

OFFICIAL STATEMENT

December 13, 2021

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

The District will not designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions.

\$10,993,440

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
(A political subdivision of the State of Texas located in Orange County, Texas)
Unlimited Tax Refunding Bonds, Series 2022

Dated Date: January 1, 2022**Due: February 15, as shown on inside cover**

The \$10,993,440 Orange County Water Control and Improvement District No. 1 Unlimited Tax Bonds, Series 2022, which are issued in part as current interest bonds (the "Current Interest Bonds" or "CIBs") and in part as premium capital appreciation bonds (the "Premium Capital Appreciation Bonds" or "CABs" and, together with the Current Interest Bonds, the "Bonds"), are being issued pursuant to the laws of the State of Texas (the "State"), including Chapters 49 and 51, as amended, Texas Water Code, Chapter 1207, as amended, Texas Government Code ("Chapter 1207"), Article XVI, Section 59 Texas Constitution, and an order (the "Order") adopted by the Board of Directors of the Orange County Water Control and Improvement District No. 1 (the "District" or the "Issuer") on December 13, 2021. (See "THE BONDS – Authority for Issuance" herein.)

The Bonds are payable from an annual ad valorem tax levied, without legal limit as to rate or amount on all taxable property located within the District. Such covenant to levy taxes is subject to the right of a city, under existing Texas law, to annex all of the territory within the District; to take over all properties and assets of the District; to assume all debts, liabilities, and obligations of the District, including the Bonds; and to abolish the District.

Interest on the CIBs will accrue from January 1, 2022 (the "Dated Date") shown above, will be payable until stated maturity or prior redemption on February 15 and August 15 of each year, commencing August 15, 2022, and will be calculated on the basis of a 360-day year of twelve 30-day months. Interest on the CABs will accrete from the date of their initial delivery to the Underwriters (defined below) and will compound semiannually on February 15 and August 15 of each year, commencing August 15, 2022 until stated maturity or prior redemption. The principal of and accreted/compounded interest on the CABs is due and payable only at stated maturity at the Maturity Value (defined below) or prior redemption at the Accreted Value (defined herein) thereof. The CIBs will be issued as fully registered obligations in the principal denominations of \$5,000 or any integral multiple thereof within a stated maturity, and the CABs will be issued in integral multiples of \$5,000 of Maturity Value. The Bonds will be issued in book-entry- from 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 interest in the Bonds will be made available for purchase in the principal amount or Maturity Value, as appropriate, 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 registered owner of the Bonds, principal, or Maturity Value, as appropriate, and interest on the Bonds will be payable by the Paying Agent/Registrar, initially, BOKF, NA, Dallas, Texas, 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" herein.

Proceeds from the sale of the Bonds will be used for (1) refunding a portion of the District's outstanding bonds (the "Refunded Obligations") for debt service savings (see "Schedule I – Schedule of Refunded Obligations"), and (2) paying the costs of issuance of the Bonds. (See "PLAN OF FINANCING" herein.)

The scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)



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

The Bonds are offered for delivery when, as and if issued and received by the initial purchasers named below (the "Underwriters") and are subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio and Austin, Texas, ("Bond Counsel"). Certain legal matters will be passed upon for the Underwriters by their counsel, Greenberg Traurig, LLP, Dallas, Texas. It is expected that the Bonds will be available for delivery through DTC on or about January 11, 2022.

UMB BANK

\$10,993,440
ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
(A political subdivision of the State of Texas located in Orange County, Texas)
Unlimited Tax Refunding Bonds, Series 2022

CUSIP Prefix No. 684728⁽¹⁾

MATURITY SCHEDULE

\$10,300,000 Current Interest Bonds ("CIBs")

Stated Maturity (2/15)	Principal Amount	Interest Rate %	Initial Yield %	CUSIP No. Suffix ⁽¹⁾	Stated Maturity (2/15)	Principal Amount	Interest Rate %	Initial Yield %	CUSIP No. Suffix ⁽¹⁾
2023	\$ 610,000	3.000%	0.450%	KY3	2029	\$ 690,000	4.000%	1.450%	LE6
2024	655,000	4.000%	0.650%	KZ0	2030	895,000	3.000%	1.600%	LF3
2025	700,000	4.000%	0.800%	LA4	2031	985,000	3.000%	1.730%	LG1
2026	610,000	4.000%	1.000%	LB2	2032	1,925,000	2.000%	2.050%	LH9
2027	630,000	4.000%	1.100%	LC0	2033	1,960,000	2.000%	2.110%	LJ5
2028	640,000	4.000%	1.250%	LD8					

(Interest to accrue from the Dated Date)

\$693,440 Capital Appreciation Bonds ("CABs")

Stated Maturity (2/15)	Original Principal Amount	Maturity Value	Yield to Maturity	CUSIP No. Suffix ⁽¹⁾
2034	\$ 196,280.00	\$2,000,000	2.480%	LK2
2035	162,000.00	2,000,000	2.580%	LL0
2036	133,720.00	2,000,000	2.670%	LM8
2037	110,360.00	2,000,000	2.730%	LN6
2038	91,080.00	2,000,000	2.770%	LP1

(Interest to accrete from the date of initial delivery)

The District reserves the right to redeem the CIBs maturing on and after February 15, 2032, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on February 15, 2031, or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption. The CABs are subject to redemption at the option of the District, prior to stated maturity, in whole or in part, in denominations of \$5,000 of Maturity Value or any integral multiple thereof, on February 15, 2031, or any date thereafter at a redemption price equal to the Accreted Value (defined herein) of such redeemed CABS on the date fixed for redemption. (See "THE BONDS - Redemption Provisions of the Bonds" herein.)

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

ELECTED AND APPOINTED OFFICIALS

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

BOARD OF DIRECTORS:

Name	Years Served	Term Expires (May)	Occupation
Frank Inzer President	9	2024	Real Estate Investments
Tim Beard Vice President	11	2022	Development Specialist
Trey Haney Secretary	7	2022	Manager – Pharmaceutical Industry
Troy Taylor Director	Newly appointed	2024	Business Owner
Kelly Brewer Director	Newly appointed	2022	Property Management

ADMINISTRATIVE OFFICIALS

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

CONSULTANTS AND ADVISORS

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

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

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

For Additional Information Please Contact

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USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information or expression of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the District or other matters described herein since the date hereof.

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

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

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

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

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

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

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

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

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

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SELECTED DATA FROM THE PRELIMINARY OFFICIAL STATEMENT

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

The Issuer	<p>The Orange County Water Control and Improvement District No. 1 (the "Issuer" or "District") was created by an order of the Texas State Board of Water Engineers (a State Agency that was a predecessor of the Texas Commission on Environmental Quality) on January 26, 1948 and confirmed by the electorate of the District in a confirmation election held on April 24, 1948. The District's creation was generally validated by the 57th Legislature in 1961 and subsequently by the 59th Legislature of Texas in 1965 and now operates under Chapters 49 and 51 of the Texas Water Code. The Board of Directors held its first meeting on February 4, 1948 and the District's first bonds were sold on May 27, 1955. The District is located in and around the City of Vidor, Texas and is the sole water and wastewater provider in the service area. The District consists of 8,006 acres and serves approximately 5,337 Water Equivalent Connections and 4,168 Sewer Connections with a population of approximately 14,300. The District is administered by a five-member Board of Directors who are elected by voters in the District.</p>
The Bonds	<p>The \$10,993,440 Orange County Water Control and Improvement District No. 1 Unlimited Tax Bonds, Series 2022, which are issued in part as current interest bonds (the "Current Interest Bonds" or "CIBs") and in part as premium capital appreciation bonds (the "Premium Capital Appreciation Bonds" or "CABs" and, together with the Current Interest Bonds, the "Bonds"), are being issued pursuant to the laws of the State of Texas (the "State"), including Chapters 49 and 51, as amended, Texas Water Code, Chapter 1207, as amended, Texas Government Code ("Chapter 1207"), Article XVI, Section 59 Texas Constitution, and an order (the "Order") adopted by the Board of Directors of the Orange County Water Control and Improvement District No. 1 (the "District" or the "Issuer") on December 13, 2021. (See "THE BONDS – Authority for Issuance" herein.)</p> <p>The CIBs mature on February 15, in each of the years 2023 through 2033. Interest on the CIBs shall accrue from the Dated Date and is payable initially on August 15, 2022 and semiannually on February 15 and August 15 thereafter until stated maturity or prior redemption.</p> <p>The CABs mature on February 15 in each of the years 2034 through 2038, inclusive. Interest on the CABs will accrete from the date of their initial delivery to the Underwriters and will compound semiannually on February 15 and August 15 of each year, commencing August 15, 2022, until stated maturity or prior redemption.</p>
Redemption Provision of the Bonds	<p>The District reserves the right to redeem the CIBs maturing on and after February 15, 2032, in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof, on February 15, 2031 or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption.</p> <p>The CABs are subject to redemption at the option of the District, prior to stated maturity, in whole or in part, in denominations of \$5,000 of Maturity Value or any integral multiple thereof, on February 15, 2031, or any date thereafter, at a redemption price equal to the Accreted Value (defined herein) on the date fixed for redemption. See "THE BONDS -Redemption Provisions of the Bonds" herein.</p>
Escrow Agent and Paying Agent/Registrar	<p>The Escrow Agent and the initial Paying Agent/Registrar will be BOKF, NA, Dallas, Texas.</p>
Book-Entry-Only System	<p>The District intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York relating to the method and timing of payment and the method and transfer relating to the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)</p>
Tax Matters	<p>In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing statutes, regulations, published rulings, and court decisions, subject to matters discussed herein under "TAX MATTERS". (See "TAX MATTERS" and "Appendix C – Form of Opinion of Bond Counsel" herein.)</p>
Not Qualified Tax-Exempt Obligations	<p>The District will <u>not</u> designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions.</p>

Use of Bond Proceeds	Proceeds from the sale of the Bonds will be used for the purposes of (1) refunding a portion of the District's outstanding bonds (the "Refunded Obligations") for debt service savings (see "Schedule I – Schedule of Refunded Obligations"), and (2) paying the costs of issuance of the Bonds. (See "PLAN OF FINANCING" herein.)
Ratings	S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned an underlying rating of "A-". S&P has assigned the AGM insured rating of "AA" (stable outlook) to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by AGM. (See "RATING" herein.) (See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein.)
Bond Insurance	The scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer"). (See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein.)
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Future Bond issues	The District has no plans to issue any other debt issues in the next 12 months.
Delivery	When issued, anticipated on or about January 11, 2022.
Legality	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Bond Counsel, San Antonio and Austin, Texas.

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OFFICIAL STATEMENT
relating to
\$10,993,440
ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
(A political subdivision of the State of Texas located in Orange County, Texas)
Unlimited Tax Refunding Bonds, Series 2022

INTRODUCTORY STATEMENT

This Official Statement, including the schedules and the appendices hereto, provides certain information in connection with the issuance by the Orange County Water Control and Improvement District No. 1 (the "District" or "Issuer") of its \$10,993,440 Unlimited Tax Refunding Bonds, Series 2022 (the "Bonds") identified on page 2 hereof.

The District is a political subdivision of the State of Texas and the Bonds are being issued pursuant to the laws of the State of Texas (the "State"), including Chapters 49 and 51, as amended, Texas Water Code, Article XVI, Section 59 of the Texas Constitution, Chapter 1207, as amended, Texas Government Code, and an order (the "Order") adopted by the Board of Directors (the "Board") of the District on December 13, 2021, being the date of sale of the Bonds (see "THE BONDS –Authority for Issuance" herein).

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

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

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

INFECTIOUS DISEASE OUTBREAK – COVID-19

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

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic which has been subsequently extended and is still in effect. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. However, on July 29, 2021, the Governor issued Executive Order GA-38, which supersedes all pre-existing executive orders related to COVID-19 and rescinds them in their entirety, except for Executive Order GA-13 (relating to detention in county and municipal jails) and Executive Order GA-37 (related to migrant transport). Executive order GA-38 combines several previous executive orders into one order and continues the prohibition against 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. It also prohibits governmental entities from: (1) compelling any individual to receive a COVID-19 vaccine administered under emergency use authorization, and (ii) enforcing any requirements to show proof of vaccination before receiving a service or entering any place (other than nursing homes, hospitals and similar facilities) if the public or private entity that has adopted such requirement receives public funds through any means.

