) will not boycott Israel during the term of the contract. To enable the District to comply with Chapter 2271, and to enable it to contract for the sale of the Bonds, the Official Bid Form for the Bonds includes a written verification of the bidder to the effect described above. Each bidder should review the "no Israel boycott verification" included in the Official Bid Form prior to making a bid for the Bonds to determine whether such statement can be made, which is a condition to making a bid for the Bonds.

VERIFICATION OF NO DEALINGS WITH FOREIGN TERRORIST ORGANIZATIONS: Pursuant to Chapter 2252, Texas Government Code, the District will not award the Bonds to a bidder unless the bidder certifies that neither it nor any wholly owned subsidiary, majority-owned subsidiary, parent company of affiliate of the same, is a company that contracts with or provides supplies or services to a foreign terrorist organization, as defined by Section 2252.151(2), Texas Government Code, or identified as a company known to have contracts with or provide supplies or services to a foreign terrorist organization as identified on a list prepared and maintained under Sections 2270.0201 or 2252.153, Texas under Sections 2270.0201 or 2252.153, Texas Government Code. By submitting a bid, the potential purchaser makes and certifies to the representations necessary and convenient for the compliance with the aforementioned laws and, at the request of the District, agrees to execute further written certifications as may be necessary or convenience for the District to establish compliance with the aforementioned laws.

VERIFICATION PURSUANT TO CHAPTER 2274 OF THE TEXAS GOVERNMENT CODE: Pursuant to Chapter 2274 of the Texas Government Code, as amended, the winning bidder will be required to verify in the Official Bid Form, for the purposes of such chapter, except to the extent otherwise required by applicable federal law, that at the time of execution and delivery of its bid and to the date of delivery of the Bonds, neither the winning bidder, nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the winning bidder boycotts energy companies or will boycott energy companies. The terms "boycotts energy companies" and "boycott energy companies" as used in this paragraph have the meaning assigned to the term "boycott energy company" in Section 809.001 of the Texas Government Code, as amended.

Pursuant to Chapter 2274 of the Texas Government Code, as amended, the winning bidder will be required to verify in the Official Bid Form, for the purposes of such chapter, except to the extent otherwise required by applicable federal law, that at the time of execution and delivery of its bid and to the date of delivery of the Bonds, neither the winning bidder, nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the winning bidder discriminates against a firearm entity or firearm trade association. The term "discriminates against a firearm entity or firearm trade association" as used in this paragraph has the meaning assigned to the term "discriminate against a firearm entity or firearm trade association" in Section 2274.001 of the Texas Government Code, as amended.

OFFICIAL STATEMENT

To assist the winning bidder (the "Purchaser" or "Initial Purchaser") in complying with Rule 15c2-12, as amended (the "Rule"), of the United States Securities and Exchange Commission ("SEC"), the Issuer and the Initial Purchaser contract and agree, by the submission and acceptance of the winning bid, as follows:

COMPLIANCE WITH RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION: The Issuer has approved and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Bonds, but does not presently intend to prepare any other document or version thereof for such purpose, except as described below. Accordingly, the Issuer deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of the Rule, except for information relating to the offering prices, yields, interest rates, final debt service schedule, selling compensation, identity of the Purchaser and other similar information, terms and provisions to be specified in the competitive bidding process. The Initial Purchaser shall be responsible for promptly informing the Issuer of the initial offering prices/yields of the Bonds.

Thereafter, the Issuer will complete and authorize distribution of the final Official Statement, being a modification of the Preliminary Official Statement, identifying the Initial Purchaser and containing such omitted information. The Issuer does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Initial Purchaser on or after the sale date, the Issuer intends the same to be final as of such date, within the meaning of the Rule. Notwithstanding the foregoing, the Issuer makes no representation concerning the absence of material misstatements or omissions from the Official Statement, except only as and to the extent under "NO LITIGATION AND OFFICIAL STATEMENT CERTIFICATION" as described below.

FINAL OFFICIAL STATEMENT: The Issuer will furnish to the Purchaser, within seven (7) business days after the sale date, an aggregate maximum of one hundred (100) copies of the Official Statement, together with information regarding interest rates, and other terms relating to the reoffering of the Bonds. In addition, the District agrees to provide, or cause to be provided, to the Purchaser, the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a "designated electronic format" (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the Municipal Securities Rulemaking Board ("MSRB"). The District consents to the distribution of such documents in a "designated electronic format." Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with MSRB Rule G-32. The Purchaser may arrange at its own expense to have the Official Statement reproduced and printed if it requires more copies and may also arrange, at its own expense and responsibility, for completion and perfection of the first or cover page of the Official Statement so as to reflect interest rates and other terms and information related to the reoffering of the Bonds. The Purchaser will be responsible for providing information concerning the Issuer and the Bonds to subsequent purchasers of the Bonds, and the Issuer will undertake no responsibility for providing such information other than to make the Official Statement available to the Purchaser as provided herein. The Issuer's obligation to supplement the Official Statement to correct key representations determined to be omitted or materially misleading, after the date of the Official Statement, shall terminate 25 days after the date of initial delivery.

CHANGES TO OFFICIAL STATEMENT: If, subsequent to the date of the Official Statement, the Issuer learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser of any adverse event which causes the Official Statement to be incomplete or materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, as described below under "DELIVERY AND ACCOMPANYING DOCUMENTS – CONDITIONS TO DELIVERY," the Issuer will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement, in a "designated electronic format" satisfactory to the Initial Purchaser.

NO LITIGATION AND OFFICIAL STATEMENT CERTIFICATION: At the time of payment for and delivery of the hereinafter defined Initial Bonds ("Initial Delivery"), the Initial Purchaser will be furnished a certificate, executed by proper officials of the Issuer, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the Issuer contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Bonds, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the Initial Delivery, were and are true and correct in all material respects; (b) insofar as the Issuer and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the Issuer, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the Issuer believes to be reliable and the Issuer has no reason to believe that they are untrue in any material respect; (d) except as may be otherwise described in the Official Statement, there has been no material adverse change in the financial condition of the Issuer, since September 30, 2020, the date of the last financial statements of the Issuer appearing in the Official Statement; and (e) no litigation of any nature has been filed or is pending, as of the date hereof, to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security or in any manner question the validity of the Bonds. The Official Statement and this Official Notice of Sale have been approved as to form and content and the use thereof in the offering of the Bonds has been authorized, ratified and approved by the Board of Directors in the Bond Order, and the Initial Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Bonds, a certified copy of such approval, duly executed by the proper officials of the Issuer.

CONTINUING DISCLOSURE AGREEMENT: The District has agreed in the Bond Order to provide certain periodic information and notices of certain events in accordance with the Rule, as described in the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION". The Purchaser's obligation to accept and pay for the Bonds is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Bond Order containing the agreement described under such heading.

COMPLIANCE WITH PRIOR UNDERTAKINGS: The District is of the view that during the past five years it has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

DELIVERY AND ACCOMPANYING DOCUMENTS

INITIAL DELIVERY OF INITIAL BOND: Initial Delivery will be accomplished by the issuance of one or more fully registered Bonds in the aggregate principal amount of the Bonds payable to the Purchaser (the "Initial Bond" or "Initial Bonds"), signed by the duly appointed officers of the Board of Directors, by their manual or facsimile signatures, approved by the Texas Attorney General, and registered and manually signed by the Texas Comptroller of Public Accounts. Initial Delivery will be at the corporate trust office of the Paying Agent/Registrar. Upon delivery of the Initial Bonds, they shall be immediately canceled and one definitive Bond for each maturity of the Bonds payable to Cede & Co. will be delivered to DTC in connection with DTC's Book-Entry-Only System. Payment for the Bonds must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. The Purchaser will be given six business days' notice of the time fixed for delivery of the Bonds. It is anticipated that the delivery of the Initial Bond can be made on or about December 21, 2021, but if for any reason the District is unable to make delivery by January 18, 2022, then the District shall immediately contact the Purchaser and offer to allow the Purchaser to extend its obligation to take up and pay for the Bonds an additional thirty days. If the Purchaser does not elect to extend its offer within six days thereafter, then its Good Faith Deposit will be returned, and both the District and the Purchaser shall be relieved of any further obligation. In no event shall the District be liable for any damages by reason of its failure to deliver the Bonds, provided that such failure is due to circumstances beyond the District's reasonable control.

CUSIP NUMBERS: It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Initial Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of the Official Bid Form and this Official Notice of Sale. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid by the Issuer; however, the CUSIP Service Bureau's charge for the assignment of the numbers shall be paid by the Initial Purchaser.

CONDITIONS TO DELIVERY: The obligation to take up and pay for the Bonds is subject to the following conditions: the issuance of an approving opinion of the Attorney General of the State of Texas, the Initial Purchaser's receipt of the legal opinion of Bond Counsel and the certificate regarding the Official Statement as described under "CERTIFICATION OF THE OFFICIAL STATEMENT AND NO-LITIGATION", and the non-occurrence of the events described below under the caption "NO MATERIAL ADVERSE CHANGE". In addition, if the Issuer fails to comply with its obligations described under "OFFICIAL STATEMENT" above, the Initial Purchaser may terminate its contract to purchase the Bonds by delivering written notice to the Issuer within five (5) days thereafter.

NO MATERIAL ADVERSE CHANGE: The obligations of the Initial Purchaser to take up and pay for the Bonds, and of the Issuer to deliver the Initial Bonds, are subject to the additional condition that, up to the time of delivery of and receipt of payment for the Initial Bonds, there shall have been no material adverse change in the affairs of the Issuer subsequent to the date of sale from that set forth in the Official Statement, as it may have been finalized, supplemented or amended through the date of Initial Delivery.

LEGAL OPINIONS: The District will furnish the Purchaser a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas as to the Bonds, 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, regarding the legality and validity of the Bonds issued in compliance with the provisions of the Bond Order. (See "LITIGATION" and "LEGAL MATTERS" in the Official Statement and "Appendix C – Form of Legal Opinion of Bond Counsel" attached to the Official Statement.)

CHANGE IN TAX-EXEMPT STATUS: At any time before the Bonds are tendered for initial delivery to the Initial Purchaser, the Initial Purchaser may withdraw its bid if the interest on obligations such as the Bonds shall be declared to be includable in the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, either by Treasury regulations, by ruling or administrative guidance of the Internal Revenue Service, by a decision of any federal court, or by the terms of any federal income tax legislation enacted subsequent to the date of this Official Notice of Sale.

GENERAL CONSIDERATIONS

MUNICIPAL BOND INSURANCE: It is anticipated that the Bonds will be qualified for municipal bond insurance. The Purchaser will select the municipal bond insurance company. **The Purchaser may submit a bid utilizing municipal bond insurance or may submit a bid without utilizing municipal bond insurance. The cost of the municipal bond insurance, if any, will be borne by the Purchaser.** It will be the duty of the Purchaser to disclose the existence of insurance, its terms and the effect thereof with respect to the reoffering of the Bonds and any other information or certifications which may be required to determine the effect of such insurance on the yield or the Bonds for federal income tax purposes.

RATING: Moody's Investors Service, Inc. ("Moody's") will assign a rating to the Bonds, based upon the insurance policy, if any, securing timely payment of the Bonds. The District's current underlying, unenhanced rating on its outstanding tax supported debt is "A3" by Moody's. The cost of such rating from Moody's will be paid by the District. An explanation of the significance of such a rating, when received, may be obtained from the rating agency. A rating by Moody's reflects only the respective view of such company at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that such a rating will continue for any given period of time, or that it will not be revised downward or withdrawn entirely by such rating agency if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating by such rating agency may have an adverse effect on the market price or marketability of the Bonds.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE: No registration statement relating to the Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act. The Bonds have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. Any representation to the contrary is a criminal offense. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon exemptions contained therein, nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for registration or 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 registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The Issuer agrees to cooperate, at the Purchaser's written request and expense and within reasonable limits, in registering or qualifying the Bonds, or in obtaining an exemption from registration or qualification in any state where such action is necessary, but the District will in no instance execute a general consent to service of process in any state in which the Bonds are offered for sale.

ADDITIONAL COPIES: Subject to the limitations described herein, additional copies of this Official Notice of Sale, the Official Bid Form, and the Official Statement may be obtained from SAMCO Capital Markets, Inc., 5800 Granite Parkway, Suite 210, Plano, Texas 75024.

In the Bond Order, the Board of Directors has delegated to the Designated Financial Officer the authority to approve the form and content of the Official Statement, and any addenda, supplement or amendment thereto, and the Board of Directors has authorized its further use in the reoffering of the Bonds by the Purchaser.

ANDREWS COUNTY HOSPITAL DISTRICT

Designated Financial Officer

Dated: November 17, 2021

OFFICIAL BID FORM

President and Board of Trustees
Andrews County Hospital District
720 Hospital Drive
Andrews, Texas 79714

November 22, 2021

Ladies & Gentlemen:

Reference is made to your Official Notice of Sale and Preliminary Official Statement dated November 17, 2021 of $26,560,000* ANDREWS COUNTY HOSPITAL DISTRICT, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021 (the "Bonds"), both of which constitute a part hereof.

For your legally issued Bonds, as described in said Official Notice of Sale and Preliminary Official Statement, we will pay you a price of par value thereof plus accrued interest from their Dated Date to the date of initial delivery to us, plus a cash premium of $________ **(no bid producing a cash premium that results in a dollar price of less than $103.50 nor greater than $120.00 will be considered)** for Bonds maturing and bearing interest as follows:

Maturity (3/15)	Principal Amount*	Interest Rate	Maturity (3/15)	Principal Amount*	Interest Rate
2022	$540,000	________	2028	$2,600,000	________
2023	2,350,000	________	2029	2,670,000	________
2024	2,400,000	________	2030	2,755,000	________
2025	2,450,000	________	2031	2,835,000	________
2026	2,495,000	________	2032	2,920,000	________
2027	2,545,000	________			

(Interest to Accrue from the Dated Date)

Of the principal maturities of the Bonds set forth in the table above, we have created term bonds (the "Term Bonds") as indicated in the following table (which may include multiple Term Bonds, one Term Bond or no Term Bond if none is indicated). For those years which have been combined into a Term Bond, the principal amount shown in the table above will be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the Term Bond maturity date will mature in such year. The Term Bonds created are as follows:

Term Bond Maturity Date March 15	Year of First Mandatory Redemption	Principal Amount of Term Bond	Interest Rate
________	________	________	________

Our calculation (which is not a part of this bid) of the interest cost in accordance with the above bid is:

TRUE INTEREST COST ____________%

By accepting this bid, we understand the District will provide the copies of the Official Statement and of any amendments or supplements thereto in accordance with the Official Notice of Sale.

The Initial Bond(s) shall be registered in the name of the Purchaser. We will advise DTC of registration instructions at least five business days prior to the date set for Initial Delivery. It is the obligation of the Purchaser of the Bonds to complete the DTC Eligibility Questionnaire.

We are having the Bonds of the following maturities ________________________ insured by ______________________ at a premium of $______________, said premium to be paid by the Purchaser. Any fees to be paid to the rating agencies as a result of said insurance will be paid by the District.

Cashier's Check of the ________________ (bank), ______________ (location), in the amount of $531,200 which represents our Good Faith Deposit is attached hereto or has been made available to you prior to the opening of the bid, in accordance with the terms set forth in the Official Notice of Sale and the Preliminary Official Statement. The Good Faith Deposit of the Purchaser will be returned to the Purchaser on the date of Initial Delivery upon completion of the closing of the Bonds.

We agree to accept delivery of the Initial Bond(s) through DTC and make payment for the Initial Bond(s) in immediately available funds at BOKF, NA, Dallas, Texas, no later than 10:00 A.M., Central time, on December 21, 2021 or thereafter on the date the Initial Bond(s) are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale.

The Issuer will consider any bid submitted pursuant to the Official Notice of Sale relating to the Bonds to be a firm offer for the purchase of the Bonds.

The undersigned agrees to complete, execute and deliver to the District by the date of delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to the District.

For purposes of contracting for the sale of the Bonds, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the District is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

**Preliminary, subject to change. See "THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS" in the Official Notice of Sale and Bidding Instructions.*

No Boycott of Israel Verification. To the extent this bid for the Bonds represents a contract for goods or services within the meaning of Section 2271.002 of the Texas Government Code, as amended, the Purchaser verifies, for purposes of Chapter 2271 of the Texas Government Code, that, except to the extent otherwise required by applicable federal law, at the time of execution and delivery of this bid and to the date of delivery of the Bonds, neither the Purchaser, nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the Purchaser, boycotts or will boycott Israel. The terms “company”, “boycotts Israel” and “boycott Israel” as used in this paragraph have the meanings assigned to the term “boycott Israel” in Section 808.001 of the Texas Government Code, as amended.

Verification Regarding Foreign Terrorist Organizations. The Purchaser represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under section 2252.153 or Section 2270.0201, Texas Government Code, as amended, and posted on any of the following pages of such officer’s Internet website:

https://comptroller.texas.gov/purchasing/docs/sudanlist.pdf,
https://comptroller.texas.gov/purchasing/docs/iran-list.pdf, or
https://comptroller.texas.gov/purchasing/docs/ftolist.pdf.

The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, as amended, and to the extent such Section does not contravene applicable State or federal law and excludes the Purchaser and the Purchaser’s parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The Purchaser understands “affiliate” to mean any entity that controls, is controlled by, or is under common control with, the Purchaser and exists to make a profit.

No Boycott of Energy Companies. The bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, to the extent this bid for the Bonds is a contract for goods or services, does not boycott energy companies as of the date of delivery of this bid, and will not boycott energy companies through the date of initial delivery of the Bonds. The foregoing verification is made solely to comply with Section 2274.002, Texas Government Code, as amended, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, “boycott energy companies” means, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company: (a) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (b) does business with a company described by (a). The bidder understands “affiliate” to mean an entity that controls or is controlled by, or is under common control with, the bidder and exists to make a profit. **The bidder understands that in connection with its review of the Bonds, the Office of the Texas Attorney General make require documentation from the bidder to substantiate this verification and such documentation may include requiring the bidder to provide a written legal opinion or comfort letter.**

No Discrimination Against Firearm Entities or Firearm Trade Associations. The bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, to the extent this bid for the Bonds is a contract for goods or services, as of the date of delivery of this bid does not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association, and through the date of initial delivery of the Bonds will not discriminate against a firearm entity or firearm trade association. The foregoing verification is made solely to comply with Section 2274.002, Texas Government Code, as amended, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, the terms “discriminates against a firearm entity or firearm trade association” and “discriminate against a firearm entity or firearm trade association” mean: (i) to refuse to engage in the trade of any goods or services with the entity or association based solely on its status as a firearm entity or firearm trade association, (ii) refrain from continuing an existing business relationship with the entity or association based solely on its status as a firearm entity or firearm trade association, or (iii) terminate an existing business relationship with the entity or association based solely on its status as a firearm entity or firearm trade association; but does not include a company’s refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship (i) to comply with federal, state or local law, policy, or regulations or a directive by a regulatory agency, or (ii) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity’s or association’s status as a firearm entity or firearm trade association. The bidder understand “affiliate” to mean an entity that controls or is controlled by, or is under common control with, the bidder and exists to make a profit. **The bidder understands that in connection with its review of the Bonds, the Office of the Texas Attorney General make require documentation from the bidder to substantiate this verification and such documentation may include requiring the bidder to provide a written legal opinion or comfort letter.**

In accordance with Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the District may not award the Bonds to a bidder unless the winning bidder either:

(i) submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the District as prescribed by the Texas Ethics Commission ("TEC"),

or

(ii) certifies below that it is exempt from filing the Disclosure Form by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

Unless the bidder certifies that it is exempt from filing a Disclosure Form with the District, upon notification of conditional verbal acceptance and if required, the undersigned will complete an electronic form of the Certificate of Interested Parties Form 1295 (the "Disclosure Form") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Disclosure Form that is generated by the TEC’s electronic portal will be printed, signed and sent by email to the District’s financial advisor at dwhitt@samcocapital.com. The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the District from providing final written award of the enclosed bid.

The Purchaser (mark one):

(i) Agrees to timely make a filing of a completed Disclosure Form with the District [___]

or

(ii) Hereby certifies that it is exempt from filing the Disclosure Form by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity [___].

Respectfully submitted,

____
(Purchaser)

____
(Signature - Title)

____
(Telephone)

[District signature page follows.]

ACCEPTANCE CLAUSE

THE FOREGOING BID IS IN ALL THINGS HEREBY ACCEPTED this November 22, 2021 by a Designated Financial Officer of the District by authority conveyed in the Bond Order of the Board of Directors of the Andrews County Hospital District adopted on September 23, 2021.

____
Designated Financial Officer

CERTIFICATE OF INTERESTED PARTIES

FORM 1295

Complete Nos. 1 - 4 and 6 if there are interested parties.
Complete Nos. 1, 2, 3, 5, and 6 if there are no interested parties.

OFFICE USE ONLY
CERTIFICATION OF FILING

1 Name of business entity filing form, and the city, state and country of the business entity's place of business.

2 Name of governmental entity or state agency that is a party to the contract for which the form is being filed.

Andrews County Hospital District

3 Provide the identification number used by the governmental entity or state agency to track or identify the contract, and provide a description of the services, goods, or other property to be provided under the contract.

0001

Purchase of the Andrews County Hospital District General Obligation Refunding Bonds, Series 2021

4 Name of Interested Party	City, State, Country (place of business)	Nature of interest (check applicable)	
		Controlling	Intermediary

5 Check only if there is NO Interested Party. ☐

6 UNSWORN DECLARATION

My name is ____, and my date of birth is ________________.

My address is ____________________________________, ____________________, ______, ____________, ________.
(street) (city) (state) (zip code) (country)

I declare under penalty of perjury that the foregoing is true and correct.

Executed in ______________________________County, State of ____________, on the _____day of ___________, 20_____.
(month) (year)

____
Signature of authorized agent of contracting business entity
(Declarant)

ISSUE PRICE CERTIFICATE

(**Form of Certificate if at least 3 bids are received from underwriters**)

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Purchaser"), with respect to the purchase at competitive sale of the General Obligation Refunding Bonds, Series 2021 issued by the Andrews County Hospital District ("Issuer") in the principal amount of $26,560,000* ("Bonds"), hereby certifies and represents, based on its records and information, as follows:

(a) On the first day on which there was a binding contract in writing for the purchase of the Bonds by the Purchaser, the Purchaser's reasonably expected initial offering prices of each maturity of the Bonds with the same credit and payment terms (the "Expected Offering Prices") to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter ("Public") are as set forth in the pricing wire or equivalent communication for the Bonds, as attached to this Certificate as Schedule A. The Expected Offering Prices are the prices for the Bonds used by the Purchaser in formulating its bid to purchase the Bonds.

(b) The Purchaser had an equal opportunity to bid to purchase the Bonds and it was not given the opportunity to review other bids that was not equally given to all other bidders (i.e., no last look).

(c) The bid submitted by the Purchaser constituted a firm bid to purchase the Bonds.

For purposes of this Issue Price Certificate, the term "Underwriter" means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public) to participate in the initial sale of the Bonds to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by McCall, Parkhurst & Horton L.L.P. in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds. Notwithstanding anything set forth herein, the Purchaser is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED as of this [ISSUE DATE].

[NAME OF PURCHASER], as Purchaser

By:____________________________________

Name:__________________________________

* *Preliminary, subject to change. See "THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS" herein.*

ISSUE PRICE CERTIFICATE

(**Form of Certificate if less than 3 bids are received from underwriters**)

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Purchaser"), with respect to the purchase at competitive sale of the General Obligation Refunding Bonds, Series 2021 issued by the Andrews County Hospital District ("Issuer") in the principal amount of $26,560,000* ("Bonds"), hereby certifies and represents, based on its records and information, as follows:

(a) [Other than the Bonds maturing in ____ ("Hold-the-Price Maturities"), the][The] first prices at which at least ten percent ("Substantial Amount") of the principal amount of each maturity of the Bonds having the same credit and payment terms ("Maturity") was sold to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter ("Public") are their respective initial offering prices, as listed in the pricing wire or equivalent communication for the Bonds that is attached to this Certificate as Schedule A.

(Add (b) and (c) only if winning bidder designates one or more maturities as Hold-the-Price Maturities)

(b) On or before the first day on which there is a binding contract in writing for the sale of the Bonds ("Sale Date"), the Purchaser offered to the Public each Maturity of the Hold-the-Price Maturities at their respective initial offering prices, as set forth in Schedule A hereto ("Initial Offering Price").

(c) As set forth in the Notice of Sale, the Purchaser agreed in writing to neither offer nor sell any of the Hold-the-Price Maturities to any person at any higher price than the Initial Offering Price for each such Maturity until the earlier of the close of the fifth business day after the Sale Date or the date on which the Purchaser sells at least ten percent of a Hold-the-Price-Maturity of the Bonds to the Public at no higher price than the Initial Offering Price for such Maturity.

For purposes of this Issue Price Certificate, the term "Underwriter" means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public) to participate in the initial sale of the Bonds to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by McCall, Parkhurst & Horton L.L.P. in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds. Notwithstanding anything set forth herein, the Purchaser is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED as of this [ISSUE DATE].

[NAME OF PURCHASER], as Purchaser

By:______________________________________

Name:____________________________________

* *Preliminary, subject to change. See "THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS" herein.*

SCHEDULE A

PRICING WIRE OR EQUIVALENT COMMUNICATION

(*Attached*)

NEW ISSUE: BOOK-ENTRY-ONLY

Rating: Moody's "Applied For"
(See: "BOND INSURANCE", "BOND INSURANCE GENERAL RISKS" and "OTHER PERTINENT INFORMATION-Ratings", herein)

PRELIMINARY OFFICIAL STATEMENT
Dated: November 17, 2021

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein.

$26,560,000*
ANDREWS COUNTY HOSPITAL DISTRICT, TEXAS
(Andrews County)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021

Interest Accrual Date: Date of Initial Delivery (Defined Below)
Dated Date: December 1, 2021 **Due: March 15, as shown on the inside cover page**

The Andrews County Hospital District, Texas (the "District") General Obligation Refunding Bonds, Series 2021 (the "Bonds") are being issued pursuant to the Constitution and laws of the State of Texas, particularly Chapter 1207, as amended, Texas Government Code, as amended, and an order (the "Bond Order") adopted by the Board of Directors on September 23, 2021. In the Bond Order, the Board of Directors has delegated authority to certain District officials (each, a "Designated Financial Officer") the authority to execute a pricing certificate (the "Pricing Certificate") to establish the final terms and effectuate the sale of the Bonds, which terms will be evidenced in the Pricing Certificate (the Bond Order and the Pricing Certificate are collectively referred to herein as the "Order"). (See "THE BONDS - Authority for Issuance" herein.)

The Bonds constitute direct obligations of the District payable as to principal and interest from an annual ad valorem tax levied against all taxable property therein, within the limits prescribed by law. (See "The BONDS – Security for Payment" herein.)

Interest on the Bonds will accrue from the date of initial delivery to the Purchaser (defined below), anticipated to occur on or about December 21, 2021* (the "Initial Delivery") and will be payable on March 15 and September 15 of each year, commencing March 15, 2022 until stated maturity, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of Bonds representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas as Paying Agent/Registrar, to DTC, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Bonds will be used to (i) refund certain of the District's currently outstanding obligations, as identified in Schedule I attached hereto (the "Refunded Bonds"), (ii) and to pay the costs of issuing the Bonds. (See "THE BONDS – Use of Proceeds" herein.)

The Bonds maturing on or after March 15, 2031 are subject to redemption, at the option of the District, in whole or in part on September 15, 2030, or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. The Purchaser may select two or more consecutive maturities of the Bonds to be grouped together to form one or more "Term Bonds", and such Term Bonds would be subject to mandatory sinking fund redemption in accordance with the Order. (See "THE BONDS – Redemption Provisions" herein.)

The District is considering qualifying the Bonds for municipal bond insurance and has made application to municipal bond insurance companies in connection with such consideration. The purchase of such insurance, if available, and the payment of all associated costs will be at the option and expense of the initial Purchaser (defined below). (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)

MATURITY SCHEDULE
(On Inside Cover)

The Bonds are offered for delivery, when, as and if issued and received by the initial purchaser (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. It is expected that the Bonds will be available for delivery through DTC on or about December 21, 2021 (the "Date of Initial Delivery").

BIDS DUE MONDAY, NOVEMBER 22, 2021 BY 11:00 A.M., CENTRAL TIME

**Preliminary, subject to change.*

$26,560,000*
ANDREWS COUNTY HOSPITAL DISTRICT, TEXAS
(A POLITICAL SUBDIVISION OF THE STATE OF TEXAS LOCATED IN ANDREWS COUNTY, TEXAS)
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2021

MATURITY SCHEDULE*
Base CUSIP No.: 034451[1)]

Maturity (3/15)	Principal Amount	Interest Rate	Yield	CUSIP No. Suffix [(1)]
2022	$540,000	%	%	
2023	2,350,000			
2024	2,400,000			
2025	2,450,000			
2026	2,495,000			
2027	2,545,000			
2028	2,600,000			
2029	2,670,000			
2030	2,755,000			
2031	2,835,000			
2032	2,920,000			

(Interest to accrue from the Date of Initial Delivery)

** Preliminary, subject to change.*

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

ANDREWS COUNTY HOSPITAL DISTRICT, TEXAS

BOARD OF DIRECTORS

Name	Date Initially Elected	Board Term Expires	Occupation
Carol Boswell, President	2002	2024	Retired
Liz Boynton, Vice President	2002	2024	Retired
Shirley Johnson, Secretary	2012	2022	Retired
Manny Gonzales, Assistant Secretary	2017	2022	Retired
Tad Darland, Trustee	2020	2022	Financial Advisor
Mike Sanchez, Trustee	2020	2024	Business Owner
Andrea Warnke, Trustee	2018	2022	Business Owner

APPOINTED OFFICIALS

Name	Position	Length of Service with the District
Donny Booth	Chief Executive Officer	9 Years
Morgan Mason	Chief Financial Officer	6 Years

CONSULTANTS AND ADVISORS

McCall, Parkhurst & Horton L.L.P., Dallas, Texas	Bond Counsel
SAMCO Capital Markets, Plano, Texas	Financial Advisor
BKD LLP, Waco, Texas	Certified Public Accountants

For additional information contact:

Donny Booth
Chief Executive Officer
Andrews County Hospital District
720 Hospital Driver
Andrews, Texas 79714
(432) 523-2200

Doug Whitt / Brian Grubbs / Robert White
SAMCO Capital Markets, Inc.
5800 Granite Parkway, Suite 210
Plano, Texas 75024
(214) 765-1470
(214) 279-8683 (Fax)

USE OF INFORMATION IN THE OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), this document constitutes a Preliminary Official Statement of the District with respect to the Bonds that has been "deemed final" by the District as of its date except for the omission of no more than the information permitted by the Rule.

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer.

Certain information set forth herein has been provided by sources other than the District that the District believes to be reliable, but the District makes no representation as to the accuracy of such information. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the 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 JURISDICTIONS IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

None of the District, the Financial Advisors or the Purchaser makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company, New York, New York (“DTC”) or its Book-Entry-Only System or with respect to the bond insurer, if any, or its municipal bond insurance guaranty policy, as described herein under the caption “BOND INSURANCE” and “BOND INSURANCE GENERAL RISKS” as such information is provided by DTC and the potential bond insurer, respectively.