Executive Order GA-38 remains in effect until amended, rescinded, or superseded by the Governor. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

The District collects revenue from the sale of water and wastewater to its customers. Further actions may be taken to slow the Pandemic which may reduce economic activity within the District. A reduction in economic activity may negatively impact the District's operating budget and overall financial condition.

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

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

Convening of the Texas Legislature

On January 12, 2021, the 87th Texas Legislature convened in general session which adjourned on May 31, 2021. The Texas Governor called a first special session which began July 8, 2021 and concluded on August 6, 2021. The Governor called a second special session which began on August 7, 2021 and concluded on September 2, 2021. The Governor called a third special session which convened on September 20, 2021 and concluded on October 19, 2021. The Texas Governor may call one or more additional special sessions. During this time, the Texas Legislature may enact laws that materially change current law as it relates to the District and the financial condition of the District. The District makes no representation regarding any actions the Texas Legislature may take but intends to monitor proposed and final legislation for any developments applicable to the District.

PLAN OF FINANCING

Purpose

Proceeds from the sale of the Bonds will be used for (1) refunding a portion of the District's outstanding bonds (the "Refunded Obligations") for debt service savings (see "SCHEDULE I – Schedule of Refunded Obligations"), and (2) paying the costs of issuance of the Bonds.

Refunded Obligations

The Refunded Obligations, and interest due thereon, are to be paid on their scheduled redemption date from funds to be deposited with BOKF, NA, Dallas, Texas, a national banking association (the "Escrow Agent") pursuant to an Escrow Deposit Letter (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 Obligations at their scheduled date of early redemption. Such funds shall be held by the Escrow Agent in an escrow fund (the "Escrow Fund") irrevocably pledged to the payment of principal of and interest on the Refunded Obligations. SAMCO Capital Markets, Inc., in its capacity as Financial Advisor to the District, will certify as to the sufficiency of the amount initially deposited to the Escrow Fund, without regard to investment, to pay the principal of and interest on the Refunded Obligations, 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" (the "Federal Securities").

Cash and investments (if any) held in the Escrow Fund shall not be available to pay debt service requirements on the Bonds.

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

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

THE BONDS

General Description

The Bonds are dated January 1, 2022 (the "Dated Date"). The CIBs will accrue interest from the Dated Date, and such interest shall be payable on February 15 and August 15 in each year, commencing August 15, 2022, until stated maturity or upon redemption prior to maturity. The CIBs will mature on the dates and in the principal amounts and will bear interest at the rates set forth on page -2- of this Official Statement. The CABs will accrete in value as described below from the date of their initial delivery to the Underwriters, and such interest will compound semiannually on February 15 and August 15 of each year, commencing August 15, 2022 until stated maturity or prior redemption and will be payable at stated maturity or prior redemption. The CABs will mature on the date, in the "Maturity Value" (the total principal, premium, if any, and accreted/compounded interest payable at stated maturity or prior redemption), and will accrete in value at the approximate yield based upon the initial offering price to the public set forth on page -2- of this Official Statement.

The original principal amount of a CAB plus the initial premium, if any, paid therefor with interest accreting thereon compounded semiannually to February 15 or August 15, as the case may be, next preceding the date of such calculation (or the date of calculation, if such calculation is made on February 15 or August 15), using the yield to maturity stated on page -2- of the Official Statement, means the "Accreted Value" for the CABs. For any day other than a February 15 or August 15, the "Accreted Value" of a CAB is to be determined by a straight-line interpolation between the values for the applicable semiannual compounding dates (based on 30-day months). For informational purposes, Schedule II appearing herein is a table of Accreted Values for the CABs per \$5,000 Maturity Value. Such table of Accreted Values may not reflect the actual price paid for (or the actual yield to an investor purchasing) the CABs in the secondary market.

Interest on the CIBs is payable to the registered owners appearing on the bond registration books kept by the Paying Agent/Registrar relating to the CIBs (the "Bond Register") on the Record Date (identified below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States mail, first class, postage prepaid, to the address of the registered owner recorded in the Bond Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the CIBs is payable at maturity, or upon redemption prior to maturity, or upon their presentation and surrender to the Paying Agent/Registrar.

The principal and accreted and compounded interest on the CABs is payable only at stated maturity or prior redemption upon their presentation and surrender to the Paying Agent/Registrar. The CIBs will be issued only in fully registered form in any integral multiple of \$5,000 principal for any one maturity, and the CABs will be issued in the denomination of \$5,000 of Maturity Value or any integral multiple thereof within a stated maturity.

Initially the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Notwithstanding the foregoing, as long as the Bonds are held in the Book-Entry-Only System, principal of, premium, if any, and interest or Maturity Value, as appropriate, on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners (defined herein) of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Yield on Premium Capital Appreciation Bonds

The yield on the CABs is the approximate yield based on the initial offering price therefor set forth on page -2- of this Official Statement. Such offering price includes the principal amount of the CABs and the premium, if any, equal to the amount by which such offering price exceeds the principal amount of the CAB. Because of such premium, the approximate offering yield on the CABs is lower than the bond interest rates thereon. The yield on the CABs to a particular purchaser may differ depending upon the price paid by that purchaser. For various reasons, securities that do not pay interest periodically, such as the CABs, have traditionally experienced greater price fluctuations in the secondary market than securities that pay interest on a periodic basis. A table of Accreted Values based on such initial offering price is set forth herein under Schedule II. Such Accreted Value table is provided for informational purposes, and may not reflect prices for the CABs in the secondary market.

Sources and Uses of Funds

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

Sources	
Par Amount of the Bonds	\$ 10,993,440.00
Accrued Interest on the CIBs	8,594.44
Reoffering Premium on the Bonds	6,894,734.95
Issuer Contribution	<u>8,594.44</u>
Total Sources of Funds	<u>\$ 17,905,363.83</u>
Uses	
Escrow Fund Deposit	\$ 17,404,026.42
Underwriters' Discount	115,310.47
Bond Fund Deposit	11,896.22
Costs of Issuance, including insurance premium	<u>374,130.72</u>
Total Uses	<u>\$ 17,905,363.83</u>

Authority for Issuance

The Bonds are being issued pursuant to the laws of the State of Texas, including Chapters 49 and 51, as amended, Texas Water Code, Article XVI, Section 59 of the Texas Constitution, Chapter 1207, as amended, Texas Government Code, and an order (the "Order") adopted by the Board of Directors of the Orange County Water Control and Improvement District No. 1 (the "District" or the "Issuer") on December 13, 2021, being the date of sale of the Bonds.

Source of and Security for Payment

The Bonds are payable from an annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District (see "Taxing Procedures") herein. Such covenant to levy taxes is subject to the right of a city, under existing Texas law, to annex all of the territory within the District; to take over all properties and assets of the District; to assume all debts, liabilities, and obligations of the District, including the Bonds; and to abolish the District.

Redemption Provisions of the Bonds

The District reserves the right to redeem the CIBs maturing on and after February 15, 2032, in whole or in part, in the principal amount of \$5,000 or an integral multiple thereof, on February 15, 2031 or any date thereafter, at a price of par plus accrued interest to the date of redemption. The CABs maturing on and after February 15, 2034 are subject to redemption at the option of the District, prior to stated maturity, in whole or in part, in denominations of \$5,000 of Maturity Value or any integral multiple thereof, on February 15, 2031, or any date thereafter, at a redemption price equal to the Accreted Value (defined herein) of the redeemed CABs on the date of fixed for redemption.

The Underwriters may group one or more serial maturities of CIBs into term bonds (the "Term Bonds"). Term Bonds will also be subject to mandatory sinking fund redemption.

Selection of Bonds for Redemption

If less than all of the Bonds are to be redeemed, the District shall determine the amounts of the maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Bonds or portions thereof, to be redeemed.

Notice of Redemption and DTC Notices

At least 30 days prior to the date fixed for any redemption of any Bonds or portions thereof prior to stated maturity, the District shall cause notice of such redemption to be sent by United States mail, first-class, postage prepaid, to the registered owner of each Bond or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE BONDHOLDER, AND, PROVIDED THAT PROVISION FOR PAYMENT OF THE REDEMPTION PRICE IS MADE AND ANY OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST ON THE REDEEMED BONDS SHALL CEASE TO ACCRUE OR ACCRET. AS APPLICABLE, FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A BOND HAS NOT BEEN PRESENTED FOR PAYMENT.

All notices of redemption shall (i) specify the date of redemption for the Bonds, (ii) identify the Bonds to be redeemed and, in the case of a portion of the principal amount or maturity value to be redeemed, the principal amount or maturity value thereof to be redeemed, (iii) state the redemption price, (iv) state that the Bonds, or the portion of the principal amount or maturity value thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof or maturity to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Bonds, or the principal amount thereof to be redeemed, shall be made at the designated corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the registered owner.

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

Funds

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

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

Issuance of Additional Debt

The District may issue bonds or notes necessary to provide those improvements and facilities for which the District was created with the approval of the Texas Commission on Environmental Quality (the "TCEQ") or the Texas Water Development Board (the "TWDB") and, in the case of bonds payable from revenues or taxes (other than refunding bonds), the District's voters, generally. The District has no voter approved unlimited tax bonds authorized but unissued. District voters may authorize the issuance of additional unlimited ad valorem tax-supported bonds or other contractual obligations secured by ad valorem taxes. The District also has the right to enter into certain other obligations including the issuance of revenue notes, bond anticipation notes, tax anticipation notes without voter approval, and refunding bonds to refund outstanding debt (such as the Bonds). Neither Texas law nor the Order imposes a limitation on the amount of additional debt payable from an annual ad valorem tax which may be issued by the District. Any additional debt issued by the District may dilute the security of the Bonds.

Specific Tax Covenants

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

Additional Covenants

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

Legality

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

Defeasance

Any Bond will be deemed paid and shall no longer be considered to be outstanding within the meaning of the Order when payment of the principal of and interest on CIBs or Maturity Value of CABs, as applicable, to its stated maturity or redemption, date will have been made or will have been provided by depositing with the Paying Agent/Registrar or an authorized escrow agent: (1) cash in an amount sufficient to make such payment, (2) Government Obligations (defined below) of such maturities and interest payment dates and bearing such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment or (3) a combination of cash and Government Obligations. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the District's Financial Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in the Order).

The Order provides that "Government Obligations" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the District adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, or (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Bonds. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, or those for any other Government Obligations, will be maintained at any particular rating category. Further, there is no assurance that current Texas law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds ("Defeasance Proceeds"), though the District has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Order does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the District to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under Texas law as permissible defeasance securities.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment 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 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 owners 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 CIBs and Maturity Value of CABs then outstanding, amend, add to, or rescind any of the provisions of the Order; except that, without the consent of all of the registered owners of the Bonds then outstanding, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of or Maturity Value, as applicable, or any installment of interest on any Bond is due and payable, reduce the principal amount or Maturity Value thereof, as applicable, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or Maturity Value, as applicable, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the percentage of the aggregate principal amount or Maturity Value of Bonds required to be held for consent to any amendment, addition, or waiver, or rescission.

Default and Remedies

If the District defaults in the payment of principal, interest, maturity value, 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, 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 the Order and the District's obligations are not uncertain or disputed. The issuance of 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 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 registered 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 ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. 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 United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. The Bonds will be issued in fully registered form in multiples of \$5,000 or integral multiple thereof for any one stated maturity, and principal and interest will be paid by the Paying Agent/Registrar.

Successor Paying Agent/Registrar

The District covenants that until the Bonds are paid it will at all times maintain and provide a paying agent/registrar. In the Order, the District retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new Paying Agent/Registrar must accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District must be a bank, trust company, financial institution or other entity duly qualified and legally authorized to serve and perform the duties of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District will promptly cause a notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class, postage prepaid, which notice shall give the address of the new Paying Agent/Registrar.

Record Date

The record date ("Record Date") for determining the registered owner entitled to receive a payment of interest on a CIB is the last business day of the month next preceding each interest payment date. If the date for the payment of the principal or interest on the Bonds is a Saturday, Sunday, legal holiday, or a day on which banking institutions in the city where the corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment is the next succeeding day which is not such a day and payment on such date will have the same force and effect as if made on the original date payment was due.

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. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) 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 CIB appearing on the Bond Register at the close of business on the last business day next preceding the date of mailing of such notice.

Interest will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at stated maturity or earlier redemption upon presentation to the Paying Agent/Registrar. If the date for the payment of the principal

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

Registration, Transferability and Exchange

In the event the Book-Entry-Only System, shall be discontinued, printed bonds will be issued to the registered owners of the Bonds and thereafter the Bonds may be transferred, registered, and assigned on the Bond Register only upon presentation and surrender of such printed 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 Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the designated office of the Paying Agent/Registrar or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in authorized denominations and for a like kind and aggregate principal amount and having the same maturity or maturities as the Bond or Bonds surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.)