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 Schedule I and all appendices hereto, to obtain information essential to making an informed investment decision

TABLE OF CONTENTS

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The District	The Andrews County Hospital District (the "District") is a political subdivision located in Andrews County, Texas. The District is governed by a seven-member Board of Directors (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board appoints the management of the District's hospital system, including the Chief Executive Officer and appoints to the Hospital staff and such physicians as it deems advisable and necessary.
The Bonds	The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly, Chapter 1207, as amended, Texas Government Code, as amended, and an order (the "Bond Order") adopted by the Board of Directors on September 23, 2021. In the Bond Order, the Board of Directors has delegated authority to certain District officials (each, a "Designated Financial Officer") the authority to execute a pricing certificate (the "Pricing Certificate") to establish the final terms and effectuate the sale of the Bonds, which terms will be evidenced in the Pricing Certificate (the Bond Order and the Pricing Certificate are collectively referred to herein as the "Order"). (See "THE BONDS – Authority for Issuance" herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas.
Security	The Bonds constitute direct obligations of the District payable as to principal and interest from an annual ad valorem tax levied against all taxable property therein, within the limits prescribed by law. (See "The BONDS – Security for Payment" herein.)
Redemption Provisions	The Bonds maturing on or after March 15, 2031 are subject to redemption, at the option of the District, in whole or in part on September 15, 2030, or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. The Purchaser may select two or more consecutive maturities of the Bonds to be grouped together to form one or more "Term Bonds", and such Term Bonds would be subject to mandatory sinking fund redemption in accordance with the Order. (See "THE BONDS – Redemption Provisions" herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein. (See "TAX MATTERS" and "Appendix C – Form of Legal Opinion of Bond Counsel" herein.)
Use of Bond Proceeds	Proceeds from the sale of the Bonds will be used (i) to refund certain District's currently outstanding obligations, as identified in Schedule I attached hereto (the "Refunded Bonds"), (ii) and to pay the costs of issuing the Bonds. (See "THE BONDS – Use of Proceeds" herein.)
Book-Entry-Only System	The District intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York described herein. No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Such Book-Entry-Only System may affect the method and timing of payments on the Bonds and the manner the Bonds may be transferred. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
Rating and Bond Insurance	In connection with the sale of the Bonds, the District has made application to Moody's Investors Service, Inc. (Moody's) for a municipal bond rating. The District's current underlying, unenhanced rating on its outstanding tax supported debt is "A3" by Moody's. In addition, the District has made an application for an insurance policy insuring the timely payment of the principal of and interest on the Bonds. The purchase of such insurance, if available and the payment of all associated costs will be at the option and expense of the initial Purchaser. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)
Payment Record	The District has never defaulted in the payment of its bonded indebtedness.
Delivery	When issued, anticipated on or about December 21, 2021.
Legality	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas.

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by Andrews County Hospital District, Texas (the "District") of its $26,560,000* General Obligation Refunding Bonds, Series 2021 (the "Bonds") identified on the cover page hereof.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the order adopted by the Board of Directors of the District authorizing the issuance of the Bonds (the "Order"). Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ***ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT***. Copies of such documents may be obtained upon request from the Issuer or its Financial Advisor, SAMCO Capital Markets, Inc., 5800 Granite Parkway, Suite 210, Plano, Texas 75024, via electronic mail or upon payment of reasonable copying, handling, and delivery charges.

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

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

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 Texas in response to the Pandemic. 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 (including TEA) 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 reopening. However, on March 2, 2021, the Governor issued Executive Order GA-34 effective March 10, 2021, which supersedes most of the executive orders relating to COVID-19 and provides, generally, for the reopening of the State to 100%, ends the COVID-19 mask mandate, and supersedes any conflicting order issued by local officials in response to COVID-19, among other things and subject to certain limitations. Executive Order GA-34 remains in place until amended, rescinded, or superseded by the Governor. On May 18, 2021, Governor Abbott issued Executive Order GA-36, which supersedes Executive Order GA-34 in part. Executive Order GA-36 prohibits governmental entities in Texas, including counties, cities, school districts, public health authorities, and government officials from requiring or mandating any person to wear a face covering and subjects a governmental entity or official to a fine of up to $1,000 for noncompliance, subject to certain exceptions. Executive Order GA-38, issued on July 29, 2021 and Executive Order GA-39, issued on August 25, 2021 further provide that governmental entities cannot require mask mandates, vaccine passports, or mandatory vaccinations. Various lawsuits have been filed throughout the State related to the foregoing. Executive orders remain in place until they are amended, rescinded, or superseded by the Governor. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the District. These negative impacts may reduce or otherwise negatively affect ad valorem tax revenues which are pledged as security for the Bonds. The District, however, cannot predict the effect of the continued spread of COVID-19 will have on the finances or operations and maintenance of the District.

The financial and operating data contained herein are the latest available but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the current financial condition or future prospects of the District.

The District continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the District. While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition, and the effect could be material.

PLAN OF FINANCING

Purpose of Bonds

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

Refunded Bonds

The Refunded Bonds, and interest due thereon, are to be paid on their scheduled redemption date from cash and investments to be deposited with BOKF, NA, Dallas, Texas, a national banking association (the “Escrow Agent”) pursuant to an Escrow Agreement (the “Escrow Agreement”) between the District and the Escrow Agent.

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

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

By the deposit of the cash with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of all of the Refunded Bonds in accordance with the law. It is the opinion of Bond Counsel, in reliance upon the Sufficiency Certificate provided by SAMCO Capital Markets, Inc., that as a result of such defeasance the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Escrow Fund held for such purpose by the Escrow Agent and such Refunded Bonds will not be deemed as being outstanding obligations of the District payable from taxes nor for the purpose of applying any limitation on the issuance of debt.

THE BONDS

General

The Bonds will be dated December 1, 2021 (the “Dated Date”) but interest will accrue from the Initial Delivery. The Bonds will mature on the dates and in the principal amounts and will bear interest at the rates set forth on page ii of this Official Statement. The Bonds will be registered and issued in denominations of $5,000 or any integral multiple thereof within a stated maturity. The Bonds will bear interest from the Date of Initial Delivery and will be paid semiannually on March 15 and September 15 of each year, commencing March 15, 2022, until stated maturity or prior redemption. Principal of and interest on the Bonds are payable in the manner described herein under “BOOK-ENTRY-ONLY SYSTEM”. In the event the Book-Entry-Only System is discontinued, the interest on the Bonds payable on an interest payment date will be payable to the registered owner as shown on the security register maintained by BOKF, NA, Dallas, Texas as the initial Paying Agent/Registrar, as of the Record Date (defined below), by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Bonds will be payable at stated maturity upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar.

If the date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date will have the same force and effect as if made on the original date payment was due.

Authority for Issuance

The District is a political subdivision of the State of Texas and operates under the statutes and the Constitution of the State of Texas. The Bonds are being issued pursuant to the provisions of Chapter 1207, as amended, Texas Government Code, as amended, and the Bond Order adopted on September 23, 2021. In the Bond Order, the Board of Directors has delegated authority to certain District officials (each, a “Designated Financial Officer”) the authority to execute a pricing certificate (the “Pricing Certificate”) to establish the final terms and effectuate the sale of the Bonds, which terms will be evidenced in the Pricing Certificate (the Bond Order and the Pricing Certificate are collectively referred to herein as the “Order”).

Security for Payment

The Bonds are direct obligations of the District payable from the proceeds of an annual ad valorem tax levied, within the limitations prescribed by law, as provided in the Order. 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. (See “The Bonds – Tax Rate Limitations.”)

Optional Redemption

The Bonds maturing on or after March 15, 2031, are subject to redemption, at the option of the District, in whole or in part, on September 15, 2030, or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the District shall determine the amounts and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Bonds, or portions thereof, to be redeemed. 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 each registered owner of a Bond 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.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money 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 are not fulfilled, such notice will be of no force and effect, the District will not redeem such Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Bonds have not been redeemed. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE BONDHOLDER, AND, SUBJECT TO PROVISION FOR PAYMENT OF THE REDEMPTION PRICE HAVING BEEN MADE, AND ANY PRECONDITIONS STATED IN THE NOTICE OF REDEMPTION HAVING BEEN SATISFIED INTEREST ON THE REDEEMED BONDS SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A BOND HAS NOT BEEN PRESENTED FOR PAYMENT.

Mandatory Sinking Fund Redemption

Two or more consecutive maturities of the Bonds may be grouped together as a term bond by the Purchaser, and such term bonds would be subject to mandatory sinking fund redemption in accordance with the Order. In that event, the redemption provisions will be described in the final Official Statement.

Sources and Uses of Funds

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

Sources	
Par Amount of the Bonds	$
Net Original Issue Reoffering Premium	
Total Sources of Funds	$
Uses	
Deposit to Escrow Fund	$
Costs of Issuance	
Deposit to interest and sinking fund	
Purchaser's Discount	
Total Uses of Funds	$

Payment Record

The District has never defaulted in the payment of its bonded indebtedness.

Legality

The Bonds are offered when, as and if issued, subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Dallas, Texas. The legal opinion of Bond Counsel will accompany the global Bonds to be deposited with DTC or will be printed on the Bonds should the Book-Entry-Only System be discontinued. A form of the legal opinion of Bond Counsel appears in Appendix C attached hereto.

Defeasance

The Order provides for the defeasance of the Bonds when payment of the principal amount of the Bonds plus interest accrued to their due date (whether such due date be by reason of stated maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money in an amount sufficient to make such payment and/or (2) Defeasance Securities, that will mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other 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. The Order 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. The Designated Financial Officer may restrict such eligible securities and obligations as deemed appropriate. 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 the purchase thereof, 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 on the date the governing body of the District adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. 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 Order 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 for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date those Bonds which have been defeased to their maturity date, if the District (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption, (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Amendments

The District may amend the Order without the consent of or notice to any registered owner in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding and affected thereby, amend, add to, or rescind any of the provisions of the Order; except that, without the consent of the registered owners of all of the Bonds affected, no such amendment, addition or rescission may (1) make any change in the maturity of any of the outstanding Bonds; (2) reduce the rate of interest borne by any of the outstanding Bonds; (3) reduce the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds; (4) modify the terms of payment of principal or of interest or redemption premium, if any, on outstanding Bonds or any of them or impose any condition with respect to such payment; or (5) change the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment.

REGISTERED OWNERS' REMEDIES

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order and the continuation thereof for a period of 60 days after notice of such default is given by any registered owner to the District, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or Order and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Order and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of stated maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the owners upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court has ruled in Tooke v. City of Mexia, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants in the absence of District action. 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. 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 Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion and by governmental immunity.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Bonds is BOKF, NA, Dallas, Texas. In the Order, the District covenants to maintain and provide a Paying Agent/Registrar until the Bonds are duly paid.

Successor Paying Agent/Registrar

Provision is made in the Order for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank or trust company organized under the laws of the United States or any state and duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District has agreed 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.

Initial Registration

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.

Future Registration

In the event the Book-Entry-Only System is discontinued, the Bonds may be transferred, registered and assigned on the registration books only upon presentation and surrender of the Bonds to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bond being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. 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 (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in authorized denominations and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer.

Record Date For Interest Payment

The record date ("Record Date") for determining the party to whom the interest on a Bond is payable on any interest payment date means the close of business on the last business day of the next 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 (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Bond appearing on the 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.

Limitation on Transfer of Bonds

Neither the District nor the Paying Agent/Registrar shall be required to issue, transfer or exchange any Bond during the period beginning at the close of business on any Record Date and ending with the next interest payment date or, with respect to any Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Replacement Bonds

If any Bond is mutilated, destroyed, stolen or lost, a new Bond in the same principal amount, as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and substitution for a Bond which has been destroyed, stolen or lost, such new Bond will be delivered only (a) upon filing with the District and the Paying Agent/Registrar a certificate to the effect that such Bond has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the District and the Paying Agent/Registrar with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

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 DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Issuer and the Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non U.S. equity, corporate and municipal debt issues, and money market instrument 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor's highest rating: 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 and www.dtc.org.

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 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 transmission to them of notices of significant events with respect to the Bonds, such as tenders, defaults, and proposed amendments to the security 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 the notices be provided directly to them.

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

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC [nor its nominee], the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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 or the Purchaser.

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

Use of Certain Terms in Other Sections of this Official Statement

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

BOND INSURANCE

The Issuer is considering qualifying the Bonds for municipal bond insurance and has made application to several bond insurance companies in connection with such consideration. No representation is hereby made that the Issuer will use municipal bond insurance in connection with the issuance of the Bonds. If the District accepts a bid for the Bonds that incorporates the acquisition of a municipal bond guaranty policy (the "Policy") from a qualified bond insurance company (the "Insurer"), the final Official Statement shall disclose, to the extent necessary, any relevant information relating to the Policy.

BOND INSURANCE GENERAL RISKS

General

If a Policy is purchased as a result of the District accepting a bid for the Bonds that incorporates the acquisition of such a policy, the following are risk factors relating to the bond insurance.

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy will not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the certificate owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the District unless the Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Insurer without appropriate consent. The Insurer may reserve the right to direct and to consent to any remedies available to the holders of the Bonds and the Insurer's consent may be required in connection with amendments to the Order.

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 moneys received by the Paying Agent/Registrar pursuant to the Order. 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 of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Insurer and its claim 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 is given that the long-term ratings of the Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "BOND INSURANCE" herein.

The obligations of the Insurer are general obligations of the Insurer and in an event of default by the Insurer, the remedies available to the Paying Agent/Registrar may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the District nor the Purchasers have made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay the principal of and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

Moody's Investor Services, S&P (defined herein) and Fitch Ratings, Inc. (collectively, the "Rating Agencies") have, since 2008, downgraded the claims-paying ability and financial strength of providers of municipal bond insurance on multiple occasions. Additional downgrades or negative change in the rating outlook for these bond insurers is possible. In addition, recent events in the credit markets have had substantial negative effect 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 the Insurer of the Bonds. Thus, when making an investment decision, potential investors should carefully consider the ability of the Insurer to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment.

INVESTMENT POLICIES

Investments

The District invests its funds in investments authorized by Texas law in accordance with investment policies approved by the Board of Directors. Both state law and the District's investment policies are subject to change.

Legal Investments

Available District funds are invested as authorized by State law and in accordance with investment policies approved by the Board of Trustees. Both State law and the District's investment policies are subject to change. Under Texas 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, Government Code) as amended (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) certificates of deposit and share certificates meeting the requirements of the PFIA (i) 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 secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for District deposits, or (ii) 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 certificates 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 certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clause (1) above, clause (12) below, or, if applicable, 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 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 "AAAm" or an equivalent by at least one nationally recognized rating service.

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 may 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 of 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 has not contracted with, and has no present intention of contracting with, any such investment management firm or the Texas Securities Board to provide such services.

Investment Policies

Under Texas 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 includes a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment owned by the District and the maximum average dollar-weighted maturity allowed for pooled fund groups. 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.

Under Texas law, District 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 investment officers of the District shall submit an investment report detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value 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 strategy statements and (b) state law. No person may invest District funds without express written authority from the Board of Directors.

Additional Provisions

Under Texas 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 relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Board of Directors; (4) require the qualified representative of firms offering to engage in an investment transaction with 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 or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) 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 purchase agreement; (8) 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; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, 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.

Current Investments

As of June 30, 2021 the District had approximately $27,292,411 (unaudited) invested in Texpool (a government investment pool that generally has the characteristics of a money-market mutual fund), approximately $1,110,422 (unaudited) invested in certificates of deposit and approximately $2,098,150 (unaudited) in cash at a local bank. The market value of such investments (as determined by the District by reference to published quotations, dealer bids, and comparable information) is approximately 100% of the book value. No funds of the District are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

AD VALOREM PROPERTY TAXATION

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. Prospective investors are encouraged to review 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 (the "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 Appraisal District of Andrews County (the "Appraisal District"). Except as generally 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 (3) 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.

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. 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 (see "AD VALOREM PROPERTY TAXATION – District and Taxpayer Remedies").

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 appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (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. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

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 Reinvestment Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. 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 "tax increment". During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

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.

For a discussion of how the various exemptions described above are applied by the District, see "AD VALOREM PROPERTY TAXATION – District Application of Property Tax Code herein.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the District may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Beginning in the 2020 tax year, owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $50 million for the 2020 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations"). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the District may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property. 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 each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

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.

Public Hearing and Maintenance and Operations 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 1.035, plus the debt service tax rate, plus the "unused increment rate".

Debt Tax Rate Limitations

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-supported debt within the limits prescribed by law. Article IX, Section 9, of the Texas Constitution is applicable to the District, and limits the maximum ad valorem tax rate for the District to $0.75 per $100 taxable assessed valuation for all purposes, including taxes levied for the payment of operation and maintenance expenses of the District and to pay any tax-supported bonded indebtedness of the District, such as the Bonds. The Constitution does not specify an amount of such tax that must be dedicated to operations and maintenance and to debt service.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to contract for the collection of its taxes with another entity. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the District based upon the valuation of property within the District as of the preceding January 1. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. The Tax Code makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

District Application of Property Tax Code

The Appraisal District has the responsibility for appraising property in the District as well as other taxing units in the County. The Appraisal District is governed by a board of five directors appointed by members of the governing bodies of various political subdivisions within the County.

Except for oil and gas reserves, which are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year, property within the District is assessed as of January 1 of each year, taxes become due October 1 of the same year and become delinquent on February 1 of the following year.

The District does not tax personal property not used in the production of income, such as personal automobiles.

The District does collect an additional 20% penalty to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Tax Code.

The District's taxes are collected by Andrews County Appraisal District.

The District does not allow split payments of taxes and does not give discounts for early payment of taxes.

The District does not participate in a tax increment financing zone. The District has granted tax abatements.

The District does grant the additional local option exemption of up to 20% of the market value of residence homesteads.

The District has granted the freeport exemption.

Voters of the District have not approved the collection of a sales and use tax in the District, which is permitted by Chapter 286, Texas Health & Safety Code.

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.

TAX MATTERS

Opinion

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

In rendering its opinion, Bond Counsel to the District will rely upon (a) the federal tax certificate of the District, and (b) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the District to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

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

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

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

Future and Proposed Legislation

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

State, Local and Foreign Taxes

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

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and Beneficial Owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (EMMA) system, where it will be available to the general public, free of charge, at www.emma.msrb.org.

Annual Reports

The District will file certain updated financial information and operating data with 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 in Appendix A and Appendix D. The District will update and provide the information in Appendix A within six months after the end of each fiscal year ending in and after 2021. The District will additionally provide audited financial statements when and if available, and in any event, within 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 12 months after any such fiscal year end, then the District will file unaudited financial statements within such 12 month period 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 D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB’s Internet Web site identified above or filed with the United States Securities and Exchange Commission (the "SEC'), as permitted by SEC Rule 15c2-12 (the "Rule").

The District’s current fiscal year end is September 30. Accordingly, the District must provide updated information included in Appendix A by the last day of March in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) as described above. If the District changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the District otherwise would be required to provide financial information and operating data as set forth above.

Notices of Certain Events

The District will also 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 trustee or the change of name of a trustee, 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 a 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 a 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". Neither the Bonds nor the Order make any provision for a bond trustee, debt service reserves, credit enhancement, or liquidity enhancement. The District will provide each notice described in this paragraph to the MSRB.

For these purposes, any event described in clause (12) of 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 the purposes of the above described event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

Limitations and Amendments

The District has agreed to update information and to provide notices of material 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 or registered owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any qualified person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and Beneficial Owners of the Bonds. The District may also amend or repeal the provisions of this 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 so amends the agreement, it has agreed to 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 financial information and operating data so provided. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the rule or a court of final jurisdiction enters judgment that such provisions of the rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent a purchaser from lawfully purchasing or selling Bonds, respectively, in the primary offering of the Bonds.

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with all prior continuing disclosure undertakings made by it in accordance with the Rule.

OTHER PERTINENT INFORMATION

Registration and Qualification of Bonds for Sale

The offering 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.

Litigation

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

The delivery of the Bonds to the Purchaser is subject to the District delivering a certificate to the Purchaser to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provisions made for their payment or security or in any manner questioning the validity of the Bonds.

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 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. In addition, various provisions of the Texas Finance Code provide that, subject to a prudence standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. In accordance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, the Bonds must be rated "A" or its equivalent as to investment quality by a national rating agency in order for most municipalities or other political subdivisions or public agencies of the State of Texas to invest in the Bonds, except for purchases for interest and sinking funds of such entities. See "Other Pertinent Information -- Ratings" herein. Moreover, municipalities or other political subdivisions or public agencies of the State of Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act may have other, more stringent requirements for purchasing securities, including the Bonds. 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.

The District has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The District has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Legal Matters

The District will furnish complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinions 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. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and 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 describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Order. 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.

Rating

In connection with the sale of the Bonds, the District has made application to Moody's Investors Service, Inc. (Moody's) for a municipal bond rating. The District's current underlying, unenhanced rating on its outstanding tax supported debt is "A3" by Moody's. In addition, the District has made an application for an insurance policy insuring the timely payment of the principal of and interest on the Bonds. The purchase of such insurance, if available and the payment of all associated costs will be at the option and expense of the initial Purchaser. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.).

An explanation of the significance of such rating may be obtained from the rating agency. A rating by a rating agency reflects only the view of such company at the time the rating is given, and the District makes no representations as to the appropriateness of the rating. There is no assurance that such a rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price or marketability of the Bonds.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as Financial Advisor to the District to assist in the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds that is contained in this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the District to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds. In the normal course of business, the Financial Advisor may from time to time sell investment securities to the District for the investment of bond proceeds or other funds of the District upon the request of the District.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, 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.

FORWARD LOOKING STATEMENTS

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

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

WINNING BIDDER

After requesting competitive bids for the Bonds, the District accepted the bid of ____________ (the "Purchaser" or the "Initial Purchaser") to purchase the Bonds at the interest rates shown on page ii of this Official Statement at a price of par, plus a cash premium of $___________ less a purchaser's discount of $_______________ . The District can give no assurance that any trading market will be developed for the Bonds after their sale by the District to the Purchaser. The District has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

CERTIFCATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Initial Bonds, the Purchaser will be furnished a certificate, executed by proper officials of the District, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Bonds, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the District, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable and the District has no reason to believe that they are untrue in any material respect and (d) there has been no material adverse change in the financial condition of the District since the date of the last audited financial statements of the District.

CONCLUDING STATEMENT

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

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

The Bond Order authorized the Designated Financial Officer to approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and will authorize its further use in the re-offering of the Bonds by the Purchaser. This Official Statement will be approved by the Designated Financial Officer of the District for distribution in accordance with the provisions of the Rule.

ANDREWS COUNTY HOSPITAL DISTRICT, TEXAS

____
Designated Financial Officer

ANDREWS COUNTY HOSPITAL DISTRICT

Schedule I - Schedule of Refunded Bonds*

General Obligation Bonds, Series 2012

Maturities Being Redeemed	Original CUSIP	Principal Amount Outstanding	Interest Rate	Principal Amount Being Refunded	Call Date	Principal Amount Unrefunded
3/15/2023	034451AL8	$ 1,365,000.00	3.000%	$ 1,365,000.00	March 15, 2022 @ Par	-
3/15/2024	034451AM6	1,405,000.00	3.000%	1,405,000.00	March 15, 2022 @ Par	-
3/15/2025	034451AN4	1,450,000.00	3.125%	1,450,000.00	March 15, 2022 @ Par	-
3/15/2026	034451AP9	1,500,000.00	3.250%	1,500,000.00	March 15, 2022 @ Par	-
3/15/2027	034451AQ7	1,550,000.00	3.250%	1,550,000.00	March 15, 2022 @ Par	-
3/15/2028	034451AR5	1,600,000.00	3.375%	1,600,000.00	March 15, 2022 @ Par	-
3/15/2029	034451AS3	1,655,000.00	3.500%	1,655,000.00	March 15, 2022 @ Par	-
3/15/2030	034451AT1	1,715,000.00	3.500%	1,715,000.00	March 15, 2022 @ Par	-
3/15/2031	034451AU8	1,775,000.00	3.625%	1,775,000.00	March 15, 2022 @ Par	-
3/15/2032	034451AV6	1,840,000.00	3.625%	1,840,000.00	March 15, 2022 @ Par	-
		$ 15,855,000.00		$ 15,855,000.00		$ -

General Obligation Bonds, Series 2013

Maturities Being Redeemed	Original CUSIP	Principal Amount Outstanding	Interest Rate	Principal Amount Being Refunded	Call Date	Principal Amount Unrefunded
3/15/2023	034451BH6	$ 875,000.00	4.000%	$ 875,000.00	March 15, 2022 @ Par	-
3/15/2024	034451BJ2	915,000.00	4.000%	915,000.00	March 15, 2022 @ Par	-
3/15/2025	034451BK9	950,000.00	4.125%	950,000.00	March 15, 2022 @ Par	-
3/15/2026	034451BL7	985,000.00	4.250%	985,000.00	March 15, 2022 @ Par	-
3/15/2027	034451BM5	1,030,000.00	4.375%	1,030,000.00	March 15, 2022 @ Par	-
3/15/2028	034451BN3	1,080,000.00	4.625%	1,080,000.00	March 15, 2022 @ Par	-
3/15/2029	034451BP8	1,130,000.00	4.625%	1,130,000.00	March 15, 2022 @ Par	-
3/15/2030	034451BQ6	1,185,000.00	4.750%	1,185,000.00	March 15, 2022 @ Par	-
3/15/2031	034451BR4	1,245,000.00	5.000%	1,245,000.00	March 15, 2022 @ Par	-
3/15/2032	034451BS2	1,310,000.00	5.000%	1,310,000.00	March 15, 2022 @ Par	-
		$ 10,705,000.00		$ 10,705,000.00		$ -

**Preliminary, subject to change.*

APPENDIX A

FINANCIAL INFORMATION OF THE DISTRICT

FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION [1] — TABLE 1

2021/22 Total Market Value of Taxable Property		$ 5,740,502,657
Less Exemptions & Deductions:		
10% Capped Homestead Loss	$ 12,273,348	
Homestead Exemption (Local Option)	142,554,380	
Over-65 Exemption Loss (Local Option)	13,662,975	
Disabled Veterans Exemption	3,891,409	
Less than $500 Value	629,211	
Abatement Value Loss	652,984,933	
Pollution Control Exemption	5,905,826	
Freeport Exemption	826,099	
Constitutional Exempt	198,276,460	
Amount Lost to Ag Use	136,351,948	
Disaster	203,942	
	$ 1,167,560,531	
2021/22 Net Taxable Assessed Valuation		$ 4,572,942,126

(1) Source: Andrews County Appraisal District.

GENERAL OBLIGATION BONDED DEBT — TABLE 2

General Obligation Debt Outstanding [1]		$ 31,695,000
Less: General Obligation Refunded Bonds [2]		(26,560,000)
Plus: General Obligation Refunding Bonds, Series 2021 [2]		26,560,000
Total General Obligation Debt Outstanding: [1] [2]		$ 31,695,000
Less: Interest & Sinking Fund Balance (As of September 30, 2021) [3]		(30,514)
Net General Obligation Debt [2]		$ 31,664,486
Ratio of Net General Obligation Debt to 2021/22 Net Assessed Valuation	0.69%	
2020/21 Population Estimate [4] -	18,705	
Per Capita 2021/22 Net Assessed Valuation [2] -	$244,477	
Per Capita Gross General Obligation Debt -	$1,694	
Per Capita Net General Obligation Debt -	$1,693	

(1) Excludes the "Other Obligations" paid by hospital revenues.
(2) Preliminary, subject to change.
(3) Source: Andrews Co Hospital District Estimate.
(4) Source: Municipal Advisory Council of Texas.

General Obligation Bonds Authorized but Unissued — TABLE 3

The District does not have any authorized but unissued bonds from any election.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS — TABLE 4

Fiscal Year 30-Sep	Outstanding Debt Service [1]	Less: The Refunded Bonds [2]	Plus: The Refunding Bonds [2] Principal	Interest	Total	Total Debt Service [1] [2]
2022	$ 3,750,106.26	$ 1,014,493.76	$ 540,000.00	$ 471,376.67	$ 1,011,376.67	$ 3,746,989.17
2023	3,748,425.01	3,216,518.76	2,350,000.00	615,850.00	2,965,850.00	3,497,756.25
2024	3,749,106.26	3,219,168.76	2,400,000.00	568,350.00	2,968,350.00	3,498,287.50
2025	3,749,856.26	3,217,543.76	2,450,000.00	519,850.00	2,969,850.00	3,502,162.50
2026	3,748,925.01	3,214,987.51	2,495,000.00	470,400.00	2,965,400.00	3,499,337.50
2027	3,751,775.01	3,216,962.51	2,545,000.00	420,000.00	2,965,000.00	3,499,812.50
2028	3,354,800.01	3,217,268.76	2,600,000.00	364,975.00	2,964,975.00	3,102,506.25
2029	3,215,200.01	3,215,200.01	2,670,000.00	295,350.00	2,965,350.00	2,965,350.00
2030	3,216,950.01	3,216,950.01	2,755,000.00	213,975.00	2,968,975.00	2,968,975.00
2031	3,215,496.88	3,215,496.88	2,835,000.00	130,125.00	2,965,125.00	2,965,125.00
2032	3,216,100.00	3,216,100.00	2,920,000.00	43,800.00	2,963,800.00	2,963,800.00
	$ 38,716,740.72	$ 33,180,690.72	$ 26,560,000.00	$ 4,114,051.67	$ 30,674,051.67	$ 36,210,101.67

(1) Excludes the "Other Obligations" paid by hospital revenues.

(2) Preliminary, subject to change.

TAX ADEQUACY AND PROJECTED INTEREST AND SINKING FUND BUDGET — TABLE 5

2021/22 Net Taxable Assessed Valuation	$ 4,572,942,126
2021/22 Tax Supported Debt Service Requirements [1]	$ 3,746,989
Indicated Interest and Sinking Fund Tax Rate	$ 0.08194
Indicated Interest and Sinking Fund Tax Levy at 100% Collections	$ 3,746,989

(1) Preliminary, subject to change.

PROJECTED INTEREST AND SINKING FUND BUDGET — TABLE 6

Estimated Interest and Sinking Fund Balance, 9/30/2021 [1]	$ 30,514
Plus: Indicated Interest and Sinking Fund Tax Levy at 100% Collections [1]	3,746,989
Plus: Estimated Investment Income [1]	-
Plus: 2021/22 Tax Supported Debt Service Requirements [1]	(3,746,989)
Estimated Interest and Sinking Fund Balance, 9/30/2022 [1]	$ 30,514

(1) Preliminary, subject to change.

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE **TABLE 7**

Fiscal Year 30-Sep	Outstanding Principal [1]	Less: The Refunded Bonds [2]	Plus: The Refunding Bonds [2]	Total [1] [2]	Debt Unpaid at End of Year [1] [2]	Percent of Principal Retired
2022	$ 2,595,000	$ -	$ 540,000	$ 3,135,000	$ 28,560,000	9.89%
2023	2,685,000	2,240,000	2,350,000	2,795,000	25,765,000	18.71%
2024	2,780,000	2,320,000	2,400,000	2,860,000	22,905,000	27.73%
2025	2,880,000	2,400,000	2,450,000	2,930,000	19,975,000	36.98%
2026	2,985,000	2,485,000	2,495,000	2,995,000	16,980,000	46.43%
2027	3,100,000	2,580,000	2,545,000	3,065,000	13,915,000	56.10%
2028	2,815,000	2,680,000	2,600,000	2,735,000	11,180,000	64.73%
2029	2,785,000	2,785,000	2,670,000	2,670,000	8,510,000	73.15%
2030	2,900,000	2,900,000	2,755,000	2,755,000	5,755,000	81.84%
2031	3,020,000	3,020,000	2,835,000	2,835,000	2,920,000	90.79%
2032	3,150,000	3,150,000	2,920,000	2,920,000	-	100.00%
	$ 31,695,000	$ 26,560,000	$ 26,560,000	$ 31,695,000		

(1) Excludes the "Other Obligations" paid by hospital revenues.

(2) Preliminary, subject to change.

OVERLAPPING DEBT DATA **TABLE 8**

Taxing Body	Gross Debt	% Overlapping	Amount Overlapping
Andrews ISD	$ 32,640,000	100.00%	$ 32,640,000
City of Andrews	-	100.00%	-
Total Overlapping Debt			$ 32,640,000
Andrews County Hospital District [1]			31,664,486
Total Direct Overlapping Debt [1]			$ 64,304,486
Ratio of Direct and Overlapping Debt to 2021/22 Assessed Valuation			1.41%
Ratio of Direct and Overlapping Debt to 2021/22 Actual Valuation			1.12%
Per Capita Direct and Overlapping Debt			$3,438

(1) Excludes the Refunded Bonds and Includes the Refunding Bonds. Excludes the "Other Obligations" paid by hospital revenues. Preliminary, subject to change.

Source: Municipal Advisory Council of Texas. The District has not independently verified the accuracy or completeness of such information (except for the amounts relating to the District), and no person should rely upon such information as being accurate or complete.

OTHER OBLIGATIONS [1] **TABLE 9**

Fiscal Year 30-Sep	Promissory Note Principal	Promissory Note Interest	Promissory Note Total	Hospital Revenue Refunding Bonds, Series 2008 [1] Principal	Hospital Revenue Refunding Bonds, Series 2008 [1] Interest	Hospital Revenue Refunding Bonds, Series 2008 [1] Total
2022	$ 75,696	$ 237	$ 75,933	$ 445,000	$ 18,245	$ 463,245
	$ 75,696	$ 237	$ 75,933	$ 445,000	$ 18,245	$ 463,245

(1) The Revenue Refunding Bonds, Series 2008 are secured by a pledge of the District's gross revenues, which gross revenues exclude all tax revenues of the District and certain other restricted revenue sources.