Limitation on Transfer of Bonds

Neither the District nor the Paying Agent/Registrar shall be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Bond redeemed in part.

Replacement Bonds

In the event the Book-Entry-Only System has been discontinued, and any Bonds is mutilated, destroyed, stolen or lost, a new Bond of like kind and in the same principal amount or Maturity Value, as applicable, 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 in 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 evidence satisfactory to establish to the District and the Paying Agent/Registrar 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 bond or indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

BOOK-ENTRY-ONLY SYSTEM

The following describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, Maturity Value, and interest on the Bonds are to be paid to and credited by DTC (defined below) while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor, and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

The Depository Trust Company ("DTC"), New York, New York, 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 security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount or maturity value of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's

participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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 the payment date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name”, and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

Use of Certain Terms in Other Sections of This Official Statement

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

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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

ASSURED GUARANTY MUNICIPAL CORP.

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

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

Current Financial Strength Ratings

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

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

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

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

Capitalization of AGM

At September 30, 2021:

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

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

Incorporation of Certain Documents by Reference

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

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

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

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

Miscellaneous Matters

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

BOND INSURANCE GENERAL RISKS

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

Payment of principal or interest on the Bonds is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE BONDS - Default and Remedies"). The Insurer may direct the pursuit of available remedies, and generally must consent to any remedies available to and requested by the Beneficial Owners. In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable from the ad valorem tax levied, within the limitations prescribed by law, on all taxable property located within the District. In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Bonds.

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

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

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

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS

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

INVESTMENT POLICIES

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

Legal Investments

Under State law and subject to certain limitations, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or

shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1 (11) commercial paper rated at least "A-1" or "P-1"; no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years (14) "AA" or "AAAm"-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

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

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

Investment Policies

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

State law requires the District's investments be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived" The District is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

Current Investments ⁽¹⁾

TABLE 1

As of September 30, 2021

<u>Investment Type</u>	<u>Amount</u>
NOW Accounts	\$ 8,821,819.00
Total	\$ 8,821,819.00

⁽¹⁾ Unaudited.

TAXING PROCEDURES

Authority To Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The District agrees in the Order to levy such a tax from year-to-year as described more fully herein under "THE BONDS – Source of and Security for Payment." Under Texas law, the Board may also levy and collect a separate annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system. See "TAX RATE LIMITATIONS."

Property Tax Code And County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property

for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Orange County Appraisal District has the responsibility for appraising property for all taxing units within Orange County, including the District. Such appraisal values are subject to review and change by the Orange County Appraisal Review Board (the "Appraisal Review Board").

Property Subject To Taxation By The District

Except as described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property.

State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. 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 "TAXING PROCEDURES – District and Taxpayer Remedies."

Property Subject To Taxation By The District

Except for certain exemptions provided by State law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District.

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

Local Option Homestead Exemptions: The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than \$5,000) and (2) an additional exemption of the market value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The District grants an exemption to the market value of homesteads of (a) persons 65 of age and older of \$10,000 and (b) the disabled of \$5,000.

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 Exemptions: Certain goods 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 to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days ("Goods-in-Transit"), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer's retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property. Freeport goods and goods-in-transit are exempted from taxation by the District.

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 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.

The District has entered into tax abatement agreements totaling \$7,541,222 in abated property value for the fiscal year ended June 30, 2021. All abatement agreements were in relation to residential property and no single abatement exceeded 15% of the total abated value.

Valuation Of Property For Taxation

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

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. The appraised value of a homestead may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the preceding tax year, the appraised value of the property for the preceding tax year and the market value of all new improvements to the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business.

Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually.

A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

District And Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for 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 levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. 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 for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected.

The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on the residence homestead, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is a person sixty-five (65) years of age or older or disabled is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership.

Rollback Of Operation And Maintenance Tax Rate

Under current law, the qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rates plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service and contract tax rates cannot be changed by a rollback election.

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor with an effective date of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See "APPENDIX A - TAX DATA - Table 3" for a description of the District's current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

SB 2 classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed are classified herein as "Other Districts." The impact each classification has on the ability of a district to increase its total tax rate pursuant to SB 2 is described for each classification below.

Special Taxing Units: Special Taxing Units that adopt a total tax rate in excess of 1.08 times the amount of the total tax rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts: Developed Districts that adopt a total tax rate in excess of 1.035 times the amount of the total tax rate imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions and any unused increments authorized by the Tax Code for the preceding tax year, are required to hold a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

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

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

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. 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, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records.

The Effect Of FIRREA On Tax Collections Of The District

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

To the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes or may affect the valuation of such property.

TAX RATE LIMITATIONS

Tax Rate Limitation

The District's tax rate for debt service on the Bonds is legally unlimited as to rate or amount. Such covenant to levy taxes is subject to the right of a city, under existing Texas law, to annex all of the territory within the District; to take over all properties and assets of the District; to assume all debts, liabilities, and obligations of the District, including the Bonds; and to abolish the District.

Maintenance Tax

If approved through an election within the District, the District has the statutory authority to levy and collect an annual ad valorem tax for maintaining, repairing and operating the District's facilities and for paying administrative expenses of the District. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the outstanding bonds, the Bonds and any additional tax bonds which may be issued in the future. The District currently levies no tax for maintenance and operations. At the present time, there is no consideration by the District to conduct an election for maintenance tax.

TAX MATTERS

Tax Exemption

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

In rendering the foregoing opinions, Bond Counsel will rely upon the Sufficiency Certificate of the Financial Advisor regarding the sufficiency of the deposit to the Escrow Fund on the Date of closing and rely upon representations and certifications of the Issuer pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the Issuer with the provisions of the Order subsequent to the issuance of the Bonds. The Order contains covenants by the Issuer with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

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

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit owners of an interest in a financial asset securitization investment trust ("FASIT"), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

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

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial public offering price of certain Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount, allocable to the holding period of

such Discount Bond by the initial purchaser will upon the disposition of such Discount Bond (including by reason of its payment at maturity) be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during tax year.

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

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and Beneficial Owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events to the MSRB. The information provided to the MSRB will be available to the public, free of charge via the EMMA system through an internet website accessible at www.emma.msrb.com.

Annual Reports

The District will file with the MSRB through EMMA annually certain updated financial information and operating data. The information to be updated includes the quantitative financial information and operating data with respect to the District of the general type included in this Official Statement as Table 1, in "APPENDIX A – Financial Information for the Orange County Water Control and Improvement District No. 1" Tables 1-14 and in Appendix D.

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

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

Notice of Certain Events

The District will file with the MSRB notice of any of the following events with respect to the Bonds in a timely manner (and not more than 10 business days after occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrars or the change of name of a paying agent/registrars, 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 Bond 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. Neither the Bonds nor the Order make any provision for debt service reserves, credit enhancement (except with respect to the insurance policy) or for liquidity enhancement. In the Order, the District adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports". The District will provide each notice described in this paragraph to the MSRB.

For these purposes, any event described in clause (12) of 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. The District intends the words used in clauses (15) and (16) of the immediately preceding paragraph to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

Availability of Information

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if the agreement, as amended, would have permitted underwriters 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 either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Beneficial Owners of the Bonds. The District may also repeal or amend these provisions if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the extent that the provisions of this sentence would not prevent underwriters from lawfully purchasing or selling Bonds in the primary offering of the Bonds giving effect to (a) such provisions as so amended and (b) any

amendments or interpretations of the Rule. If the District amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Undertakings

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

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

The District will furnish the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the bonds are valid and legally binding obligations of the District. In addition, Bond Counsel will furnish the Underwriters with its opinion that, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions "PLAN OF FINANCING – Refunded Obligations", "THE BONDS" (exclusive of the subcaptions "Payment Record", "Sources and Uses of Funds", and "Default and Remedies" as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "TAX RATE LIMITATIONS", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (except under the subheading "Compliance with Prior Undertakings", as to which no opinion is expressed), "LEGAL MATTERS – Legal opinions (first paragraph only except for the last sentence of the first paragraph thereto, as to which no opinion is expressed) and "LEGAL MATTERS – Legal Investments and Eligibility to Secure Public Funds in Texas", and "OTHER PERTINENT INFORMATION—Registration and Qualification of Bonds for Sale" in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the Order contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. Bond Counsel has been engaged by and only represents the District. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Bonds are contingent on the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel, Greenberg Traurig, LLP, Dallas, Texas. The legal fees of Underwriters' counsel are contingent upon the delivery of the Bonds.

Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the Bonds, Bond Counsel has been engaged by and only represents the District with respect to the issuance of the Bonds. The legal opinion to be delivered concurrently with the delivery of the Bonds expresses the professional judgment of the attorneys rendering the opinion as to the legal issues expressly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise from the transaction.

Litigation

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

At the time of initial delivery of the Bonds, the District will provide the Underwriters with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale or delivery of the Bonds.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Securities 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. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the Texas Public Funds Investment Act requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. The Bonds are eligible to insure 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 law in other states to determine whether the Bonds are legal investments for various institutions in those states.

FORWARD LOOKING STATEMENTS

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

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

OTHER PERTINENT INFORMATION

Registration and Qualification of Bonds for Sale

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

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

Ratings

S&P Global Ratings ("S&P") has assigned the AGM insured rating of "AA" (stable outlook) to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. The rating of the Bonds by S&P reflects only the view of S&P 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 the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. The municipal bond rating is not a recommendation to buy, sell, or hold the Bonds. The rating fees of S&P will be paid by the District.

Authenticity of Financial Information

The financial data and other information contained herein have been obtained from the Issuer's records, audited financial statements and other sources which are believed to be reliable. All of the summaries of the statutes, documents and the Order contained in this Official Statement are made subject to all of the provisions of such statutes, documents and the Order. These

summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

Financial Advisor

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

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

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the Issuer at a price of \$17,772,864.48 (representing the par amount of the Bonds of \$10,993,440.00, plus a reoffering premium of \$6,894,734.95, and less an Underwriters' discount of \$115,310.47), and accrued interest on the CIBs in the amount of \$8,594.44.

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

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

Weather Events

The District is located near the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by rain events, hurricanes, tropical storms, and other tropical disturbances. If a weather-related event were to significantly damage all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or property owners will choose to carry flood insurance), any insurance company will fulfill its obligations to provide insurance proceeds or that insurance proceeds will be used to rebuild or repair damaged improvements with in the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a period of time in which assessed values within the District would be adversely affected.

Certification of the Official Statement

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

Information from External Sources

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

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

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

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

/s/ Frank Inzer

President, Board of Directors

ATTEST:

/s/ Trey Haney

Secretary, Board of Directors

**SCHEDULE I
REFUNDED OBLIGATIONS**

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**SCHEDULE I
SCHEDULE OF REFUNDED OBLIGATIONS**

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

**Unlimited Tax Bonds, Series 2012
(Redemption Date February 15, 2022)**

Premium Capital Appreciation Bonds

<u>Original Dated Date</u>	<u>Original Maturity (February 15)</u>	<u>Principal Amount Being Refunded ⁽¹⁾</u>	<u>Maturity Amount Being Refunded</u>
03/01/2012	2023	\$ 697,516.00	\$ 1,030,000.00
	2024	674,047.50	1,050,000.00
	2025	644,343.30	1,070,000.00
	2026	614,062.40	1,090,000.00
	2027	584,426.10	1,110,000.00
	2028	557,398.50	1,135,000.00
	2029	530,491.20	1,160,000.00
	2030	582,406.40	1,360,000.00
	2031	555,246.50	1,385,000.00
	2032	926,713.40	2,455,000.00
	2033	878,649.75	2,475,000.00
	2034	831,950.00	2,500,000.00
	2035	788,330.25	2,525,000.00
	2036	746,053.50	2,550,000.00
	2037	706,533.00	2,580,000.00
	2038	675,372.30	2,605,000.00
		<u>\$ 10,993,540.10</u>	<u>\$ 28,080,000.00</u>

⁽¹⁾ Redemption Date: February 15, 2022 at a price equal to the accreted value on the date of redemption.