PRINCIPAL TAXPAYERS **TABLE 10**

2021/22 Top Ten Taxpayers (1) (2)

Name of Taxpayer	Type of Business	2021/22 Taxable Value	% of Net Valuation
COG Operating LLC	Natural Gas Utility	$ 402,825,614	8.81%
QEP Energy Co.	Oil & Gas	329,798,168	7.21%
Pioneer Natural Res. USA Inc.	Oil & Gas	239,665,792	5.24%
Diamondback E&P LLC	Oil & Gas	207,326,029	4.53%
Oncor Electric Delivery Co. LLC	Electric Utility/Power Plant	179,836,139	3.93%
Fasken Oil & Ranch Ltd.	Oil & Gas	102,297,672	2.24%
Prospero Solar II LLC	Solar Energy Plant	95,479,440	2.09%
Apache Corp.	Oil & Gas	92,049,328	2.01%
XTO Energy Inc.	Oil & Gas	84,942,566	1.86%
Elevation Resources LLC	Oil & Gas	74,394,363	1.63%
		$ 1,808,615,111	39.55%

Based on Net Assessed Valuation of *$ 4,572,942,126*

2020/21 Top Ten Taxpayers (1) (2)

Name of Taxpayer	Type of Business	2020/21 Taxable Value	% of Net Valuation
COG Operating LLC	Natural Gas Utility	$ 454,288,819	9.54%
Oncor Electric Delivery Co. LLC	Electric Utility/Power Plant	154,034,009	3.24%
Fasken Oil & Ranch Ltd.	Oil & Gas	143,724,839	3.02%
XTO Energy Inc.	Oil & Gas	143,156,178	3.01%
Apache Corp.	Oil & Gas	140,517,727	2.95%
Diamondback E&P LLC	Oil & Gas	131,400,175	2.76%
Pioneer Natural Res. USA Inc.	Oil & Gas	121,367,410	2.55%
Texland Petroleum LP	Oil & Gas	79,544,807	1.67%
Ring Energy Inc.	Oil & Gas	77,610,875	1.63%
Prospero Energy Project LLC	Solar Energy Plant	75,000,000	1.58%
		$ 1,520,644,839	31.94%

Based on Net Assessed Valuation of *$ 4,761,413,078*

2019/20 Top Ten Taxpayers (1) (2)

Name of Taxpayer	Type of Business	2019/20 Taxable Value	% of Net Valuation
XTO Energy Inc.	Oil & Gas	$ 338,480,420	6.93%
COG Operating LLC	Natural Gas Utility	338,278,020	6.93%
Pioneer Natural Res. USA Inc.	Oil & Gas	203,564,130	4.17%
Apache Corp.	Oil & Gas	182,627,444	3.74%
Fasken Oil & Ranch Ltd.	Oil & Gas	169,602,136	3.47%
Diamondback E&P LLC	Oil & Gas	157,166,925	3.22%
Oncor Electric Delivery Co. LLC	Electric Utility/Power Plant	117,989,947	2.42%
ConocoPhillips Co.	Oil & Gas	108,253,010	2.22%
Chevron Midcontinent LP	Oil & Gas	82,581,409	1.69%
Sheridan Production Co. LLC	Oil & Gas	80,267,676	1.64%
		$ 1,778,811,117	36.44%

Based on Net Assessed Valuation of *$ 4,881,382,302*

(1) Source: Andrews County Appraisal District.
(2) As shown in the tables above, the top ten taxpayers in the District currently account for approximately 40% of the District's tax base with over 44% of the taxpayers in the oil and gas industry. Adverse developments in economic conditions, especially in the oil and natural gas industry, could adversely impact the businesses that own oil and/or natural gas properties in the District and the tax values in the District, resulting in less local tax revenue.

CLASSIFICATION OF ASSESSED VALUATION [1] **TABLE 11**

Category		Tax Year 2019/20	% of Total		Tax Year 2020/21	% of Total		Tax Year 2021/22	% of Total
Real, Residential, Single-Family	$	792,888,327	14.91%	$	860,894,974	16.29%	$	914,579,742	15.93%
Real, Residential, Multi-Family		22,698,457	0.43%		23,322,244	0.44%		30,370,521	0.53%
Real, Vacant Lots/Tracts		13,046,977	0.25%		13,506,374	0.26%		15,407,033	0.27%
Real, Qualified Land & Improvements		151,792,041	2.85%		151,958,000	2.88%		152,040,967	2.65%
Real, Non-Qualified Land & Improvements		38,101,957	0.72%		40,767,180	0.77%		42,211,710	0.74%
Real, Commercial/Industrial		264,201,708	4.97%		537,368,011	10.17%		1,038,409,553	18.09%
Oil & Gas		3,110,143,408	58.48%		2,718,266,238	51.45%		2,580,228,961	44.95%
Real & Tangible, Personal & Utilities		338,762,820	6.37%		365,271,167	6.91%		387,401,260	6.75%
Tangible Personal, Business		443,870,474	8.35%		412,695,725	7.81%		345,460,426	6.02%
Tangible Personal, Mobile Homes		23,612,590	0.44%		25,692,439	0.49%		26,344,371	0.46%
Special Inventory Tax		-	0.00%		9,565,959	0.18%		9,142,442	0.16%
Exempt Property		119,474,997	2.25%		124,037,486	2.35%		198,905,671	3.46%
Total Appraised Value	$	5,318,593,756	100.00%	$	5,283,345,797	100.00%	$	5,740,502,657	100.00%
Less:									
10% Capped Homestead Loss	$	16,994,892		$	16,703,541		$	12,273,348	
Homestead Exemption (Local Option)		122,530,313			131,674,192			142,554,380	
Over-65 Exemption Loss (Local Option)		13,080,001			13,006,122			13,662,975	
Disabled Veterans Exemption		3,133,701			3,565,859			3,891,409	
Less than $500 Value		509,113			587,849			629,211	
Abatement Value Loss		17,397,852			88,454,528			652,984,933	
Pollution Control Exemption		4,765,211			4,455,472			5,905,826	
Freeport Exemption		3,568,247			3,932,676			826,099	
Constitutional Exempt		118,965,884			123,449,637			198,276,460	
Amount Lost to Ag Use		136,266,240			136,102,843			136,351,948	
Disaster		-			-			203,942	
Total Exemptions/Deductions	$	437,211,454		$	521,932,719		$	1,167,560,531	
Net Taxable Assessed Valuation	$	4,881,382,302		$	4,761,413,078		$	4,572,942,126	

(1) Source: Andrews County Appraisal District.

ASSESSED VALUATIONS AND PROPERTY TAX RATES **TABLE 12**

Fiscal Year	Net Taxable Assessed Valuation [1]	M&O Tax Rate [1]	I&S Tax Rate [1]	Total Tax Rate	Tax Collections Total [2]
2010/11	$3,771,137,820	$0.26673	$0.00000	$0.26673	99.47%
2011/12	4,154,875,345	0.25673	0.00000	0.25673	99.32%
2012/13	5,251,017,227	0.21981	0.10000	0.31981	99.40%
2013/14	5,652,621,693	0.22110	0.10000	0.32110	99.34%
2014/15	6,748,528,780	0.19612	0.10000	0.29612	99.60%
2015/16	4,683,017,015	0.28650	0.10000	0.38650	98.20%
2016/17	3,368,052,950	0.43037	0.11135	0.54172	97.70%
2017/18	4,028,880,561	0.40603	0.09308	0.49911	98.67%
2018/19	4,423,701,011	0.39966	0.08489	0.48455	98.98%
2019/20	4,881,382,302	0.39233	0.07690	0.46923	98.60%
2020/21	4,761,413,078	0.44266	0.07752	0.52017	98.53%
2021/22	4,572,942,126	0.47496	0.08204	0.55700	

(1) Source: Andrews County Appraisal District.

(2) Source: Andrews County Hospital District.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS — TABLE 13

	Fiscal Year Ended				
	9/30/2016	**9/30/2017**	**9/30/2018**	**9/30/2019**	**9/30/2020**
Operating Revenues					
Net patient service revenue	$ 27,557,697	$ 29,163,031	$ 30,496,223	$ 31,813,787	$ 30,743,583
Other Revenue	3,086,514	3,597,044	3,157,548	3,517,725	2,904,269
Total Operating Revenues	$ 30,644,211	$ 32,760,075	$ 33,653,771	$ 35,331,512	$ 33,647,852
Operating Expenses					
Salaries and wages	$ 21,334,272	$ 21,636,060	$ 21,552,985	$ 22,518,483	$ 23,903,108
Employee Benefits	6,411,216	7,370,949	7,216,377	7,613,095	6,503,691
Purchased services and professional fees	6,087,138	6,552,393	7,200,404	7,372,069	9,077,352
Supplies and other	8,345,026	8,414,094	10,290,487	10,049,557	10,175,522
Depreciation and amortization	2,909,224	4,972,104	5,342,023	5,456,577	5,575,035
Total Expenses	$ 45,086,876	$ 48,945,600	$ 51,602,276	$ 53,009,781	$ 55,234,708
Operating Income (Loss)	$ (14,442,665)	$ (16,185,525)	$ (17,948,505)	$ (17,678,269)	$ (21,586,856)
Nonoperating Revenues (Expenses)					
Property taxes	$ 18,068,211	$ 18,316,063	$ 19,954,847	$ 21,250,239	$ 23,508,184
Investment income	399,843	124,450	287,608	585,967	312,805
Interest expense	(944,204)	(1,757,024)	(1,674,968)	(1,558,129)	(1,380,343)
Gain (loss) of disposal of capital assets	(1,193,206)	4,522	3,454	-	5,915
Tobacco settlement	-	-	-	426,093	474,002
Noncapital grants and gifts	57,170	70,657	305,354	60,660	135,638
Total Nonoperating Revenues (Expenses)	$ 16,387,814	$ 16,758,668	$ 18,876,295	$ 20,764,830	$ 23,056,201
Increase (Decrease) in Net Assets	$ 1,945,149	$ 573,143	$ 927,790	$ 3,086,561	$ 1,469,345
Net Assets, Beginning of Year	55,740,841	57,685,990	58,259,133	59,186,923	62,273,484
Net Assets, End of Year	$ 57,685,990	$ 58,259,133	$ 59,186,923	$ 62,273,484	$ 63,742,829

Note: As illustrated in the Audited Financial Report in Appendix D, the Hospital District increased its Cash and Cash Equivalents from $18.8mm in FYE 2019 to $23.5mm in FYE 2020. This increase is also reflected in the Statement of Cash Flows in the Audited Financial Report. The Board of Directors has designated $8mm of assets for the construction of a new memory care facility. The estimated cost of construction is $8mm. During the two-year construction period, the Hospital District hopes to continue the positive cash flows that were achieved in the FYE 2019 and 2020 years, with an estimate of approximately $3mm per year. If this occurs, then the net cash decline over the two-year period could be $2mm ($8mm spent for construction, $3mm per year added back from cash flow performance). This note is provided to potential investors to reflect that the Hospital District does plan for some amount of cash drawdown over the next couple of years for a cash construction project, and the exact amount of the drawdown cannot be entirely predicted.

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

GENERAL AND ECONOMIC INFORMATION

Andrews County Hospital District

The Andrews County Hospital District owns and operates an acute care hospital system providing inpatient, outpatient and emergency care services. The District is committed to providing quality medical care for City of Andrews and the surrounding areas. The District is located in Andrews County, Texas.

SOURCE OF GROSS PATIENT REVENUES

	FYE 2017	FYE 2018	FYE 2019	FYE 2020	YTD 2021*
Medicare	24.2%	25.2%	23.6%	24.5%	24.4%
Medicaid	15.4%	15.0%	14.4%	13.5%	14.4%
Commercial Insurance	42.7%	43.8%	44.6%	45.2%	44.4%
Private Pay and Other	17.6%	16.1%	17.3%	16.8%	16.8%
	100.0%	100.0%	100.0%	100.0%	100.0%

**as of September 30, 2021*

UTILIZATION DATA

	FYE 2017	FYE 2018	FYE 2019	FYE 2020	YTD 2021*
Average Acute Care Beds in Service	0	0	0	34	34
Admissions	1,276	1,101	1,153	881	943
Patient Days	2,528	2,261	2,160	1,630	2,419
Average Length of Stay	1.85	2.05	1.87	1.81	4.10
Percent Occupancy	5.7%	6.2%	5.9%	4.4%	6.6%
Emergency Room Visits	7,881	8,912	9,304	8,254	8,651
Outpatient Surgery	548	590	539	302	662
Observation Days	762	1,511	988	696	687
Equivalent Patient Days	3,290	3,72	3,148	2,326	3,106

**as of September 30, 2021*

CURRENT MEDICAL STAFF INFORMATION

	As of September 30, 2020			As of September 1, 2021		
	Total	Certified	% Certified	Total	Certified	% Certified
Active	37	37	100%	37	37	100%
Courtesy	8	8	100%	8	8	100%
Other (Consulting)	0	0	-	0	0	-
	45	45	100%	45	45	100%

CURRENT BED CATEGORIES (As of September 1, 2021)

Bed Category	Licensed Beds	Beds in Service
Medical/Surgical	28	28
Critical Care	2	2
Pediatric	0	0
Obstetric	6	6
NICU	-	-
PICU	-	-
TOTAL	36	36
Bassinets	0	0

CURRENT MEDICAL STAFF SPECIALTIES (As of September 1, 2021)

Specialty	Number of Physicians	Avg. Age	% Board Certified
Family Practice	6	0	100%
Internal Medicine	0	0	0%
OB/GYN	0	0	0%
Podiatry	1	41	100%
Surgery	3	45	100%
	10		

INPATIENT ORIGIN BY COUNTY

	FYE 2017	FYE 2018	FYE 2019	FYE 2020	YTD 2021*
Primary Service Area:					
Andrews County	86.0%	85.0%	81.0%	85.0%	88.0%
Secondary Service Area:					
Crane County	0.0%	0.0%	0.0%	0.0%	0.0%
Dawson County	0.0%	0.0%	1.0%	1.0%	1.0%
Ector County	4.0%	5.0%	4.0%	1.0%	1.0%
Gaines County	1.0%	2.0%	2.0%	4.0%	4.0%
Howard County	0.0%	0.0%	1.0%	1.0%	1.0%
Midland County	0.0%	0.0%	1.0%	0.0%	0.0%
Presidio County	0.0%	0.0%	0.0%	0.0%	0.0%
Reeves County	0.0%	0.0%	1.0%	0.0%	0.0%
Terry County	1.0%	0.0%	1.0%	1.0%	0.0%
Tom Green County	0.0%	0.0%	1.0%	1.0%	1.0%
Upton County	0.0%	0.0%	0.0%	0.0%	0.0%
Ward County	0.0%	0.0%	1.0%	1.0%	0.0%
Winkler County	1.0%	1.0%	1.0%	1.0%	1.0%
Yoakum County	1.0%	1.0%	1.0%	1.0%	0.0%
Lea County NM	4.0%	3.0%	3.0%	2.0%	2.0%
Other	2.0%	3.0%	1.0%	1.0%	1.0%
Total Secondary Service Area	14.0%	15.0%	19.0%	15.0%	12.0%
	100%	100%	100%	100%	100%

**as of September 30, 2021*

Principal Employers within the District

Name of Company	Type of Business	Number of Employees
Andrews ISD	Public Education	583
Permian Regional Medical Center	Healthcare	350
Kirby West Co.	Manufacturer	150
Andrews County	Government	153
Key Energy Services	Oil Well Services	145
Waste Control Specialists	Waste Disposal	100
Nabors Industries Ltd.	Oil Well Services	100
Basic Energy Services	Oil Well Services	100

Unemployment Rates

	September 2019	September 2020	September 2021
Andrews County	2.4%	9.5%	5.1%
State of Texas	3.4%	8.0%	4.9%

Source: Texas Workforce Commission.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

Proposed Form of Opinion of Bond Counsel

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.

ANDREWS COUNTY HOSPITAL DISTRICT, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021
IN THE AGGREGATE PRINCIPAL AMOUNT OF $__________

AS BOND COUNSEL FOR ANDREWS COUNTY HOSPITAL DISTRICT, TEXAS (the "Issuer") in connection with the issuance of the 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. Terms used herein and not otherwise defined shall have the meaning given in the order of the Issuer authorizing the issuance and sale of the Bonds (the "Order").

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 of the Bonds, including the executed Bonds.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued, and delivered in accordance with law; and that the Bonds, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity and sovereign immunity of political subdivisions which permit the exercise of judicial discretion, 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, within the limit prescribed by law, as provided in the Order.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed or refinanced therewith, and the report or certificate verifying the sufficiency of the amounts deposited to the escrow fund to pay the principal of and interest on the refunded obligations when due. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Issuer to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning 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. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

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

AUDITED FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2020

Andrews County Hospital District
d/b/a Permian Regional Medical Center
Independent Auditor's Report and Financial Statements

September 30, 2020 and 2019

Andrews County Hospital District
d/b/a Permian Regional Medical Center
September 30, 2020 and 2019

Contents

BKD
CPAs & Advisors

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Independent Auditor's Report

Board of Directors
Andrews County Hospital District
d/b/a Permian Regional Medical Center
Andrews, Texas

We have audited the accompanying financial statements of Andrews County Hospital District d/b/a Permian Regional Medical Center (the District), as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of September 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits 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.

BKD, LLP

Waco, Texas
February 24, 2021

Andrews County Hospital District
d/b/a Permian Regional Medical Center
Management's Discussion and Analysis
Years Ended September 30, 2020 and 2019

Introduction

This management's discussion and analysis of the financial performance of Andrews County Hospital District d/b/a Permian Regional Medical Center (the District) provides an overview of the District's financial activities for the years ended September 30, 2020 and 2019. It should be read in conjunction with the accompanying financial statements of the District.

Financial Highlights

- Cash and investments increased in 2020 by $4,521,264, or 22.4%, and increased in 2019 by $3,323,217, or 19.7%.
- The District's net position increased in each of the past two years with a $1,469,345, or 2.4%, increase in 2020 and a $3,086,561, or 5.2%, increase in 2019.
- The District reported operating losses in 2020 of $21,586,856 and in 2019 of $17,678,269. The operating loss in 2020 increased by $3,908,587, or 22.1%, over the operating loss reported in 2019. The operating loss in 2019 decreased by $663,814, or 3.6%, from the operating loss reported in 2018.
- Net nonoperating revenues increased by $2,291,371, or 11.0%, in 2020 compared to 2019 and increased by $1,494,957, or 7.8%, in 2019 compared to 2018.

Using This Annual Report

The District's financial statements consist of three statements—a balance sheet; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the District, including resources held by the District but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The District is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about any hospital's finances is, "Is the hospital as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Position report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets, deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. The District's total net position—the difference between its assets and deferred outflows of resources and its liabilities and deferred inflows of resources—is one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating.

Other nonfinancial factors, such as changes in the District's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors, should also be considered to assess the overall financial health of the District.

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

The District's Net Position

The District's net position is the difference between its assets and deferred outflows of resources and liabilities and deferred inflows of resources reported in the accompanying balance sheets. The District's net position increased by $1,469,345, or 2.4%, in 2020 over 2019 and by $3,086,561, or 5.2%, in 2019 over 2018 as shown in Table 1.

Table 1: Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

	2020	2019	2018
Assets			
Cash, cash equivalents and short-term certificates of deposit	$ 24,727,753	$ 20,206,489	$ 16,883,272
Patient accounts receivable, net	4,125,489	4,401,663	4,054,041
Other current assets	4,795,052	3,356,190	3,721,265
Capital assets, net	73,842,135	77,747,769	81,894,830
Other noncurrent assets	1,276,541	873,916	1,102,381
Total assets	108,766,970	106,586,027	107,655,789
Deferred Outflows of Resources - Pensions	1,488,772	4,452,011	1,498,403
Total assets and deferred outflows of resources	$ 110,255,742	$ 111,038,038	$ 109,154,192
Liabilities			
Long-term debt, including current maturities	$ 35,790,632	$ 39,402,809	$ 42,901,702
Other current and noncurrent liabilities	9,044,744	8,902,131	5,986,927
Total liabilities	44,835,376	48,304,940	48,888,629
Deferred Inflows of Resources - Pensions	1,677,537	459,614	1,078,640
Net Position			
Net investment in capital assets	37,970,717	38,344,960	38,993,128
Restricted expendable for debt service	-	169,433	141,415
Restricted for net pension asset	361,351	-	264,622
Unrestricted	25,410,761	23,759,091	19,787,758
Total net position	63,742,829	62,273,484	59,186,923
Total liabilities, deferred inflows of resources and net position	$ 110,255,742	$ 111,038,038	$ 109,154,192

A significant change in the District's 2020 and 2019 assets is the increase in cash and cash equivalents, due to participation in Medicaid supplemental programs and ongoing collection efforts. The significant decrease in capital assets is due to the depreciation of the expansion project assets completed in 2016.

Included in other current and noncurrent liabilities in 2020 is $5,304,215 of provider relief funds as a result of the COVID-19 pandemic. See *Note 13*.

Operating Results and Changes in the District's Net Position

In 2020, the District's net position increased by $1,469,345, or 2.4%, as shown in Table 2. This increase is made up of several different components and represents an increase of $1,617,216 compared with the increase in net position for 2019 of $3,086,561. The District's change in net position increased from $927,790 in 2018 to $3,086,561 in 2019, an increase of $2,158,771 .

Table 2: Operating Results and Changes in Net Position

	2020	2019	2018
Operating Revenues			
Net patient service revenue	$ 30,743,583	$ 31,813,787	$ 30,496,223
Other	2,904,269	3,517,725	2,763,970
Total operating revenues	33,647,852	35,331,512	33,260,193
Operating Expenses			
Salaries, wages and employee benefits	30,406,799	30,131,578	28,769,362
Purchased services and professional fees	9,077,352	7,372,069	7,200,404
Depreciation and amortization	5,575,035	5,456,577	5,342,023
Supplies and other	10,175,522	10,049,557	10,290,487
Total operating expenses	55,234,708	53,009,781	51,602,276
Operating Loss	(21,586,856)	(17,678,269)	(18,342,083)
Nonoperating Revenues (Expenses)			
Property taxes	23,508,184	21,250,239	19,954,847
Investment income	312,805	585,967	287,608
Interest expense	(1,380,343)	(1,558,129)	(1,674,968)
Gain on disposal of capital assets	5,915	-	3,454
Tobacco settlement	474,002	426,093	393,578
Noncapital grants and gifts	135,638	60,660	305,354
Total nonoperating revenues, net	23,056,201	20,764,830	19,269,873
Increase in Net Position	$ 1,469,345	$ 3,086,561	$ 927,790

Operating Losses

The first component of the overall change in the District's net position is its operating income or loss—generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In each of the past three years, the District has reported an operating loss. This is consistent with the District's recent operating history as the District was formed and is operated primarily to serve residents of Andrews County and the surrounding area. The District levies property taxes to provide resources to assist the District in serving lower income and other residents.

The operating loss for 2020 increased by $3,908,587, or 22.1%, as compared to 2019. The primary components of the decreased operating loss are:

- An decrease in operating revenues of $1,683,660, or 4.8%, primarily attributed to decrease in volumes as a result of the COVID-19 pandemic. See *Note 13*.
- An increase in salaries, wages and employee benefits of $275,221, or 0.9%.
- An increase in purchased services and professional fees of $1,705,283, or 23.1%, due to increase in payments to hospitalists and medical staffing.

The operating loss for 2019 decreased by $663,814, or 3.6%, as compared to 2018. The primary components of the decreased operating loss are:

- An increase in operating revenues of $2,071,319, or 6.2%, due to increased outpatient revenues.
- An increase in salaries, wages and employee benefits of $1,362,216, or 4.7%, due to increased salaries for outpatient services.
- A decrease in supplies and other of $240,930, or 2.3%, due to a decrease in pharmacy and clinic supplies.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of property taxes levied by the District and investment income and interest expense. Investment income decreased by $273,162, or 46.6%, in 2020 as compared to 2019, property tax revenue increased in 2020 by $2,257,945, or 10.6%, compared to 2019 and interest expense decreased in 2020 by $177,786, or 11.4%, compared to 2019, due to the paydown of long-term debt.

The District's Cash Flows

Changes in the District's cash flows are consistent with changes in operating losses and nonoperating revenues and expenses discussed earlier.

Capital Asset and Debt Administration

Capital Assets

At September 30, 2020 and 2019, the District had $73,842,135 and $77,747,769, respectively, invested in capital assets, net of accumulated depreciation, as detailed in *Note 5* to the financial statements. In 2020 and 2019, the District purchased capital assets costing $1,669,401 and $1,309,516, respectively.

Debt

At September 30, 2020 and 2019, the District had $35,790,632 and $39,402,809, respectively, in revenue bonds and a promissory note as detailed in *Note 9* to the financial statements. The District's revenue bonds are subject to limitations imposed by state law.

Contacting the District's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the District's Business Administration by telephoning 432.523.2200.

Andrews County Hospital District
d/b/a Permian Regional Medical Center
Balance Sheets
September 30, 2020 and 2019

Assets and Deferred Outflows of Resources

	2020	2019
Current Assets		
Cash and cash equivalents	$ 23,574,138	$ 18,825,983
Short-term certificates of deposit	1,108,430	1,094,432
Restricted cash and investments, current	45,185	286,074
Patient accounts receivable, net of allowance; 2020 - $1,599,000; 2019 - $1,082,000	4,125,489	4,401,663
Property taxes receivable	745,827	614,021
Estimated amounts due from third-party payers	2,011,053	588,595
Supplies	1,390,877	1,252,831
Prepaid expenses and other	647,295	900,743
Total current assets	33,648,294	27,964,342
Capital Assets, Net	73,842,135	77,747,769
Net Pension Asset	361,351	-
Other Assets	915,190	873,916
Total assets	108,766,970	106,586,027
Deferred Outflows of Resources - Pensions	1,488,772	4,452,011
Total assets and deferred outflows of resources	$ 110,255,742	$ 111,038,038

See Notes to Financial Statements

Liabilities, Deferred Inflows of Resources and Net Position

	2020	2019
Current Liabilities		
Current maturities of long-term debt	$ 3,757,785	$ 3,630,061
Unearned revenue-provider relief funds	5,304,215	-
Accounts payable	555,826	716,078
Estimated amounts due to third-party payers	-	650,622
Accrued expenses	3,018,683	3,660,627
Total current liabilities	12,636,509	8,657,388
Estimated Amounts Due to Third-Party Payers	166,020	-
Long-term Debt	32,032,847	35,772,748
Net Pension Liability	-	3,874,804
Total liabilities	44,835,376	48,304,940
Deferred Inflows of Resources - Pensions	1,677,537	459,614
Net Position		
Net investment in capital assets	37,970,717	38,344,960
Debt service	-	169,433
Restricted for net pension asset	361,351	-
Unrestricted	25,410,761	23,759,091
Total net position	63,742,829	62,273,484
Total liabilities, deferred inflows of resources and net position	$ 110,255,742	$ 111,038,038

Andrews County Hospital District
d/b/a Permian Regional Medical Center
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2020 and 2019

	2020	2019
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2020 - $2,629,000 and 2019 - $5,028,000	$ 30,743,583	$ 31,813,787
Other	2,904,269	3,517,725
Total operating revenues	33,647,852	35,331,512
Operating Expenses		
Salaries and wages	23,903,108	22,518,483
Employee benefits	6,503,691	7,613,095
Purchased services and professional fees	9,077,352	7,372,069
Supplies and other	10,175,522	10,049,557
Depreciation and amortization	5,575,035	5,456,577
Total operating expenses	55,234,708	53,009,781
Operating Loss	(21,586,856)	(17,678,269)
Nonoperating Revenues (Expenses)		
Property taxes	23,508,184	21,250,239
Investment income	312,805	585,967
Interest expense	(1,380,343)	(1,558,129)
Gain on disposal of capital assets	5,915	-
Tobacco settlement	474,002	426,093
Noncapital grants and gifts	135,638	60,660
Total nonoperating revenues	23,056,201	20,764,830
Increase in Net Position	1,469,345	3,086,561
Net Position, Beginning of Year	62,273,484	59,186,923
Net Position, End of Year	$ 63,742,829	$ 62,273,484

Andrews County Hospital District
d/b/a Permian Regional Medical Center
Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	2020	2019
Operating Activities		
Receipts from and on behalf of patients	$ 29,597,299	$ 31,774,652
Payments to suppliers and contractors	(19,904,386)	(18,282,157)
Payments to employees	(31,103,736)	(29,733,498)
Other receipts, net	2,904,269	3,517,725
Net cash used in operating activities	(18,506,554)	(12,723,278)
Noncapital Financing Activities		
Property taxes supporting operations	19,636,158	17,499,057
Proceeds from provider relief funds	5,304,215	-
Proceeds received from tobacco settlement	474,002	426,093
Noncapital grants and gifts	135,638	60,660
Net cash provided by noncapital financing activities	25,550,013	17,985,810
Capital and Related Financing Activities		
Property taxes supporting capital activities	3,740,220	3,841,256
Principal paid on long-term debt	(3,623,806)	(3,499,282)
Interest paid on long-term debt	(1,368,714)	(1,557,740)
Purchase of capital assets	(1,588,615)	(1,309,516)
Net cash used in capital and related financing activities	(2,840,915)	(2,525,282)
Investing Activities		
Investment earnings	312,805	585,967
Purchase of investments	(13,998)	(15,300)
Other investing activities	5,915	-
Net cash provided by investing activities	304,722	570,667
Increase in Cash and Cash Equivalents	4,507,266	3,307,917
Cash and Cash Equivalents, Beginning of Year	19,112,057	15,804,140
Cash and Cash Equivalents, End of Year	$ 23,619,323	$ 19,112,057

Andrews County Hospital District
d/b/a Permian Regional Medical Center
Statements of Cash Flows (Continued)
Years Ended September 30, 2020 and 2019

	2020	2019
Reconciliation of Operating Loss to		
Net Cash Used in Operating Activities		
Operating loss	$ (21,586,856)	$ (17,678,269)
Depreciation and amortization	5,575,035	5,456,577
Provision for uncollectible accounts	2,628,641	5,028,000
Changes in operating assets and liabilities:		
Patient accounts receivable	(2,352,467)	(5,375,622)
Estimated amounts due from and to third-party payers	(1,907,060)	(691,513)
Accounts payable and accrued expenses	(882,982)	40,400
Deferred outflows of resources - pensions	2,963,239	(2,953,608)
Deferred inflows of resources - pensions	1,217,923	(619,026)
Net pension liability/asset	(4,236,155)	4,139,426
Other assets and liabilities	74,128	(69,643)
Net cash used in operating activities	$ (18,506,554)	$ (12,723,278)
Supplemental Cash Flows Information		
Capital assets acquisitions included in accounts payable	$ 80,786	$ -

Andrews County Hospital District
d/b/a Permian Regional Medical Center
Notes to Financial Statements
September 30, 2020 and 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Andrews County Hospital District d/b/a Permian Regional Medical Center (the District) operates an acute care hospital located in Andrews, Texas. The District primarily earns revenues by providing inpatient, outpatient, intermediate nursing and emergency care services for residents of Andrews County, Texas. It also operates physician clinics in the same geographic area. The District was formed as a hospital district in May 2001 under Article IX, Section 9, of the Texas Constitution and is governed by a seven-member board of directors elected by the citizens of Andrews County, Texas.

Permian Physician Services, Inc. (the Corporation) is a nonprofit health organization and was organized as a 501(a) entity for the purpose of employing physicians. The Corporation is considered a blended component unit of the District. There were no significant activities or balances in the current year.

Basis of Accounting and Presentation

The accompanying financial statements of the District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and deferred outflows of resources and liabilities and deferred inflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program-specific, property taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The District first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

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

Cash Equivalents

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2020 and 2019, cash equivalents consisted primarily of investments in the Texas Local Government Investment Pool (TexPool).

Property Taxes

The District received approximately 41% and 37% in 2020 and 2019, respectively, of its financial support from property taxes. These funds were used as follows:

	2020	2019
Percentage used to support operations	84%	77%
Percentage used for debt service on bonds	16%	23%
Total	100%	100%

Property taxes are levied by the District on October 1 of each year based on the preceding January 1 assessed property values. To secure payment, an enforceable lien attaches to the property on January 1, when the value is assessed. Property taxes become due and payable when levied on October 1. This is the date on which an enforceable legal claim arises and the District records a receivable for the property tax assessment less an allowance for uncollectible taxes. Property taxes are considered delinquent after January 31 of the following year.