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**SCHEDULE II
ACCREDITED VALUE TABLE**

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SCHEDULE II
SCHEDULE OF ACCRETED VALUES OF PREMIUM CAPITAL APPRECIATION BONDS

Date	2/15/2034 @2.48010%	2/15/2035 @2.58005%	2/15/2036 @2.67003%	2/15/2037 @2.73001%	2/15/2038 @2.77003%
01/11/2022	3,711.10	3,574.25	3,440.45	3,320.60	3,211.30
08/15/2022	3,765.88	3,629.13	3,495.12	3,374.56	3,264.25
02/15/2023	3,812.57	3,675.95	3,541.79	3,420.62	3,309.46
08/15/2023	3,859.85	3,723.37	3,589.07	3,467.31	3,355.29
02/15/2024	3,907.72	3,771.40	3,636.98	3,514.64	3,401.77
08/15/2024	3,956.17	3,820.06	3,685.54	3,562.62	3,448.88
02/15/2025	4,005.23	3,869.34	3,734.74	3,611.25	3,496.65
08/15/2025	4,054.90	3,919.25	3,784.60	3,660.54	3,545.08
02/15/2026	4,105.18	3,969.81	3,835.12	3,710.51	3,594.18
08/15/2026	4,156.09	4,021.02	3,886.32	3,761.15	3,643.96
02/15/2027	4,207.63	4,072.89	3,938.21	3,812.49	3,694.43
08/15/2027	4,259.80	4,125.44	3,990.78	3,864.53	3,745.59
02/15/2028	4,312.63	4,178.66	4,044.06	3,917.29	3,797.47
08/15/2028	4,366.11	4,232.56	4,098.05	3,970.76	3,850.07
02/15/2029	4,420.25	4,287.16	4,152.76	4,024.96	3,903.39
08/15/2029	4,475.06	4,342.47	4,208.20	4,079.90	3,957.45
02/15/2030	4,530.55	4,398.49	4,264.38	4,135.59	4,012.27
08/15/2030	4,586.73	4,455.23	4,321.31	4,192.04	4,067.84
02/15/2031	4,643.61	4,512.70	4,379.00	4,249.26	4,124.18
08/15/2031	4,701.19	4,570.92	4,437.46	4,307.26	4,181.30
02/15/2032	4,759.49	4,629.88	4,496.70	4,366.06	4,239.21
08/15/2032	4,818.51	4,689.61	4,556.73	4,425.66	4,297.92
02/15/2033	4,878.26	4,750.11	4,617.56	4,486.07	4,357.45
08/15/2033	4,938.76	4,811.38	4,679.21	4,547.30	4,417.80
02/15/2034	5,000.00	4,873.45	4,741.68	4,609.37	4,478.99
08/15/2034	-	4,936.32	4,804.98	4,672.29	4,541.02
02/15/2035	-	5,000.00	4,869.13	4,736.07	4,603.92
08/15/2035	-	-	4,934.13	4,800.71	4,667.68
02/15/2036	-	-	5,000.00	4,866.24	4,732.33
08/15/2036	-	-	-	4,932.67	4,797.87
02/15/2037	-	-	-	5,000.00	4,864.32
08/15/2037	-	-	-	-	4,931.70
02/15/2038	-	-	-	-	5,000.00

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APPENDIX A

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

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION

TABLE 1

2021 Actual Market Value of Taxable Property.....	\$ 697,371,458
Less Exemptions:	
Constitutionally Exempt.....	76,959,644
Homestead Cap Loss.....	8,235,156
Productivity Loss.....	2,909,912
Over 65.....	9,328,148
Disabled.....	632,460
Disabled Veterans.....	5,926,055
Other.....	18,669,123
TOTAL EXEMPTIONS	\$ 122,660,498
2021 Net Taxable Assessed Valuation (100% of Actual) Property.....	\$ 574,710,960

Source: Orange County Appraisal District.

GENERAL OBLIGATION BONDED DEBT

(as of December 1, 2021)

General Obligation Debt Principal Outstanding

Unlimited Tax Bonds, Series 2009	\$ 75,000
Unlimited Tax Bonds, Series 2021	719,309 ⁽¹⁾
Unlimited Tax Bonds, Series 2019	8,845,000
The Bonds	<u>10,993,440 ⁽²⁾</u>
Total Gross General Obligation Debt	<u>\$ 20,632,749</u>

2021 Certified Net Taxable Assessed Valuation	\$ 574,710,960
Ratio of Total Gross General Obligation Debt to 2021 Certified Net Taxable Assessed Valuation	3.59%

Population: est. 2021 - 14,300
Per Capita Certified Net Taxable Assessed Valuation - \$40,189.58
Per Capita Gross General Obligation Debt Principal - \$1,442.85*
Area: 8,006 acres
Debt per Acre: \$2,577.16*

⁽¹⁾ Excludes the Refunded Obligations. Reflects accreted value of the Refunded Obligations.

⁽²⁾ Reflects accreted value of the Bonds.

DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE

TABLE 2

(As of June 30, 2021)

-NONE-

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending June 30	Current Total Outstanding Debt	Less: Refunded Obligations	The Bonds			Combined Debt Service
			Principal	Interest	Total	
2022	\$ 2,070,550	\$ -				\$ 2,070,550
2023	2,098,200	1,030,000	\$ 610,000	\$ 347,216	\$ 957,216	2,025,416
2024	2,128,600	1,050,000	655,000	291,100	946,100	2,024,700
2025	2,127,400	1,070,000	700,000	264,900	964,900	2,022,300
2026	2,265,800	1,090,000	610,000	236,900	846,900	2,022,700
2027	2,293,200	1,110,000	630,000	212,500	842,500	2,025,700
2028	2,313,800	1,135,000	640,000	187,300	827,300	2,006,100
2029	2,338,000	1,160,000	690,000	161,700	851,700	2,029,700
2030	2,360,600	1,360,000	895,000	134,100	1,029,100	2,029,700
2031	2,388,600	1,385,000	985,000	107,250	1,092,250	2,095,850
2032	2,455,000	2,455,000	1,925,000	77,700	2,002,700	2,002,700
2033	2,475,000	2,475,000	1,960,000	39,200	1,999,200	1,999,200
2034	2,500,000	2,500,000	196,280	1,803,720	2,000,000	2,000,000
2035	2,525,000	2,525,000	162,000	1,838,000	2,000,000	2,000,000
2036	2,550,000	2,550,000	133,720	1,866,280	2,000,000	2,000,000
2037	2,580,000	2,580,000	110,360	1,889,640	2,000,000	2,000,000
2038	2,605,000	2,605,000	91,080	1,908,920	2,000,000	2,000,000
Total	<u>\$ 40,074,750</u>	<u>\$ 28,080,000</u>	<u>\$ 10,993,440</u>	<u>\$ 11,366,426</u>	<u>\$ 22,359,866</u>	<u>\$ 34,354,616</u>

TAX ADEQUACY

2021 Certified Freeze Adjusted Net Taxable Assessed Valuation	\$ 574,710,960
Maximum Annual Debt Service Requirements (Fiscal Year Ending 6-30-2031)	2,095,850.00
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$ 0.3721

Note: Above computations are exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

(as of December 1, 2021)

Fiscal Year Ending 6-30	Principal Repayment Schedule ⁽¹⁾				Principal Unpaid at End of Year	Percent of Principal Retired (%)
	Currently Outstanding	Less: Refunded Obligations*	The Bonds*	Total*		
2022	\$ 1,720,000			\$ 1,720,000	\$ 19,198,440	8.22%
2023	1,770,000	\$ 1,030,000	\$ 610,000	1,350,000	17,848,440	14.68%
2024	1,830,000	1,050,000	655,000	1,435,000	16,413,440	21.54%
2025	1,860,000	1,070,000	700,000	1,490,000	14,923,440	28.66%
2026	2,030,000	1,090,000	610,000	1,550,000	13,373,440	36.07%
2027	2,095,000	1,110,000	630,000	1,615,000	11,758,440	43.79%
2028	2,155,000	1,135,000	640,000	1,660,000	10,098,440	51.72%
2029	2,220,000	1,160,000	690,000	1,750,000	8,348,440	60.09%
2030	2,285,000	1,360,000	895,000	1,820,000	6,528,440	68.79%
2031	2,350,000	1,385,000	985,000	1,950,000	4,578,440	78.11%
2032	2,455,000	2,455,000	1,925,000	1,925,000	2,653,440	87.32%
2033	2,475,000	2,475,000	1,960,000	1,960,000	693,440	96.69%
2034	2,500,000	2,500,000	196,280	196,280	497,160	97.62%
2035	2,525,000	2,525,000	162,000	162,000	335,160	98.40%
2036	2,550,000	2,550,000	133,720	133,720	201,440	99.04%
2037	2,580,000	2,580,000	110,360	110,360	91,080	99.56%
2038	2,605,000	2,605,000	91,080	91,080	-	100.00%
Total	\$ 38,005,000	\$ 28,080,000	\$ 10,993,440	\$ 20,918,440		

⁽¹⁾ Principal amounts represent maturity values of Capital Appreciation Bonds.

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2012-2021

TABLE 3

Tax Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent
2012-13	407,457,784	-	0.00%
2013-14	409,739,218	2,281,434	0.56%
2014-15	410,500,063	760,845	0.19%
2015-16	447,987,177	37,487,114	9.13%
2016-17	462,738,840	14,751,663	3.29%
2017-18	483,179,839	20,440,999	4.42%
2018-19*	436,759,089	(46,420,750)	-9.61%
2019-20	507,125,372	70,366,283	16.11%
2020-21	519,253,612	12,128,240	2.39%
2021-22	574,710,960	55,457,348	10.68%

Source: Orange County Appraisal District.

* The decrease in 2018 taxable assessed value was due to damage caused as a result of Hurricane Harvey.

PRINCIPAL TAXPAYERS 2021-2022

TABLE 4

Name	Type of Business/Property	% of Total 2021	
		2021 Net Taxable Assessed Valuation	Assessed Valuation
Wal-Mart Real Estate Business Trust	Discount Store	\$ 11,770,715	2.05%
Entergy Texas Inc	Utility	9,762,950	1.70%
Wal-mart Store #457	Discount Store	8,050,781	1.40%
Vidor Express LLC	Hotel	5,123,071	0.89%
Trinity Industries, Inc	Railcare Repair Facility	5,020,210	0.87%
Vidor Crossroads, LLC	Shopping Center	4,074,251	0.71%
Houseman Development Company, Inc	Business Property	4,370,339	0.76%
Stanley, Terry	Rental Property	3,741,093	0.65%
Brewer, Larry	Rental Property	3,093,409	0.54%
Mobil Oil Federal Credit Union	Financial	2,912,519	0.51%
		\$ 57,919,338	10.08%

Source: Orange County Appraisal District.

CLASSIFICATION OF ASSESSED VALUATION

TABLE 5

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Land Market Value	\$ 95,551,672	\$ 97,722,476	\$ 95,520,906	\$ 95,124,058	\$ 95,994,270
Improvements	537,994,013	469,795,664	456,576,992	390,486,428	408,118,548
Productivity	3,104,510	3,025,387	3,214,532	3,255,664	2,198,197
Minerals		-	-	4,350	730,040
Personal Property	60,721,263	59,131,261	60,125,643	51,821,309	47,742,090
Total Market Value	<u>697,371,458</u>	<u>\$ 626,649,401</u>	<u>\$ 615,438,073</u>	<u>\$ 540,691,809</u>	<u>\$ 554,783,145</u>
Exemptions					
Constitutionally Exempt	76,959,644	\$ 75,037,385	\$ 77,725,327	\$ 76,556,012	\$ 42,116,849
Homestead Cap Loss	8,235,156	1,195,621	232,232	258,524	1,412,652
Productivity					
Loss	2,909,912	3,025,387	3,013,785	3,038,954	2,975,273
Over 65	9,328,148	9,316,528	9,234,892	9,234,723	9,353,911
Disabled	632,460	757,772	805,222	861,772	1,000,462
Disabled					
Veterans	5,926,055	6,747,730	6,038,286	4,602,348	4,909,114
Other	18,669,123	11,315,366	8,048,425	5,796,723	638,580
Total Exemptions	<u>122,660,498</u>	<u>107,395,789</u>	<u>105,098,169</u>	<u>100,677,056</u>	<u>62,624,220</u>
Net Taxable Value	<u>\$ 574,710,960</u>	<u>\$ 519,253,612</u>	<u>\$ 507,125,372</u>	<u>\$ 436,759,089*</u>	<u>\$ 462,738,840</u>

Source: Orange County Appraisal District.

*The decrease in 2018 taxable assessed value was due to damage caused as a result of Hurricane Harvey.