The District enters into property tax abatement agreements with local businesses under the state *Property Redevelopment and Tax Abatement Act* (the Act). Under the Act, counties may designate reinvestment zones within the county boundaries, excluding municipal areas. The District, which shares part of the county boundaries, may grant abatements to applicant companies to develop projects within the reinvestment zones that are expected to provide economic benefits. The District can grant property tax abatements of up to 100 percent of a business' property tax bill. The abatements may be granted to any business developing within or promising to develop in the designated zones.

For the fiscal years ended September 30, 2020 and 2019, the District abated property taxes totaling $90,502 and $97,486, respectively, under this program. The tax abatements included agreements for 23 properties with 100% abatements for the development of commercial/industrial facilities. In return for the abatements, the developers agree to complete the projects within a reasonable time period and to continue operations for the seven-year abatement period. The District can recapture the abated taxes on any removed improvements from the date of the abatement election.

Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The District is self-insured for a portion of its exposure to risk of loss from employee health claims. Annual estimated provisions are accrued for the self-insured portion of employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Investment Income

Investment income includes interest income.

Patient Accounts Receivable

The District reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The District provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Supplies

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the District:

Land improvements	25–50 years
Buildings and improvements	25–50 years
Equipment	3–20 years

Deferred Outflows of Resources

The District reports the consumption of net position that is applicable to a future reporting period as deferred outflows of resources in a separate section of its balance sheet.

Compensated Absences

District policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash.

Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs, and no liability is accrued for such benefits employees have earned but not yet realized.

Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Defined Benefit Pension Plan

The District has an agent multiple-employer defined benefit pension plan through the Texas County and District Retirement System (the Plan). For purposes of measuring the net pension liability and deferred outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources

The District reports an acquisition of net position that is applicable to a future reporting period as deferred inflows of resources in a separate section of its balance sheet.

Net Position

Net position of the District is classified in four components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable for debt service is noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the District, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Restricted for pensions represents assets restricted for providing contributions to the agent multiple-employer defined benefit pension plan which provides pensions in accordance with the benefit terms of the plan. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Net Patient Service Revenue

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The District provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the District does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Tobacco Settlement

Tobacco settlement revenue is the result of a settlement between various counties and hospital districts in Texas and the tobacco industry for tobacco-related health care costs. The District received $474,002 and $426,093 in revenue from this settlement for the years ended September 30, 2020 and 2019, respectively.

Income Taxes

The District is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the District is subject to federal income tax on any unrelated business taxable income. The Corporation is subject to federal income tax, but activity is insignificant.

Note 2: Net Patient Service Revenue

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. These payment arrangements include:

Medicare. Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The District is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare administrative contractor.

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology for certain services and at prospectively determined rates for all other services. The District is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid administrative contractor.

Approximately 50% and 46% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended September 30, 2020 and 2019, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Supplemental Medicaid Funding

On December 12, 2011, the United States Department of Health and Human Services (HHSC) approved a Medicaid Section 1115(a) demonstration entitled "Texas Health Transformation and Quality Improvement Program" (Waiver). The Waiver expanded existing Medicaid managed care programs and established two funding pools that assist providers with uncompensated care costs (UC Pool) and promote health system transformation (DSRIP Pool). The revenue from the two funding pools is recognized as earned throughout the related demonstration year. The Waiver was originally effective from December 12, 2011 to September 30, 2016 and extended through December 2017 as HHSC and the Center for Medicare and Medicaid Services (CMS) negotiated a longer-term extension. On December 21, 2017, HHSC received an approved extension from CMS for the period of January 1, 2018 through September 30, 2022. Among other changes, the approved plan requires a change in the methodology used to allocate UC funds and a phase out of the DSRIP program over the five year period. On November 30, 2020, CMS approved an additional extension to extend the Waiver for an additional ten-year period through September 30, 2030. This latest extension ends the DSRIP pool effective September 30, 2021, expands and adds other direct payment programs and makes other administrative changes to reflect CMS policy changes. The impact of these changes has not yet been determined, but could have an adverse impact on the District's operating results.

Under the Waiver, eligibility to receive UC Pool or DSRIP Pool payments requires participation in a regional health care partnership. Within a partnership, participants include governmental entities providing public funds known as intergovernmental transfers (IGTs), Medicaid providers and other stakeholders. Participants develop a regional plan that identifies partners, community needs, the proposed projects to meet those needs and funding distribution. Each partnership must have one anchoring entity, which acts as a primary point of contact for HHSC in the region and is responsible for seeking regional stakeholder engagement and coordinating development of a regional plan.

Total funding recognized through the Texas Medicaid supplemental funding programs was approximately $2,755,000 and $2,957,000 for the years ended September 30, 2020 and 2019, respectively. The District has recorded estimated overpayments of approximately $651,000 for the year ended September 30, 2019, included in estimated amounts due to third-party payers on the balance sheet.

The funding from the DSH Program and the UC Pool has historically been limited by a federally determined Hospital Specific Limit (HSL) calculation and is subject to recoupment based on subsequent audit results. There has been litigation in U.S. district and circuit appellate courts regarding the legislative intent of certain aspects of the HSL calculation. On August 13, 2019, the D.C. Circuit Court of Appeals issued an opinion in the case of *Children's Hospital Association of Texas vs. Azar* that held that the HSL could be reduced by payments received from other third-party payers related to Medicaid eligible patients and remanded the case back to the District Court. The District Court's final ruling on this case was issued in November 2020, and hospitals in Texas lost the challenge to the HHS ruling which was reinstated back to the rule's original 2017 effective date. The District has recorded an expected overpayment related to this ruling of approximately $166,000, which is included in estimated amounts due to third-party payers on the balance sheet.

The District also participates in the Quality Improvement Payment Program (QIPP) that was effective starting September 30, 2017. This program was designed to assist nursing facilities serving indigent patients by providing funding to support increased access to health care within the community. QIPP allows participating providers to receive additional reimbursement if they either reach certain national benchmarks or if they make quarterly improvements in up to four predetermined quality measures. Revenue recognized under the programs (net of any intergovernmental transfer payments) was approximately $292,000 and $251,000 for the years ending September 30, 2020 and 2019, respectively, and is included in net patient service revenue in the statements of revenues, expenses, and changes in net position. At September 30, 2020 and 2019, the District had recorded estimated receivables under the programs of $428,000 and $265,000, respectively. At September 30, 2020 and 2019 the estimated receivable included $336,000 and $191,000, respectively, of prepaid intergovernmental transfers, which the District is required to contribute in advance of receiving any gross proceeds.

The District also participates in the Uniform Hospital Rate Increase Program (UHRIP). Under UHRIP, HHSC may direct managed care organizations in a service delivery area to provide a uniform percentage rate increase to all hospitals within a particular class of hospitals, increasing revenue from services provided to Medicaid managed care beneficiaries. The state's share of UHRIP funding is funded through intergovernmental transfers from certain hospitals. The net revenue from UHRIP is recognized as a component of net patient service revenue. At September 30, 2020 and 2019, the District has recorded prepaid intergovernmental transfer amounts under this program of $232,000 and $244,000, respectively, and is included in estimated amounts due from third-party payers in the balance sheet.

These programs are subject to ongoing review by HHSC and the state of Texas and the funding is subject to recoupment based on future audits. The historical funding is not necessarily representative of funding the District will receive in future years.

Note 3: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Texas; bonds of any city, county, school district or special road district of the state of Texas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At September 30, 2020 and 2019, all of the District's uninsured deposits were collateralized by collateral held by the pledging financial institution's agent in the District's name.

Investments

The District may legally invest in public fund investment pools, direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies or instrumentalities and in bank repurchase agreements.

At September 30, the District had the following investments and maturities:

	2020				
		Maturities in Years			
Type	Amortized Cost	Less than 1	1–5	6–10	More than 10
TexPool	$ 23,783,045	$ 23,783,045	$ -	$ -	$ -

	2019				
		Maturities in Years			
Type	Amortized Cost	Less than 1	1–5	6–10	More than 10
TexPool	$ 18,740,852	$ 18,740,852	$ -	$ -	$ -

TexPool is organized as a state investment pool. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure.

Interest Rate Risk **–** Interest rate risk is the risk that market values of investments will change based on changes in market interest rates. The District's investment policy does not specifically limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. State investment pools are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk **–** Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the District's policy to limit its investments to federal agencies, U.S. Treasuries and/or other U.S. government-backed securities maturing in two years or less, TexPool, fully collateralized by certificates of deposit that mature in two years or less and fully collateralized demand deposits. At September 30, 2020 and 2019, the District's investment in TexPool was rated AAAm by Standard & Poor's.

Custodial Credit Risk **–** For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District is not exposed to custodial credit risk for investments as investments are limited to external investment pools.

Concentration of Credit Risk **–** The District places no limit on the amount that may be invested in any one issuer.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the accompanying balance sheets as follows:

	2020	2019
Carrying value		
Deposits	$ 944,708	$ 1,465,637
Investments	23,783,045	18,740,852
	$ 24,727,753	$ 20,206,489
Included in the following balance sheet captions		
Cash and cash equivalents	$ 23,574,138	$ 18,825,983
Short-term certificates of deposit	1,108,430	1,094,432
Restricted cash and investments, current	45,185	286,074
	$ 24,727,753	$ 20,206,489

Note 4: Patient Accounts Receivable

The District grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at September 30 consisted of:

	2020	2019
Medicare	$ 713,499	$ 428,701
Medicaid	191,618	458,343
Other third-party payers	2,992,431	2,472,769
Patients	1,826,941	2,123,850
	5,724,489	5,483,663
Less allowance for uncollectible accounts	1,599,000	1,082,000
	$ 4,125,489	$ 4,401,663

Note 5: Capital Assets

Capital assets activity for the years ended September 30 was:

	2020				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 329,808	$ 50,924	$ -	$ -	$ 380,732
Land improvements	317,258	-	-	-	317,258
Buildings and improvements	76,023,057	14,406	-	-	76,037,463
Equipment	30,447,931	1,214,817	-	-	31,662,748
Construction in progress	194,754	389,254	-	-	584,008
	107,312,808	1,669,401	-	-	108,982,209
Less accumulated depreciation					
Land improvements	269,417	27,848	-	-	297,265
Buildings and improvements	10,689,752	2,306,714	-	-	12,996,466
Equipment	18,605,870	3,240,473	-	-	21,846,343
	29,565,039	5,575,035	-	-	35,140,074
Capital assets, net	$ 77,747,769	$ (3,905,634)	$ -	$ -	$ 73,842,135

	2019				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 329,808	$ -	$ -	$ -	$ 329,808
Land improvements	317,258	-	-	-	317,258
Buildings and improvements	76,023,057	-	-	-	76,023,057
Equipment	29,301,511	1,146,420	-	-	30,447,931
Construction in progress	31,658	163,096	-	-	194,754
	106,003,292	1,309,516	-	-	107,312,808
Less accumulated depreciation					
Land improvements	241,569	27,848	-	-	269,417
Buildings and improvements	8,502,335	2,187,417	-	-	10,689,752
Equipment	15,364,558	3,241,312	-	-	18,605,870
	24,108,462	5,456,577	-	-	29,565,039
Capital assets, net	$ 81,894,830	$ (4,147,061)	$ -	$ -	$ 77,747,769

Construction in progress, as of September 30, 2020, includes construction for the family birthplace expansion expected to be complete in May 2021. The expansion project is being funded through existing cash balances and management anticipates the total cost to be approximately $3,000,000.

Note 6: Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses included in current liabilities at September 30 consisted of:

	2020	2019
Payable to suppliers and contractors	$ 555,826	$ 716,078
Payable to employees (including payroll taxes and benefits)	2,540,683	2,867,627
Payable for employee health claims	478,000	793,000
	$ 3,574,509	$ 4,376,705

Note 7: Medical Malpractice Claims

The District is a unit of government covered by the Texas Tort Claims Act, which, by statute, limits its liability to $100,000 per person/$300,000 per occurrence. These limits coincide with the malpractice insurance coverage maintained by the District. The District purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claims costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the District's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 8: Employee Health Claims

Substantially all the District's employees and their dependents are eligible to participate in the District's employee health insurance plan. The District is self-insured for health claims of participating employees and dependents up to $75,000 per individual. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount. At September 30, 2020 and 2019, the District has recorded estimated receivables of approximately $0 and $531,000, respectively, for the stop-loss coverage which is recorded in prepaid expenses and other on the balance sheet. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible the District's estimate will change by a material amount in the near term.

Activity in the District's accrued employee health claims liability during 2020 and 2019 is summarized as follows:

	2020	2019
Balance, beginning of year	$ 793,000	$ 1,115,386
Current year claims incurred and changes in estimates for claims incurred in prior years	3,579,938	6,491,667
Claims and expenses paid	(3,894,938)	(6,814,053)
Balance, end of year	$ 478,000	$ 793,000

Note 9: Long-Term Debt

The following is a summary of long-term debt transactions for the District for the years ended September 30:

	2020				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
2017					
Promissory Note	$ 1,682,287	$ -	$ (783,806)	$ 898,481	$ 822,785
2014					
General Obligation Bonds, Series Bond 2014	3,785,000	-	(400,000)	3,385,000	415,000
2013					
General Obligation Bonds, Series Bond 2013	13,125,000	-	(775,000)	12,350,000	805,000
Net bond discount	(57,849)	-	(1,098)	(58,947)	-
2012					
General Obligation Bonds, Series Bond 2012	19,715,000	-	(1,250,000)	18,465,000	1,285,000
Net bond discount	(136,629)	-	12,727	(123,902)	-
2008					
Revenue Refunding Bonds, Series 2008	1,290,000	-	(415,000)	875,000	430,000
Total long-term debt	$ 39,402,809	$ -	$ (3,612,177)	$ 35,790,632	$ 3,757,785

	2019				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
2017					
Promissory Note	$ 2,441,569	$ -	$ (759,282)	$ 1,682,287	$ 790,061
2014					
General Obligation Bonds, Series Bond 2014	4,170,000	-	(385,000)	3,785,000	400,000
2013					
General Obligation Bonds, Series Bond 2013	13,870,000	-	(745,000)	13,125,000	775,000
Net bond premium	(48,632)	-	(9,217)	(57,849)	-
2012					
General Obligation Bonds, Series Bond 2012	20,930,000	-	(1,215,000)	19,715,000	1,250,000
Net bond discount	(146,235)	-	9,606	(136,629)	-
2008					
Revenue Refunding Bonds, Series 2008	1,685,000	-	(395,000)	1,290,000	415,000
Total long-term debt	$ 42,901,702	$ -	$ (3,498,893)	$ 39,402,809	$ 3,630,061

General Obligation Bonds, Series 2014

The Series 2014 general obligation bonds (the 2014 Bonds) payable in the original amount of $9,500,000, dated September 25, 2014, bear interest at 3.39%. The 2014 Bonds are payable in annual installments in amounts ranging from $345,000 to $3,295,000 through March 15, 2029, with interest payable semi-annually. All of the 2014 Bonds outstanding may be redeemed at the District’s option on or after March 15, 2023, at par plus any accrued interest. The 2014 Bonds are secured by the ad valorem taxes levied annually by the District, and are not payable from the operating revenues of the District. The proceeds were used for the construction and equipping of a replacement hospital facility.

General Obligation Bonds, Series 2013

The Series 2013 general obligation bonds (the 2013 Bonds) payable in the original amount of $19,500,000, dated September 1, 2013, bear interest at 2.000% to 5.000%. The 2013 Bonds are payable in annual installments in amounts ranging from $590,000 to $2,925,000 through March 15, 2032, with interest payable semi-annually. All of the 2013 Bonds outstanding may be redeemed at the District's option on or after March 15, 2023, at par plus any accrued interest. The 2013 Bonds are secured by the ad valorem taxes levied annually by the District, and are not payable from the operating revenues of the District. The proceeds were used for the construction and equipping of a replacement hospital facility.

General Obligation Bonds, Series 2012

The Series 2012 general obligation bonds (the 2012 Bonds) payable in the original amount of $30,400,000, dated September 1, 2012, bear interest at 2.000% to 3.625%. The 2012 Bonds are payable in annual installments in amounts ranging from $555,000 to $4,295,000 through March 15, 2032, with interest payable semi-annually. All of the 2012 Bonds outstanding may be redeemed at the District's option on or after March 15, 2023, at par plus any accrued interest. The 2012 Bonds are secured by the ad valorem taxes levied annually by the District, and are not payable from the operating revenues of the District. The proceeds were used for the construction and equipping of a replacement hospital facility.