TAX DATA

TABLE 6

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections Current	% of Collections Total	Year Ended
2011	\$ 402,764,837	0.44159	\$ 1,778,569	93.71	96.44	6/30/2012
2012	407,457,784	0.45000	1,833,560	93.64	96.37	6/30/2013
2013	409,739,218	0.41962	1,719,348	94.18	98.52	6/30/2014
2014	410,500,063	0.42371	1,739,330	96.79	97.89	6/30/2015
2015	447,987,177	0.38726	1,734,875	93.89	98.09	6/30/2016
2016	462,738,840	0.38885	1,799,360	93.27	97.96	6/30/2017
2017	490,082,566	0.35964	1,762,533	94.02	96.89	6/30/2018
2018	436,759,089*	0.41063	1,793,464	93.54	97.03	6/30/2019
2019	507,125,372	0.41701	2,114,764	93.54	96.63	6/30/2020
2020	519,253,612	0.42201	2,191,302	93.54	98.08	6/30/2021
2021	574,710,960	0.38190	2,194,821	(In Process of Collection)		6/30/2022

*The decrease in 2018 taxable assessed value was due to damage caused as a result of Hurricane Harvey.

TAX RATE DISTRIBUTION

TABLE 7

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
I & S Fund	\$ 0.38190	\$ 0.42201	\$ 0.41701	\$ 0.41063	\$ 0.35964

Source: Texas Municipal Report published by the Municipal Advisory Council of Texas, and the Orange County Appraisal District.

OVERLAPPING DEBT INFORMATION**TABLE 8**

(As of December 1, 2021)

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the City and the estimated percentages and amounts of such indebtedness attributable to property within the City. Expenditures of the various taxing bodies overlapping the territory of the Issuer are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the Issuer. These political taxing bodies are independent of the Issuer and may incur borrowings to finance their expenditures. The following statements of direct and estimated overlapping ad valorem tax bonds was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the Issuer, the Issuer has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have authorized or issued additional bonds since the date stated below, and such entities may have programs requiring the authorization and/or issuance of substantial amounts of additional bonds, the amount of which cannot be determined.

Taxing Body	Gross Debt (As of 12/1/2021)	% Overlapping	Amount Overlapping
Orange County	\$ 4,055,000	7.05%	\$ 285,878
Vidor ISD	10,293,415	31.83%	3,276,394
City of Vidor	5,009,000	89.30%	4,473,037
Total Gross Overlapping Debt			<u>\$ 8,035,308</u>
Orange County Water Control and Improvement District No. 1			\$ 20,632,749
Total Gross Direct and Overlapping Debt			<u>\$ 28,668,057</u>
Ratio of Gross Direct and Overlapping Debt to 2021 Certified Net Taxable Assessed Valuation			4.99%
Per Capita Gross Direct and Overlapping Debt			\$ 2,005

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

Governmental Subdivision	2021 Assessed Valuation	% of Actual	2021 Tax Rate
Orange County	\$ 6,454,571,478	100%	0.539
Vidor ISD	1,382,772,479	100%	1.075
City of Vidor	461,451,886	100%	0.704

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF DIRECT AND OVERLAPPING GOVERNMENTAL SUBDIVISIONS

Issuer	Date of Authorization	Purpose	Amount Authorized	Issued To-Date	Unissued
Orange County	None				
Vidor ISD	None				
City of Vidor	None				
Orange County WC&ID #1	None				

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

WATERWORKS AND SEWER SYSTEM REVENUE BOND DEBT DATA**TABLE 9***(as of December 1, 2021)*

Revenue Refunding Bonds, Series 2021	\$	8,825,000
Total Revenue Bonded Debt	\$	8,825,000

UTILITY PLANT IN SERVICE**TABLE 10***(As of June 30, 2021)*

Land and Easements	\$	303,729
Buildings		378,188
Machinery and Equipment		615,468
Autos and Trucks		470,143
Office Furniture and Fixtures		178,756
Water and Sewer System		62,617,403
Construction in Progress		956,494
Total	\$	65,520,181
Less: Accumulated Depreciation		(26,915,795)
Net Property, Plant and Equipment	\$	38,604,386

Source: *The Issuer's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2021.*

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES**TABLE 11**

The following statements set forth in condensed form reflect the historical operations of the Issuer. Such summary has been prepared for inclusion herein based upon information obtained from the Issuer's audited financial statements and records. Reference is made to such statements for further and complete information. Debt service payments and capital outlay have been removed from the expenditures.

	Fiscal Year Ended				
	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Revenues	\$ 5,389,187	\$ 4,822,607	\$ 4,737,439	\$ 3,948,605	\$ 4,191,540
Expenditures	<u>3,836,894</u>	<u>3,475,428</u>	<u>3,415,455</u>	<u>2,969,937</u>	<u>2,978,381</u>
Available for Revenue Bond Debt Service	1,552,293	1,347,179	1,321,984	978,668	1,213,159
Revenue Bond Annual Debt Service ⁽¹⁾	\$ 1,022,569	\$ 1,018,538	\$ 1,022,647	\$ 1,024,939	\$ 1,020,001
Coverage	1.52X	1.32X	1.29X	0.95X	1.19X

Source: *The Issuer's Comprehensive Annual Financial Reports and information provided by the District.*

⁽¹⁾ *The Bonds are secured by a pledge of the District's ad valorem tax levy and not on system revenue. The District's tax rate for debt service on the Bonds is unlimited as to rate or amount, but such covenant to levy taxes is subject to the right of a city, under existing Texas law, to annex all of the territory within the District; to take over all properties and assets of the District; to assume all debts, liabilities, and obligations of the District, including the Bonds, and to abolish the District.*

Such summary has been prepared for inclusion herein based upon information obtained from the Issuer's audited financial statements and records. Amounts in the General Fund are pledged to the payment of the District's revenue indebtedness but not its general obligation indebtedness, including the Bonds. Reference is made to such statements for further and complete information. Principal, interest and fiscal costs are excluded when determining expenses. Capital Outlay is included in the expenses because of the ongoing required repairs that will be required with the TCEQ Sewer Overflow Initiative Program.

WATER SOURCE

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

WATER RATES

TABLE 12

[Based on Monthly Billing]

Residential
(Effective July 1, 2020)

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

Commercial
(Effective July 1, 2020)

Gallons	Inside District Limits	Outside District Limits
0 - 2,000	\$16.55	\$33.10
2,001 +	\$0.381/100 gallons	\$0.762/100 gallons

Flat rate unmetered service - \$42.74
Out of District rates are two (2) times In District rates.

SEWER TREATMENT

The District completed construction on a 3.0 MGD Wastewater Treatment Plant in August of 2013. This new plant is designed to handle 12.0 MGD of storm water peak flow capacity. It is projected that the Wastewater Treatment Plant will be sufficient to handle anticipated growth for the next 30 years.

SEWER RATES

TABLE 13

[Based on Monthly Billing]

Residential
(Effective July 1, 2020)

Gallons	Inside District Limits	Outside District Limits
0 - 2,000	\$17.69	\$35.38
2,001 +	\$0.35/100 gallons	\$0.70/100 gallons

Commercial
(Effective July 1, 2020)

Gallons	Inside District Limits	Outside District Limits
0 - 2,000	\$20.46	\$40.92
2,001 +	\$0.381/100 gallons	\$0.762/100 gallons

Flat rate unmetered service - \$45.69
Out of District rates are two (2) times In District rates.

HISTORICAL PRODUCTION AND CONSUMPTION DATA

	For fiscal Year ended June 30				
	2021	2020	2019	2018	2017
Production:					
Gallons pumped into System	394,866,000	436,938,000	383,643,000	399,813,000	427,954,000
Usage:					
Water Meter Count	5,393	5,337	5,384	4,848	4,794
Sewer Meter Count	4,196	4,168	4,169	4,158	4,136
Total Gallons Billed	353,196,100	273,639,300	289,002,700	297,361,400	314,379,537
Average Monthly Usage Per User (Gallons)	6,102	6,822	5,938	6,872	7,439
Percentage Water Loss in System	10.55%	37.37%	24.67%	25.62%	26.54%

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

Information regarding the District's Pension Plan can be found within the District's 2021 Comprehensive Annual Financial Report under Note 8 - Pension Plan.

APPENDIX B

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

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ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

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

CITY OF VIDOR, TEXAS

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

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

ORANGE COUNTY, TEXAS

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

HISTORICAL POPULATIONS

2009	83,959
2010	81,837
2011	82,337
2012	82,889
2013	82,816
2014	83,245
2015	83,928
2016	84,508
2017	85,047
2018	83,572
2019	83,396
2020	83,240

Labor Force Statistics ⁽¹⁾

	<u>2021</u> ⁽²⁾	<u>2020</u> ⁽³⁾	<u>2019</u> ⁽³⁾	<u>2018</u> ⁽³⁾
Civilian Labor Force	36678	36,027	36,436	36,515
Total Employed	34030	32,241	34,561	34,391
Total Unemployed	2648	3,786	1,875	2,124
Unemployment Rate	7.2%	10.5%	5.1%	5.8%
% U.S. Unemployment	4.3%	8.1%	3.7%	3.9%
Texas Unemployment	4.8%	7.6%	3.5%	3.9%

(1) Source: Texas Workforce Commission.

(2) As of October, 2021.

(3) Average Annual Statistics.

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APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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January 11, 2022

Norton Rose Fulbright US LLP
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FINAL

IN REGARD to the authorization and issuance of the “Orange County Water Control and Improvement District No. 1 Unlimited Tax Refunding Bonds, Series 2022” (the *Bonds*), dated January 1, 2022, in the aggregate principal amount of \$10,993,440 we have reviewed the legality and validity of the issuance thereof by the Board of Directors of the Orange County Water Control and Improvement District No. 1 (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity) in part as “Current Interest Bonds” (totaling in original principal amount of \$10,300,000) and in part as “Premium Capital Appreciation Bonds” (in the original principal amount of \$693,440). The Current Interest Bonds have Stated Maturities of February 15 in each of the years 2023 through 2033, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Current Interest Bonds. The Premium Capital Appreciation Bonds have Stated Maturities of February 15 in each of the years 2034 through 2038, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Premium Capital Appreciation Bonds. Interest on the Bonds accrues or accretes from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Order.

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

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Board of Directors of the Issuer in connection with the issuance of the Bonds, including the Order, the Escrow Deposit Letter (the *Escrow Agreement*) between the Issuer and BOKF, NA, Dallas, Texas (the *Escrow Agent*), and the certification (the *Sufficiency Certificate*) by SAMCO Capital Markets, Inc., as Financial Advisor to the Issuer concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the

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Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of “ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1 UNLIMITED TAX REFUNDING BONDS, SERIES 2022”

Escrow Agreement; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer, and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Bond executed and delivered initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds are payable from the proceeds of an ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the Issuer. Such covenant to levy taxes is subject to the right of a city, under existing Texas law, to annex all of the territory within the Issuer; to take over all properties and assets of the Issuer; to assume all debts, liabilities, and obligations of the Issuer, including the Bonds; and to abolish the Issuer.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that the Escrow Agreement has been duly authorized, executed, and delivered by the Issuer and, assuming due authorization, execution, and delivery thereof by the Escrow Agent, is a valid and binding obligation, enforceable in accordance with its terms (except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity), and that the outstanding obligations refunded, discharged, paid, and retired with certain proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in trust with the Escrow Agent, pursuant to the Escrow Agreement and the order authorizing their issuance, and in accordance with the provisions of Chapter 1207, as amended, Texas Government Code. In rendering this opinion, we have relied upon the Sufficiency Certificate concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Order and in reliance upon the Sufficiency Certificate concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement and upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, under existing

Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of “ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1 UNLIMITED TAX REFUNDING BONDS, SERIES 2022”

statutes, regulations, published rulings, and court decisions (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and (2) interest on the Bonds will not be included in computing the alternative minimum taxable income of the owners thereof.

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

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

Norton Rose Fulbright US LLP

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APPENDIX D

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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



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

October 5, 2021

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of Orange County Water Control & Improvement District No. 1 as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Orange County Water Control & Improvement District No. 1's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of Orange County Water Control & Improvement District No. 1 as of June 30, 2021, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 4 through 9; the Schedules of Changes in Employer's Net Pension Liability and Related Ratios and Employer Contributions on pages 37 through 38; and the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund on page 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standard Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information on pages 4 through 9 and pages 37 and 38 in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The required supplementary information on page 39 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Orange County Water Control & Improvement District No. 1's, basic financial statements. The Texas Supplementary Information listed in the Table of Contents on pages 40 through 52 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information listed in the Table of Contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The current year financial information included in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedules of Services and Rates and Board Members, Key Personnel and Consultants have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on this information.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2021, on our consideration of Orange County Water Control & Improvement District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Orange County Water Control & Improvement District No. 1's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Orange County Water Control & Improvement District No. 1's internal control over financial reporting and compliance.

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

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

Management's Discussion and Analysis
For The Year Ended June 30, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Orange County Water Control & Improvement District No. 1 we offer readers of the Orange County Water Control & Improvement District No. 1 financial statements this narrative overview and analysis of the financial activities of the Orange County Water Control & Improvement District No. 1 for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the independent auditor's report and the District's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The assets of the Orange County Water Control & Improvement District No. 1 exceeded its liabilities at the close of 2021, by \$10,848,049. Of this amount, \$5,065,470 is considered unrestricted.
- The Orange County Water Control & Improvement District No. 1's total net position increased by \$215,278 in fiscal year 2021.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$8,872,190 a decrease of \$825,046. Of this total fund balance, \$1,242,391 is considered spendable and unassigned and is considered available for use.
- The general fund reported a fund balance of \$2,874,443 at the end of the current fiscal year. The unassigned fund balance for the general fund was \$1,242,391 or 24.0% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

Management's Discussion and Analysis
For The Year Ended June 30, 2021

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

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

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

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

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

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the Financial Statements can be found on pages 16 through 36.

Other information. In addition to the basic financial statements and accompanying notes, required supplementary information presents a schedule of changes in employer's net pension liability and related ratios, a schedule of employer contribution, and a schedule of revenues, expenditures, and changes in fund balance-budget and actual to demonstrate compliance with the budget. The required supplementary information can be found on pages 37 through 39. Texas Supplementary Information is presented on pages 40 through 52.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Orange County Water Control & Improvement District No. 1, assets exceeded liabilities by \$10,848,049 at June 30, 2021.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

Management's Discussion and Analysis
For The Year Ended June 30, 2021

THE DISTRICT'S NET POSITION

	<u>2021</u>	<u>2020</u>
Current assets:		
Cash & Investments	\$ 8,632,134	\$ 9,514,780
Taxes Receivable	489,854	483,942
Service Revenues Receivable	834,983	801,821
Inventory	83,261	86,571
Prepaid Insurance	25,974	-
Net Pension Asset	-	79,660
Total current assets	<u>10,066,206</u>	<u>10,966,774</u>
Noncurrent Assets:		
Capital Assets	65,520,181	64,984,263
Less accumulated depreciation	<u>(26,915,795)</u>	<u>(25,345,143)</u>
Total noncurrent assets	<u>38,604,386</u>	<u>39,639,120</u>
Total assets	<u>48,670,592</u>	<u>50,605,894</u>
Deferred Outflows of Resources:		
Deferred Outflows of Resources-pension related	<u>320,360</u>	<u>127,018</u>
Current Liabilities:		
Accounts payable and accrued liabilities	214,472	174,388
Customer LPSS deposits and tap fees	32,095	56,453
Unearned revenue	453,827	510,089
Current portion of long-term debt	<u>1,974,227</u>	<u>2,734,050</u>
Total current liabilities	<u>2,674,621</u>	<u>3,474,980</u>
Long-term liabilities:		
Customer deposits	401,245	386,290
Long-term debt	34,824,900	36,102,454
Net Pension Liability	<u>65,094</u>	<u>-</u>
Total long-term liabilities	<u>35,291,239</u>	<u>36,488,744</u>
Total liabilities	<u>37,965,860</u>	<u>39,963,724</u>
Deferred Inflows of Resources:		
Deferred Inflows of Resources-pension related	<u>177,043</u>	<u>136,417</u>
Net Position:		
Net Investment in Capital Assets	3,674,745	2,692,459
Restricted for Debt Service	2,107,834	2,133,213
Unrestricted	<u>5,065,470</u>	<u>5,807,099</u>
Total net position	<u>\$ 10,848,049</u>	<u>\$ 10,632,771</u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

Management's Discussion and Analysis
For The Year Ended June 30, 2021

Changes in net position

The District's total revenues were \$7,153,176. A significant portion, 52.6%, of the District's revenue comes from charges for water and sewer services. Approximately 30.1% of the revenue comes from taxes.

The total cost of all programs and services was \$6,937,898; all these costs are related to water and sewer services.

Governmental Activities

Property tax rates increased by approximately .005 cents per \$100 valuation. This increase resulted in an increase in the tax levy to \$2,171,450.

CHANGES IN THE DISTRICT'S NET POSITION

	Government Wide Activities	
	<u>2021</u>	<u>2020</u>
Program Revenues:		
Charges for Services		
Water	\$ 1,821,416	\$ 1,674,355
Sewer	1,809,394	1,663,889
Service Fees	129,712	96,363
General Revenues:		
Taxes	2,155,725	2,082,453
Penalty & Interest	66,773	51,164
Interest on Temporary Investments	6,501	112,527
Revenue Note Collections	1,016,488	1,015,948
Miscellaneous Revenues	124,330	132,758
Grants and Contributions	17,495	37,798
Loss on Disposition of Capital Assets	5,342	<u>(714,526)</u>
Total Revenues	<u>7,153,176</u>	<u>6,152,729</u>
Water and Sewer Service	1,039,664	848,963
Salaries, Benefits, & Payroll taxes	2,041,855	2,371,764
Professional Fees	44,382	46,457
Administrative Expenses	256,039	234,525
Other	71,802	69,371
Interest and Fiscal Charges	1,913,504	1,314,551
Depreciation	1,570,652	<u>1,824,944</u>
Total Expenses	<u>6,937,898</u>	<u>6,710,575</u>
Change in Net Position	<u>\$ 215,278</u>	<u>\$ (557,846)</u>

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

- The cost of all governmental activities this year was \$6,937,898.
- Property tax revenue was \$2,222,498.
- \$3,760,522 was paid by those who directly received service.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

Management's Discussion and Analysis
For The Year Ended June 30, 2021

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

General Fund Budgetary Highlights

Over the course of the year, the District did not revise its budget. Actual expenditures were \$574,438 or 11.1% over budgeted amounts in the General Fund. Resources available were \$148,787 or 3.1% above budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of 2021, the District had invested \$65,520,181 in a broad range of capital assets, including land, buildings, water and sewer systems, equipment, and vehicles.

CAPITAL ASSETS

**District's Capital Assets
Governmental Activities**

	<u>2021</u>
Land	\$ 303,729
Buildings and Improvements	378,188
Water and Sewer System	62,617,403
Machinery and Equipment	615,468
Autos and Trucks	470,143
Office Furniture and Fixtures	178,756
Construction in Progress	<u>956,494</u>
Totals at historical cost	<u>65,520,181</u>
Total Accumulated Depreciation	<u>(26,915,795)</u>
Net Capital Assets	<u>\$ 38,604,386</u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

Management's Discussion and Analysis
For The Year Ended June 30, 2021

Long-Term Debt and Liabilities

At year-end the District had \$36,460,646 in bonded debt outstanding and \$0- in notes payable. More detailed information about the District's debt is presented in the notes to the financial statements.

	Interest Rate	Amounts at Original Issue	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Bonds Payable:							
General Obligation							
2009	1.70%-5.05%	\$ 11,115,000	\$ 700,000	\$ -	\$ (625,000)	\$ 75,000	\$ 75,000
2019 Refunding	2.0%-4.0%	9,015,000	8,900,000	-	(55,000)	8,845,000	640,000
Premium - 2019 Refunding			837,606	-	(121,028)	716,578	120,461
Revenue Bonds							
2013 Refunding	1.86%	1,230,000	135,000	-	(135,000)	-	-
2021 Refunding	1.25%-2%	8,825,000	-	8,825,000	-	8,825,000	-
Premium - 2021 Refunding			-	113,818	-	113,818	17,968
Capital Appreciation							
2012	1.2%-5.3%	13,999,994	12,127,937	-	(415,089)	11,712,848	719,308
Accreted Interest Payable							
2012 Unlimited Tax Bonds			5,749,009	993,304	(569,911)	6,172,402	285,691
Total Bonded Debt			28,449,552	9,932,122	(1,921,028)	36,460,646	1,858,428
Notes Payable							
2011 Revenue Notes	0.3%-4.1%	13,610,000	9,870,000	-	(9,870,000)	-	-
Total GASB 88 Type Debt			38,319,552	9,932,122	(11,791,028)	36,460,646	1,858,428
Compensated Absences Payable			121,246	-	(1,464)	119,782	-
OPEB Liability			122,684	-	(19,784)	102,900	-
Accrued Interest Expense			273,022	115,799	(273,022)	115,799	115,799
Customer Deposits			386,290	110,673	(95,718)	401,245	-
Total Long-Term Liabilities			\$ 39,222,794	\$ 10,158,594	\$ (12,181,016)	\$ 37,200,372	\$ 1,974,227

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2021-2022 budget was presented with no significant increase in rates or the number of customers in the District. The General Fund Revenue Budget for 2021-2022 is \$4,812,700 which is a 1.8% increase from the 2020-2021 General Fund Budget of \$4,729,200

There are no major expenditures anticipated other than the normal operating expenditures expected in servicing the customers of the District with the largest expenditures being related to employee wages and salaries. The General Fund Expenditure Budget for 2021-2022 is \$4,812,700 which is a 1.8% increase from the 2020-2021 General Fund Expenditure Budget of \$4,729,200.

The ad valorem tax roll for the 2021 tax year is \$574,710,960 with an adopted tax rate of \$0.3819 per \$100 valuation. All proceeds from ad valorem tax collection are used for debt service retirement.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

**STATEMENT OF NET POSITION
JUNE 30, 2021**

	<u>Primary Government</u>
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 8,187,740
Taxes Receivable, Net	489,854
Accounts Receivable, Net	834,983
Inventories	83,261
Prepaid Insurance	25,974
Restricted Cash	444,394
Capital Assets:	
Land	303,729
Improvements other than buildings, net	36,861,330
Buildings, Net	161,022
Machinery and Equipment, Net	321,811
Construction in Progress	<u>956,494</u>
Total Assets	<u>48,670,592</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow Related to Pension Plan	<u>320,360</u>
Total Deferred Outflows of Resources	<u>320,360</u>
LIABILITIES	
Accounts Payable	145,812
Wages and Salaries Payable	54,823
Unearned Revenues	485,922
Other Current Liabilities	13,837
Noncurrent Liabilities:	
Accrued Pension Liability	65,094
Due Within One Year	1,974,227
Due in More Than One Year	<u>35,226,145</u>
Total Liabilities	<u>37,965,860</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow Related to Pension Plan	<u>177,043</u>
Total Deferred Inflows of Resources	<u>177,043</u>
NET POSITION	
Net Investment in Capital Assets	3,674,745
Restricted for Debt Service	2,107,834
Unrestricted	<u>5,065,470</u>
Total Net Position	<u>\$ 10,848,049</u>

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

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO.1

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
Water and Sewer Service	\$ 1,039,664	\$ 3,760,522	\$ -	\$ 2,720,858
Salaries, Benefits and Payroll Taxes	2,041,855	-	-	(2,041,855)
Professional Fees	44,382	-	-	(44,382)
Administrative Expenses	256,039	-	-	(256,039)
Other	71,802	-	-	(71,802)
Depreciation Expense	1,570,652	-	-	(1,570,652)
Bond Interest and Fiscal Charges	1,913,504	-	-	(1,913,504)
TOTAL PRIMARY GOVERNMENT	\$ 6,937,898	\$ 3,760,522	\$ -	(3,177,376)
General Revenues				
Taxes:				
Property Taxes				2,155,725
Revenue and Note Collections				1,016,488
Penalty and Interest				66,773
Grants and Contributions				17,495
Miscellaneous Revenue				124,330
Investment Earnings				6,501
Loss on Disposition of Capital Assets				5,342
Total General Revenues				3,392,654
Change in Net Position				215,278
Net Position - Beginning				10,632,771
Net Position - Ending				\$ 10,848,049