Revenue Refunding Bonds, Series 2008

The revenue refunding bonds, Series 2008 (Series 2008 Bonds), issued in the original amount of $5,210,000 dated December 20, 2007, which bear interest at 4.10%. The Series 2008 Bonds are payable in annual installments in amounts ranging from $265,000 to $445,000 through September 2022. The Series 2008 Bonds are secured by the gross revenue of the District. The Series 2008 Bonds may be prepaid or redeemed in amounts not less than $100,000 without premium, subject to recalculation of the debt service schedule of the remaining term by the indexing agent.

The indenture agreements require that certain funds be established with the trustee. Accordingly, these funds are included as restricted cash and investments in the accompanying balance sheets. The indenture agreements also require the District to comply with certain restrictive covenants, including maintaining a historical debt service coverage ratio of at least 1.25 to 1.0.

The debt service requirements related to bond obligations as of September 30, 2020, are as follows:

Year Ending September 30,	Total to be Paid	Principal	Interest
2021	$ 4,214,500	$ 2,935,000	$ 1,279,500
2022	4,213,351	3,040,000	1,173,351
2023	3,748,425	2,685,000	1,063,425
2024	3,749,107	2,780,000	969,107
2025	3,749,856	2,880,000	869,856
2026-2030	17,287,650	14,585,000	2,702,650
2031-2032	6,431,597	6,170,000	261,597
	$ 43,394,486	$ 35,075,000	$ 8,319,486

Promissory Note

During 2017, the District obtained a promissory note for equipment. The promissory note is due October 1, 2021, with principal and interest, at 3.52%, payable monthly. The note is secured by certain capital assets. The debt service requirements as of September 30, 2020, are as follows:

Year Ending September 30,	Total to be Paid	Principal	Interest
2021	$ 843,864	$ 822,785	$ 21,079
2022	75,933	75,696	237
	$ 919,797	$ 898,481	$ 21,316

Note 10: Charity Care

The District provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported in net patient service revenue. Charges excluded from revenue under the District's charity care policy were approximately $3,438,000 and $6,795,000 for the years ended September 30, 2020 and 2019, respectively. The costs associated with the District's charity care program were approximately $2,759,000 and $4,606,000 for 2020 and 2019, respectively. The cost of charity care is estimated by applying the overall ratio of the District's cost to charges to the gross charges related to services provided to patients qualifying for the District's charity care program.

In addition, the District provides services to other medically indigent patients under certain government-reimbursed public aid programs. Such programs pay providers amounts which are less than established charges for the services provided to the recipients and many times the payments are less than the cost of rendering the services provided.

Uncompensated charges relating to these services are as follows:

	2020	2019
Charity allowances	$ 3,438,097	$ 6,794,927
State Medicaid and other public aid programs	2,851,986	4,586,426
	$ 6,290,083	$ 11,381,353

In addition to uncompensated charges, the District also commits significant time and resources to endeavors and critical services which meet otherwise unfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable. Such programs include health screening and assessments, prenatal education and care, hospice programs, transitional residence for individuals infected with HIV or suffering from AIDS, support for homeless residents, Meals on Wheels for elderly shut-ins, community educational services and various support groups.

Note 11: Pension Plan

Plan Description

The District contributes to the Texas County and District Retirement System (TCDRS), an agent multiple-employer defined benefit pension plan covering substantially all employees. The Plan is administered by a board of trustees appointed by TCDRS. Benefit provisions are contained in the plan document and were established and can be amended by action of the District's governing body within the options available in the state statutes governing TCDRS. The Plan does not issue a separate report that includes financial statements and required supplementary information for the plan. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or from the website www.tcdrs.org.

Benefits Provided

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

Members can retire at ages 60 and above with 8 or more years of service or with 30 years regardless of age, or when the sum of their age and years of service equals 75 or more. A member is vested after 8 years but must leave his accumulated contributions in the plan to receive any employer-financed benefit. If a member withdraws his personal contributions in a lump sum, he is not entitled to any amounts contributed by the employer.

The employees covered by the Plan at the December 31, 2019 and 2018, measurement dates, are:

	2020	2019
Inactive employees or beneficiaries currently receiving benefits	99	85
Inactive employees entitled to but not yet receiving benefits	627	571
Active employees	367	373
	1,093	1,029

Contributions

The District's governing body has the authority to establish and amend the contribution requirements of the District and active employees.

The District establishes rates based on the annually determined rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both the employee members and the employer based on the covered payroll of employee members. Plan members are required to contribute 4% of their annually covered salary. Under the TCDRS Act, rates are based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the fiscal years ended September 30, 2020 and 2019, employees contributed $1,588,488 and $1,435,821, or 7.00%, and the District contributed $1,895,717 and $1,676,989, or 8.42% and 8.16% of annual pay, respectively, to the plan.

Net Pension Liability (Asset)

The District's net pension liability (asset) as of September 30, 2020 and 2019 was measured as of December 31, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability (asset) was determined by actuarial valuations as of those dates.

The total pension liability in the December 31, 2019 and 2018 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	4.9% average over career, including inflation
Ad hoc cost of living adjustments	Not included
Investment rate of return	8.00%, net of investment expense, including inflation

In the 2019 and 2018 actuarial valuations, assumed life expectancies use projection scale of 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

The actuarial assumptions used in the December 31, 2019 and 2018, valuations were based on the results of an actuarial experience study for the period January 1, 2013 through December 31, 2016, except where required to be different by GASB 68.

The long-term expected rate of return on pension plan investments was based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information. The target allocation and best estimates of rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Equities		
U.S. Equities	14.5%	5.2%
International Equities — Developed	7.0%	5.2%
International Equities — Emerging	7.0%	5.7%
Global Equities	2.5%	5.5%
Hedge Funds	8.0%	2.3%
High-Yield Investments		
Strategic Credit	12.0%	3.1%
Distressed Debt	4.0%	3.9%
Direct Lending	11.0%	7.2%
Private Equity	20.0%	8.2%
Real Assets		
REITs	3.0%	4.5%
Private Real Estate Partnerships	6.0%	5.5%
Master Limited Partnerships	2.0%	8.4%
Investment-Grade Bonds	3.0%	-0.2%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 8.10% at December 31, 2019 and 2018. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the total pension liability, plan fiduciary net position and the net pension liability (asset) for the years ended September 30, 2020 and 2019 are:

	2020		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2019	$ 51,795,441	$ 47,920,637	$ 3,874,804
Changes for the year:			
Service cost	2,720,919	-	2,720,919
Interest on total pension liability	4,357,140	-	4,357,140
Effect of economic/demographic gains or losses	(262,013)	-	(262,013)
Refund of contributions	(415,087)	(415,087)	-
Benefit payments	(1,062,702)	(1,062,702)	-
Administrative expenses	-	(43,813)	43,813
Member contributions	-	1,460,950	(1,460,950)
Net investment income	-	7,867,812	(7,867,812)
Employer contributions	-	1,703,050	(1,703,050)
Other changes	-	64,202	(64,202)
Net changes	5,338,257	9,574,412	(4,236,155)
Balances at September 30, 2020	$ 57,133,698	$ 57,495,049	$ (361,351)

	2019		
	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (Asset) (a) - (b)**
Balances at September 30, 2018	$ 46,830,964	$ 47,095,586	$ (264,622)
Changes for the year:			
Service cost	2,705,331	-	2,705,331
Interest on total pension liability	3,959,384	-	3,959,384
Effect of economic/demographic gains or losses	(364,202)	-	(364,202)
Effect of assumptions changes or inputs		-	-
Refund of contributions	(500,695)	(500,695)	-
Benefit payments	(835,341)	(835,341)	-
Administrative expenses	-	(38,490)	38,490
Member contributions	-	1,381,562	(1,381,562)
Net investment income	-	(858,753)	858,753
Employer contributions	-	1,622,348	(1,622,348)
Other changes	-	54,420	(54,420)
Net changes	4,964,477	825,051	4,139,426
Balances at September 30, 2019	$ 51,795,441	$ 47,920,637	$ 3,874,804

The net pension liability (asset) of the District has been calculated using a discount rate of 8.10%. The following presents the net pension (asset) liability using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease (7.10%)	**Current Discount Rate (8.10%)**	**1% Increase (9.10%)**
District's net pension (asset) liability	$ 8,102,512	$ (361,351)	$ 7,374,682

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended September 30, 2020 and 2019, respectively, the District recognized pension expense of $1,840,725 and $2,243,781. At September 30, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ -	$ 441,620
Changes of assumptions	63,592	-
Net difference between projected and actual earnings on pension plan investments	-	1,235,917
Contributions subsequent to the measurement date	1,425,180	-
	$ 1,488,772	$ 1,677,537

	2019	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ -	$ 459,614
Changes of assumptions	127,183	-
Net difference between projected and actual earnings on pension plan investments	3,092,314	-
Contributions subsequent to the measurement date	1,232,514	-
	$ 4,452,011	$ 459,614

At September 30, 2020, the District reported $1,425,180 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability at September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources at September 30, 2020, related to pensions will be recognized in pension expense as follows:

Year ending September 30,		
2021	$	(432,363)
2022		(496,766)
2023		98,876
2024		(783,692)
	$	(1,613,945)

Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued financial report of TCDRS for the year ended December 31, 2019.

Deferred Compensation Plan

In June 2004, the District began a deferred compensation plan, also known as a Section 457 Plan. This plan covers substantially all employees meeting age and service requirements. Employee contributions to the plan are discretionary, and the District does not make any employer contributions.

Note 12: Contingencies

Litigation

In the normal course of business, the District is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the District's self-insurance program (discussed elsewhere in these notes), the Texas Tort Claims Act or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The District evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Note 13: COVID-19 Pandemic and CARES Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.
While some of these policies have been eased and states have lifted moratoriums on non-emergent procedures, some restrictions remain in place, and some state and local governments are re-imposing certain restrictions due to increasing rates of COVID-19 cases.

Beginning in mid-March, the District deferred all nonessential medical procedures and suspended elective procedures for a portion of the fiscal year.

The District’s pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The District has taken precautionary steps to enhance its operational and financial flexibility, and react to the risks the COVID-19 pandemic presents to its business, including the receipt of approximately $5,300,000 in general and targeted Provider Relief Fund distributions, both as provided for under the *Coronavirus Aid, Relief, and Economic Security* (“CARES”) *Act*.

The extent of the COVID-19 pandemic’s adverse effect on the District’s operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the District’s control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective procedures, continued declines in patient volumes for an indeterminable length of time, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure.

Because of these and other uncertainties, the District cannot estimate the length or severity of the effect of the pandemic on the District’s business. Decreases in cash flows and results of operations may have an effect on debt covenant compliance and on the inputs and assumptions used in significant accounting estimates, including estimated bad debts and contractual adjustments related to uninsured and other patient accounts.

Provider Relief Fund

During the year ended September 30, 2020, the District received $5,304,215 of distributions from the CARES Act Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment, provided the District is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services (HHS).

Subsequent to year-end, the District received an additional $110,479 in Provider Relief Fund distributions.

The District is accounting for such payments as conditional contributions. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the District's operating revenues and expenses through September 30, 2020, the District did not recognize any revenue from the Provider Relief Funds. The unrecognized amount of $5,304,215 are recorded as unearned revenue in the accompanying balance sheets.

Subsequent to year-end, HHS issued guidance on the use of payments from the Provider Relief Fund. The District considers the guidance issued subsequent to year-end to be substantive changes in guidance rather than clarifications of guidance existing at September 30, 2020. As a result, the amounts recorded in the financial statements compared to the District's Provider Relief Fund reporting could differ. This difference cannot be currently estimated but could be material.

The District will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the District's revenues and expenses. The terms and conditions governing the Provider Relief Funds are complex and subject to interpretation and change. If the District is unable to attest to or comply with current or future terms and conditions the District's ability to retain some or all of the distributions received may be affected. Provider Relief Fund payments are subject to government oversight, including potential audits.

Required Supplementary Information

Andrews County Hospital District
d/b/a Permian Regional Medical Center
Schedule of Changes in District's Net Pension Liability (Asset) and Related Ratios
Years Ended December 31,

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	$ 2,720,919	$ 2,705,331	$ 2,909,293	$ 3,023,647	$ 2,616,674	$ 2,166,028
Interest on total pension liability	4,357,140	3,959,384	3,550,213	3,040,566	2,791,907	2,409,028
Effect of plan changes	-	-	-	-	(566,040)	-
Effect of assumption changes or inputs	-	-	254,366	-	519,023	-
Effect of economic and demographic (gains) or losses	(262,013)	(364,202)	(252,043)	(241,765)	(1,673,441)	659,165
Benefit payments, including refunds of employee contributions	(1,477,788)	(1,336,036)	(1,081,669)	(837,818)	(843,823)	(571,873)
Net change in total pension liability	5,338,258	4,964,477	5,380,160	4,984,630	2,844,300	4,662,348
Total pension liability—beginning	51,795,442	46,830,965	41,450,805	36,466,175	33,621,875	28,959,526
Total pension liability—ending (a)	$ 57,133,700	$ 51,795,442	$ 46,830,965	$ 41,450,805	$36,466,175	$33,621,874
Plan fiduciary net position						
Contributions—employer	$ 1,703,050	$ 1,622,348	$ 1,535,159	$ 1,505,133	$ 1,522,524	$ 1,467,177
Contributions—employee	1,460,950	1,381,562	1,363,719	1,362,992	1,343,968	1,222,647
Net investment income	7,867,812	(858,753)	5,793,677	2,578,669	(627,441)	1,955,769
Benefit payments, including refunds of employee contributions	(1,477,788)	(1,336,036)	(1,081,669)	(837,818)	(843,823)	(571,873)
Administrative expense	(43,813)	(38,490)	(31,320)	(28,059)	(24,609)	(24,178)
Other	64,202	54,420	24,059	230,817	(31,334)	73,386
Net change in plan fiduciary net position	9,574,413	825,051	7,603,625	4,811,734	1,339,285	4,122,928
Plan fiduciary net position—beginning	47,920,638	47,095,587	39,491,962	34,680,228	33,340,943	29,218,014
Plan fiduciary net position—ending (b)	$ 57,495,051	$ 47,920,638	$ 47,095,587	$ 39,491,962	$34,680,228	$33,340,942
District's net pension liability (asset)—ending (a) – (b)	$ (361,351)	$ 3,874,804	$ (264,622)	$ 1,958,843	$ 1,785,947	$ 280,932
Plan fiduciary net position as a percentage of the total pension liability	100.63%	92.52%	100.57%	95.27%	95.10%	99.16%
Covered payroll	$ 20,870,712	$ 19,736,597	$ 19,481,707	$ 19,471,313	$19,199,543	$17,466,392
District's net pension liability (asset) as a percentage of covered payroll	-1.73%	19.63%	-1.36%	10.06%	9.30%	1.61%

Notes to Schedule:

Change of assumptions:

In the 2018 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. Previously, 110% of the MP-2014 Ultimate Scale was used for both males and females for 2014 and later.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available. Information presented in this schedule has been determined as of the District's measurement date (December 31) of the net pension liability (asset) in accordance with GASB 68.

Andrews County Hospital District
d/b/a Permian Regional Medical Center
Schedule of District Contributions
Years Ended September 30, 2020 and 2019

Year Ended September 30,	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll *(1)*	Contributions as a percentage of covered-employee payroll
2020	$ 1,895,717	$ 1,895,717	$ -	$ 22,692,509	8.4%
2019	1,676,989	1,676,989	-	20,511,579	8.2%
2018	1,591,381	1,591,381	-	19,576,037	8.1%
2017	1,533,653	1,533,653	-	19,564,053	7.8%
2016	1,513,447	1,513,447	-	19,441,738	7.8%
2015	1,506,424	1,506,424	-	18,711,317	8.1%

Notes to Schedule:

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

Valuation date:

Actuarially determined contribution rates are calculated as of December 31.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost
Amortization method	Level-percentage-of covered payroll, closed
Remaining amortization period	13.4 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by age and service. 4.9% average over career including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation
Retirement age	61 average
Mortality	In the 2018 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. Previously, 110% of the MP-2014 Ultimate Scale was used for both males and females for 2014 and later.
	2019: No changes in plan provisions were reflected in the schedule.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available. Information presented in this schedule has been determined as of the District's most recent fiscal year-end (September 30) in accordance with GASB 68.

Financial Advisory Services
Provided By:

SAMCO Capital