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

FUND FINANCIAL STATEMENTS

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO.1
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Debt Service Fund	Contingency Fund	Construction And Capital Projects Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 2,129,741	\$ 572,454	\$ 2,184,183	\$ 3,301,362	\$ 8,187,740
Taxes Receivable	-	576,299	-	-	576,299
Allowance for Uncollectible Taxes	-	(86,445)	-	-	(86,445)
Accounts Receivable, Net	834,983	-	-	-	834,983
Due from Other Funds	10,493	-	-	-	10,493
Inventories	83,261	-	-	-	83,261
Restricted Cash - TWDB Escrow	-	-	-	444,394	444,394
Total Assets	<u>\$ 3,058,478</u>	<u>\$ 1,062,308</u>	<u>\$ 2,184,183</u>	<u>\$ 3,745,756</u>	<u>\$ 10,050,725</u>
LIABILITIES					
Accounts Payable	\$ 70,492	\$ -	\$ -	\$ 75,320	\$ 145,812
Wages and Salaries Payable	54,823	-	-	-	54,823
Due to Other Funds	-	-	-	10,493	10,493
Unearned Revenues	32,095	-	-	453,827	485,922
Accrued Interest	12,788	-	-	-	12,788
Other Current Liabilities	13,837	-	-	-	13,837
Total Liabilities	<u>184,035</u>	<u>-</u>	<u>-</u>	<u>539,640</u>	<u>723,675</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	-	454,860	-	-	454,860
Total Deferred Inflows of Resources	<u>-</u>	<u>454,860</u>	<u>-</u>	<u>-</u>	<u>454,860</u>
FUND BALANCES					
Nonspendable Fund Balance:					
Inventories	83,261	-	-	-	83,261
Restricted Fund Balance:					
Capital Acquisition and Obligation	-	-	-	1,646,804	1,646,804
Retirement of Long-Term Debt	1,147,546	607,448	-	-	1,754,994
Other Restricted Fund Balance	401,245	-	-	-	401,245
Assigned Fund Balance:					
Construction	-	-	-	1,559,312	1,559,312
Other Assigned Fund Balance	-	-	2,184,183	-	2,184,183
Unassigned Fund Balance	1,242,391	-	-	-	1,242,391
Total Fund Balances	<u>2,874,443</u>	<u>607,448</u>	<u>2,184,183</u>	<u>3,206,116</u>	<u>8,872,190</u>
Total Liabilities, Deferred Inflows And Fund Balances	<u>\$ 3,058,478</u>	<u>\$ 1,062,308</u>	<u>\$ 2,184,183</u>	<u>\$ 3,745,756</u>	<u>\$ 10,050,725</u>

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

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION FOR THE YEAR ENDED JUNE 30, 2021

Total Fund Balances - Governmental Funds	\$ 8,872,190
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	38,604,386
Prepaid expenditures which were expended in the funds are included in the statement of net position	25,974
Property taxes receivables are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds	454,860
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds	(36,563,657)
Net pension assets (obligations) are not available to pay for current expenditures, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	78,223
Other post employment benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(102,900)
Compensated absences and customer deposits are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(521,027)
Net Position of Governmental Activities	<u><u>\$ 10,848,049</u></u>

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

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Debt Service Fund	Contingency Fund	Construction And Capital Projects Funds	Total Governmental Funds
REVENUES:					
Taxes:					
Property Taxes	\$ -	\$ 2,149,813	\$ -	\$ -	\$ 2,149,813
Penalty and Interest on Taxes	-	66,773	-	-	66,773
Intergovernmental Revenue and Grants	-	-	-	17,495	17,495
Water Services	1,821,416	-	-	-	1,821,416
Sewer Services	1,809,394	-	-	-	1,809,394
Other Service Fees	88,634	2,311	-	38,767	129,712
Investment Earnings	1,770	311	1,831	2,589	6,501
Revenue Note Collections	1,016,488	-	-	-	1,016,488
Other Revenue	139,285	-	-	-	139,285
Total Revenues	<u>4,876,987</u>	<u>2,219,208</u>	<u>1,831</u>	<u>58,851</u>	<u>7,156,877</u>
EXPENDITURES					
Current:					
General Government:					
Water and Sewer Service	883,792	-	-	-	883,792
Salaries, Benefits and Payroll Taxes	2,079,485	-	-	-	2,079,485
Professional Fees	44,382	-	-	-	44,382
Administrative Expenses	273,593	-	-	-	273,593
Other	38,993	32,809	-	-	71,802
Debt Service					
Bond Principal	675,000	1,665,000	-	-	2,340,000
Bond Interest and Fiscal Charges	662,444	379,776	-	-	1,042,220
Capital Outlay:					
Capital Outlay	516,649	-	-	175,141	691,790
Total Expenditures	<u>5,174,338</u>	<u>2,077,585</u>	<u>-</u>	<u>175,141</u>	<u>7,427,064</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(297,351)</u>	<u>141,623</u>	<u>1,831</u>	<u>(116,290)</u>	<u>(270,187)</u>
OTHER FINANCING SOURCES (USES):					
Transfers In	512,200	50,000	43,104	188,908	794,212
Insurance Recovery	-	-	-	5,342	5,342
Issuance of refunding bonds - face value	8,825,000	-	-	-	8,825,000
Issuance of refunding bonds - premium	113,818	-	-	-	113,818
Transfers Out (Use)	(232,012)	(50,000)	(502,200)	(10,000)	(794,212)
Other Uses - payment to refunded - bond escrow agent	<u>(9,499,019)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,499,019)</u>
Total Other Financing Sources (Uses)	<u>(280,013)</u>	<u>-</u>	<u>(459,096)</u>	<u>184,250</u>	<u>(554,859)</u>
Net Change in Fund Balances	(577,364)	141,623	(457,265)	67,960	(825,046)
Fund Balance - July 1 (Beginning)	<u>3,451,807</u>	<u>465,825</u>	<u>2,641,448</u>	<u>3,138,156</u>	<u>9,697,236</u>
Fund Balance - June 30 (Ending)	<u>\$ 2,874,443</u>	<u>\$ 607,448</u>	<u>\$ 2,184,183</u>	<u>\$ 3,206,116</u>	<u>\$ 8,872,190</u>

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

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

Total Net Change in Fund Balances - Governmental Funds	\$ (825,046)
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	5,912
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements.	535,918
Certain items reported as expenditures in the governmental funds are considered assets in the government-wide statements.	25,974
Depreciation is not recognized as an expense in the governmental funds since it does not require the use of current financial resources.	(1,570,652)
The issuance of refunding bonds and premium provide current financial resources to governmental funds, while the payment to the bond escrow agent consumes the current financial resources of the governmental funds. These transactions however, have no effect on net position. This is the amount by which payments to the bond escrow agent exceeded refunding bonds and premium proceeds.	560,201
The repayment of the principal portion of long-term debt consumes current financial resources of the governmental funds; however, it has no impact on the net position of the government-wide activities.	2,340,000
Interest on long-term governmental debt is not due and payable in the current period and, accordingly, is not reported as a current period expenditure. Interest expense on the long-term debt of governmental activities is accrued and accreted in the Statement of Activities.	(871,284)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These include changes in other post employment benefits, net pension asset, and compensated absences.	14,255
Change in Net Position of Governmental Activities	<u>\$ 215,278</u>

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

NOTES TO THE FINANCIAL STATEMENTS

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 1 – GENERAL STATEMENT

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

B. Excluded from the reporting entity

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

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-wide and Fund Financial Statements

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

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

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

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

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

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The District has the following Governmental Funds:

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

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

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

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

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

D. Basis of Accounting

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

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Investments

Cash includes amounts in demand deposits as well as money market accounts. The District Board has approved making investments in the Lone Star Investment Pool, but the District had no investments in the pool at June 30, 2021.

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

F. Encumbrances

The District does not use encumbrance accounting.

G. Materials and Supplies Inventories

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

H. Interfund Transactions

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

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

I. Land, Buildings and Equipment

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

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

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Land, Buildings and Equipment (Continued)

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

J. Long-term Liabilities

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

K. Compensated Absences

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

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

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

	Number of Qualifying Employees	Maximum Days per Employee	Total Accrued
Sick leave	9	60	\$ 67,980
Vacation	22	40	51,802
Total	31	100	\$ 119,782

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

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Post-Retirement Benefits

The District currently pays one-half of the medical insurance premiums for its retirees from retirement to age 65. Liability for this benefit for one year is currently estimated to be \$102,900.

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

M. Property Taxes

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

N. Tax Abatements

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

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

For the fiscal year ended June 30, 2021, the District abated property valued at \$7,541,222, which resulted in abated property taxes totaling \$31,825. All abatement agreements were in relation to residential property, and no single abatement exceeded 15% of the total abated value.

O. Budget

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

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Use of Estimates

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

Q. Application of Resources

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

R. Fund Equity

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

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

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

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

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

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

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

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Fund Equity (Continued)

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

S. Subsequent Events

In accordance with ASC 855, the Management of the Utility District has evaluated subsequent events through October 5, 2021, the date on which the financial statements were available for issue.

NOTE 3 – CASH AND INVESTMENTS

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

At the year-end, the carrying amount of the District's deposits was \$8,632,133 and the bank balance was \$8,656,401. All deposits as of the financial statement date were insured by FDIC coverage or collateralized by a letter of credit and pledged securities held by the depository's agent in the District's name.

Following are the components of the District's cash and investments at June 30, 2021:

	<u>Total</u>	<u>Bond Revenue Requirements</u>
Cash Accounts		
Interest and Sinking	\$ 674,474	\$ -
Revenue Bonds Reserve	1,045,526	942,688
Bond Proceeds	1,646,694	-
Customer Deposits	392,995	-
Other	4,872,445	-
	<u>\$ 8,632,134</u>	<u>\$ 942,688</u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 4 – PROPERTY TAXES

The District's ad valorem property tax is levied each October 1 on the assessed value listed as of January 1 for all real property located in the District. The assessed value of the roll upon which the levy for the 2020 calendar year was based was \$519,253,612. The tax rate assessed for the year ended June 30, 2021, to service bonded indebtedness was \$0.42201 per \$100 valuation.

Property taxes attach as an enforceable lien on the property as of February 1 following the levy date. Taxes are due October 1 and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2021 were 93.24% of the tax.

NOTE 5 – CAPITAL ASSETS

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

	Balance July 1, 2020	Additions	Retire- ments	Transfers	Balance June 30, 2021
Capital Assets					
Capital assets, not being depreciated					
Land	\$ 303,729	\$ -	\$ -	\$ -	\$ 303,729
Construction-in-progress	981,772	495,923	-	(521,201)	956,494
Total capital assets, not being depreciated	1,285,501	495,923	-	(521,201)	1,260,223
Capital assets, being depreciated					
Buildings	368,802	9,386	-	-	378,188
Improvements other than buildings	62,081,023	15,179	-	521,201	62,617,403
Machinery and equipment	1,248,937	15,430	-	-	1,264,367
Total capital assets, being depreciated	63,698,762	39,995	-	521,201	64,259,958
Less accumulated depreciation					
Buildings	201,198	15,968	-	-	217,166
Improvements other than buildings	24,261,296	1,494,777	-	-	25,756,073
Machinery and equipment	882,649	59,907	-	-	942,556
Total accumulated depreciation	25,345,143	1,570,652	-	-	26,915,795
Total capital assets, being depreciation, net	38,353,619	(1,530,657)	-	521,201	37,344,163
Total capital assets, net	\$39,639,120	\$(1,034,734)	\$ -	\$ -	\$38,604,386

Depreciation expense was \$1,570,652 for the fiscal year ended June 30, 2021.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 5 – CAPITAL ASSETS (CONTINUED)

The following represents the District's construction commitments for the year ended June 30, 2021:

<u>Project</u>	<u>Commitment</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Contract 3 Water and Sewer Service Extensions Project	\$ 677,675	\$ 58,794	\$ 618,881
Contract 4 Sanitary Sewer System Improvements Project	1,099,114	89,611	1,009,503
Well Site 7 TTHM Treatment System	808,089	808,089	-
Totals	<u>\$ 2,584,878</u>	<u>\$ 956,494</u>	<u>\$ 1,628,384</u>

NOTE 6 – ADVANCE REFUNDING OF DEBT

2007 and 2009 Unlimited Tax Bonds Refunding

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

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

2021 Revenue Bonds Refunding

On May 19, 2021, the District issued \$8,825,000 in revenue refunding bonds with an interest rate of 1.25% - 2.0%. The proceeds were used to advance refund \$9,330,000 of outstanding 2011 revenue notes which had interest rates ranging from 2.85% to 4.1%. From the net proceeds of \$8,951,606 plus an additional \$863,231 of District funds, \$104,163 was used to pay the cost of issuance and \$9,499,019 to call the bonds on August 15, 2021.

The advance refunding of the 2011 revenue notes reduced the total debt service payments over 11 years by \$1,011,384. The present value of the saving from cash flow is \$941,625.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 7 – LONG-TERM DEBT

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

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

<u>Bond Series</u>	<u>Intrest Rates</u>	<u>Payable At</u>
2009 General Obligation	1.70-5.05%	Wells Fargo Bank NA, Ausitn Texas
2012 Capital Appreciation	1.20-5.30%	N/A Zero Coupon Bonds
2019 General Obilgation Refunding	2.0-4.0%	UMB Bank, N.A., Austin, Texas
2021 Revenue Refunding	1.25-2%	UMB Bank, N.A., Austin, Texas

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

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

Due During Fiscal Year Ended	<u>Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 1,434,309	\$ 749,074
2023	2,252,516	787,934
2024	2,289,048	785,302
2025	2,284,343	786,957
2026	2,419,062	788,488
2027-2031	12,289,968	4,116,626
2032-2036	5,106,697	8,339,147
2037-2038	1,381,905	3,803,095
Total	<u>\$ 29,457,848</u>	<u>\$ 20,156,623</u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2021, was as follows:

Bonds Payable:	Interest Rate	Amounts at Original Issue	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
General Obligation							
2009	1.70%-5.05%	\$ 11,115,000	\$ 700,000	\$ -	\$ (625,000)	\$ 75,000	\$ 75,000
2019 Refunding	2.0%-4.0%	9,015,000	8,900,000	-	(55,000)	8,845,000	640,000
Premium - 2019 Refunding			837,606	-	(121,028)	716,578	120,461
Revenue Bonds							
2013 Refunding	1.86%	1,230,000	135,000	-	(135,000)	-	-
2021 Refunding	1.25%-2%	8,825,000	-	8,825,000	-	8,825,000	-
Premium - 2021 Refunding			-	113,818	-	113,818	17,968
Capital Appreciation							
2012	1.2%-5.3%	13,999,994	12,127,937	-	(415,089)	11,712,848	719,308
Accrued Interest Payable							
2012 Unlimited Tax Bonds			5,749,009	993,304	(569,911)	6,172,402	285,691
Total Bonded Debt			28,449,552	9,932,122	(1,921,028)	36,460,646	1,858,428
Notes Payable							
2011 Revenue Notes	0.3%-4.1%	13,610,000	9,870,000	-	(9,870,000)	-	-
Total GASB 88 Type Debt			38,319,552	9,932,122	(11,791,028)	36,460,646	1,858,428
Compensated Absences Payable			121,246	-	(1,464)	119,782	-
OPEB Liability			122,684	-	(19,784)	102,900	-
Accrued Interest Expense			273,022	115,799	(273,022)	115,799	115,799
Customer Deposits			386,290	110,673	(95,718)	401,245	-
Total Long-Term Liabilities			\$ 39,222,794	\$ 10,158,594	\$ (12,181,016)	\$ 37,200,372	\$ 1,974,227

The Debt Service Fund on June 30, 2021 had combined cash, time deposits, and accrued interest amounting to \$572,454. The provisions of the bond resolutions relating to debt service requirements are being met and the cash allocated for these purposes is sufficient to meet upcoming debt service requirements for the remainder of the calendar year.

The funds in the General Funds revenue debt reserve accounts and the monthly deposits to them are sufficient to meet upcoming debt service requirements for the 2021 revenue refunding bonds.

The required reserve account balance for the 2021 revenue refunding bonds is \$942,688 at June 30, 2021, and the actual account balance is \$1,045,526.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 8 - PENSION PLAN

Plan Description

Orange County Water Control & Improvement District No. 1 provides retirement, disability, and survivor benefits for all of its full-time and part-time non-temporary employees through participation in the statewide Texas County and District Retirement System (TCDRS), a defined benefit pension plan. The Board of Trustees of TCERS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 817 defined benefit pension plans. TCERS in the aggregate issues an annual comprehensive financial report on a calendar year basis. The annual comprehensive financial report is available upon written request from the TCERS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

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

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

At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	12
Active employees	<u>28</u>
	<u>50</u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 8 – PENSION PLAN (CONTINUED)

Funding Policy

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

The employer contributed using the actuarially determined rate of 5.81% for the months of the accounting year in 2020 and 5.81% for the months of the accounting year in 2021. The contribution rate payable by the employee members for calendar years 2020 and 2021 is the rate of 7.00%, as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Annual Pension Cost

For the employer's accounting year ended June 30, 2021, the annual pension cost for the TCDRS plan for its employees was \$82,850 and the actual contribution was \$90,813. The required contribution was determined as part of the December 31, 2020 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2020 included (a) 7.5 percent investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.6 percent. Both (a) and (b) included an inflation component of 2.50 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of covered payroll basis over a closed period with a layered approach.

Net Pension Liability (Asset)

	December 31, 2019	December 31, 2020
Total pension liability	\$ 3,956,557	\$ 4,549,223
Fiduciary net position	<u>4,036,217</u>	<u>4,484,129</u>
Net pension liability / (asset)	<u>\$ (79,660)</u>	<u>\$ 65,094</u>
Fiduciary net position as a % of total pension liability	102.01%	98.57%
Pensionable covered payroll ⁽¹⁾	\$ 1,761,843	\$ 1,655,124
Net pension liability as a % of covered payroll	-4.52%	3.93%

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

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 8 – PENSION PLAN (CONTINUED)

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

Discount Rate

	December 31, 2019	December 31, 2020
Discount rate ⁽²⁾	8.10%	7.60%
Long-term expected rate of return, net of investment expenses ⁽²⁾	8.10%	7.60%
Municipal bond rate ⁽³⁾	Does not apply	Does not apply

⁽²⁾ This rate reflects the long-term rate of return funding valuation assumption of 7.50%, plus 0.10% adjustment to be gross of administrative expenses required by GASB 68.

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

Other Key Actuarial Assumptions

All actuarial assumptions that determined the total pension liability as of December 31, 2020 were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 68. The economic assumptions were reviewed at the March 2021 TCDRS Board of Trustees meeting and revised assumptions were adopted. These revisions included reductions in the investment return, wage growth, and maximum payroll growth assumptions. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

	Beginning Date	Ending Date
Valuation date	December 31, 2019	December 31, 2020
Measurement date	December 31, 2019	December 31, 2020
Employer's fiscal year	June 30, 2020	June 30, 2021

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 8 – PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions Used for GASB Calculations

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial Cost Method	Entry Age Normal ⁽¹⁾
Amortization Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.50%
Salary Increases	Varies by age and service. 4.6% average over career including inflation.
Investment Rate of Return	7.6% (Gross of administrative expenses)
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Orange County Water Control and Improvement District #1 are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	60 and above
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

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

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 8 – PENSION PLAN (CONTINUED)

Long-term Expected Rate of Return

The Long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2021 information for a 10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed in detail at a minimum of every four years, and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. The actuary relies on the expertise of Cliffwater in this assessment.

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.25%
Global Equities	MSCI World (net) Index	2.50%	4.55%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	5.00%	4.25%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.75%
Investment - Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.85%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	2.11%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.70%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽³⁾	4.00%	5.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.45%
Master Limited Partnership (MLPs)	Alerian MLP Index	2.00%	5.10%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	6.00%	4.90%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽⁵⁾	25.00%	7.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.85%
Cash Equivalents	90-Day U.S. Treasury	2.00%	-0.70%

⁽¹⁾ Target asset allocation adopted at the March 2021 TCDRS Board Meeting.

⁽²⁾ Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.0%, per Cliffwater's 2021 capital market assumptions.

⁽³⁾ Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

⁽⁴⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

⁽⁵⁾ Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 – PENSION PLAN (CONTINUED)

Changes in Net Pension Liability/ (Asset)

	Total Pension Liability <u>(a)</u>	Fiduciary Net Position <u>(b)</u>	Net Pension Liability (Asset) <u>(a) - (b)</u>
Balances as of December 31, 2019	\$ 3,956,557	\$ 4,036,217	\$ (79,660)
Changes for the year:			
Service Cost	177,798	-	177,798
Interest on total pension liability ⁽¹⁾	327,748	-	327,748
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	(313)	-	(313)
Effect of assumptions changes or inputs	267,100	-	267,100
Refund of contributions	(37,254)	(37,254)	-
Benefit payments	(142,413)	(142,413)	-
Administrative expenses	-	(3,281)	3,281
Member contributions	-	115,859	(115,859)
Net Investment income	-	417,035	(417,035)
Employer contributions	-	96,596	(96,596)
Other ⁽³⁾	-	1,370	(1,370)
	<u>\$ 4,549,223</u>	<u>\$ 4,484,129</u>	<u>\$ 65,094</u>
Balances as of December 31, 2020	<u>\$ 4,549,223</u>	<u>\$ 4,484,129</u>	<u>\$ 65,094</u>

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

⁽²⁾ No plan changes valued.

⁽³⁾ Relates to allocation of system-wide items.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 8 - PENSION PLAN (CONTINUED)

Sensitivity Analysis

The following presents the net pension liability of the employer, calculated using the discount rate of 7.60%, as well as what the Orange County Water Control & Improvement District No. 1 net pension liability would be if it were calculated using a discount rate that is 1 percent point lower (6.60%) or 1 percent higher (8.60%) than the current rate.

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	\$ 5,163,634	\$ 4,549,223	\$ 4,031,744
Fiduciary net position	4,484,129	4,484,129	4,484,129
Net pension liability / (asset)	\$ 679,505	\$ 65,094	\$ (452,385)

Pension Expense/ (Income)

	January 1, 2020 to December 31, 2020
Service cost	\$ 177,798
Interest on total pension liability ⁽¹⁾	327,748
Effect on plan changes	-
Administrative expenses	3,281
Member contributions	(115,859)
Expected investment return net of investment expenses	(328,160)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	7,902
Recognition of assumption changes or inputs	50,533
Recognition of investment gains or losses	(39,023)
Other ⁽²⁾	(1,370)
Pension expense / (income)	\$ 82,850

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

⁽²⁾ Relates to allocation of system-wide items.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 – PENSION PLAN (CONTINUED)

Deferred Inflows/ Outflows of Resources

As of December 31, 2020, the deferred inflow and outflow resources are as follows:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 37,529	\$ 45,641
Changes of assumption	-	232,946
Net difference between projected and actual earnings	139,514	-
Contributions made subsequent to measurement date	n/a	41,773
	<u>\$ 177,043</u>	<u>\$ 320,360</u>

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

Year ended December 31:	
2021	\$ 13,854
2022	48,581
2023	(27,654)
2024	19,865
2025	46,898
Thereafter	-

NOTE 9 – OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

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

	<u>Amount</u>	<u>Percent of Line Item</u>
Water and Sewer Service	\$ (60,192)	7.3%
Administrative Expenses	(21,593)	8.6%
Bond Interest and Fiscal Charges	(314,344)	90.3%
Capital Outlay	<u>(441,149)</u>	584.3%
Total Budget	<u>\$ (837,278)</u>	9.9%

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 10 – COMMITMENTS AND CONTINGENCIES

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District obtains insurance coverage through commercial insurance carriers. Workers' compensation and auto liability insurance are covered through participation in a public entity risk pool, where risk is transferred to the pool within policy limits purchased. There have been no significant reductions in insurance coverage from the preceding year and settlement amounts have not exceeded insurance coverage for the current year.

NOTE 11 – TEXAS WATER DEVELOPMENT BOARD PRINCIPAL FORGIVENESS AGREEMENT

On January 22, 2019, the Texas Water Development Board approved the District's Project No. 73825 for \$500,000 from the Clean Water State Revolving Fund with 100 percent of the loan to be forgiven. The \$500,000 was deposited into an escrow account controlled by the Texas Water Development Board. Money is transferred from the escrow account to the District's account as project milestones are achieved and approved by the Texas Water Development Board. Interest income is credited to the escrow account and is used for payment before principal. The unspent balance in the escrow account of \$444,394 is shown as restricted cash. Unearned revenue at June 30, 2021 for this project is \$444,394. Project activity through June 30, 2021 is shown below:

	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>Total</u>
Escrow balance Beginning of Year	\$ -	\$ 492,110	\$ 482,364	\$ -
TWDB Deposit to escrow account	500,000	-	-	500,000
Interest Income	1,745	5,945	325	8,015
Project milestones transferred to the District	(9,635)	(15,691)	(38,295)	(63,621)
Escrow balance End of Year	<u>\$ 492,110</u>	<u>\$ 482,364</u>	<u>\$ 444,394</u>	<u>\$ 444,394</u>

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APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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

Financial Advisory Services
Provided By:

