OFFICIAL STATEMENT
Dated December 19, 2022

Ratings:
S&P: "AA"/"A"
Insurance: BAM
(See "BOND INSURANCE" and "OTHER INFORMATION" – Rating" herein)

NEW ISSUE – Book-Entry-Only

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

THE BONDS HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

$6,095,000
BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
(A political subdivision of the State of Texas located within Bell County, Texas)
WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2023

Dated Date: December 15, 2022 **Due: May 1, as shown on the inside cover page**
Interest to Accrue from the Date of Initial Delivery (as defined below)

PAYMENT TERMS . . . Interest on the $6,095,000 Bell County Water Control and Improvement District No. 3 Waterworks and Sewer System Revenue Bonds, Series 2023 (the "Bonds") will accrue from the Date of Initial Delivery, defined below, will be payable May 1, 2023, and each November 1 and May 1 thereafter until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System" herein. The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE BONDS – Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the order adopted by the Board of Directors of the District on December 19, 2022 (the "Bond Order"), an order of the Texas Commission on Environmental Quality dated October 10, 2022, Article 16, Section 59 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 51, Texas Water Code, as amended. The Bonds, together with the District's outstanding Previously Issued Bonds (defined herein) and any Additional Parity Bonds (defined herein) that may be issued in the future (the Bonds, the Previously Issued Bonds and the Additional Parity Bonds are collectively referred to as the "Parity Bonds") are payable, both as to principal and interest, solely from and secured by a lien on and pledge of the Net Revenues of the District's waterworks and sewer system (the "System"). The Net Revenues consists of the Gross Revenues (defined herein) of the System less Maintenance and Operating Expenses (defined herein) of the System. Additionally, the District has established a reserve fund (the "Reserve Fund") pledged to the payment of the Bonds and is required to maintain an amount in the Reserve Fund equal to the Required Reserve Amount (defined herein) (see "SELECTED PROVISIONS OF THE BOND ORDER"). **The District has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation** (see "THE BONDS – Authority for Issuance" and "SECURITY FOR THE BONDS").

PURPOSE . . . Proceeds of the Bonds will be used to finance (i) the purchasing, constructing, acquiring, owning, operating, repairing, improving, or extending any district works, improvements, facilities, plants, equipment, and appliances needed to accomplish its purposes, including to provide a waterworks system; (ii) a deposit into the Reserve Fund as required by the Bond Order; and (iii) the costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

BAM
BUILD AMERICA MUTUAL

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company. See "BOND INSURANCE" and "BOND INSURANCE RISKS".

CUSIP PREFIX: 078057
MATURITY SCHEDULE & 9 DIGIT CUSIP See Schedule on Page 2

LEGALITY . . . The Bonds are offered by the District when, as and if issued by the District and accepted by the Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the District (see "APPENDIX C – Form of Bond Counsel's Opinion").

DELIVERY . . . The Bonds are expected to be available for delivery through DTC on January 12, 2023 (the "Date of Initial Delivery").

CUSIP Prefix[1]: 078057

MATURITY SCHEDULE

$1,930,000 Serial Bonds

Principal Amount	May 1 Maturity	Interest Rate	Initial Yield	CUSIP Suffix [1]
$ 110,000	2024	4.000%	3.000%	AU0
120,000	2025	4.500%	3.050%	AV8
125,000	2026	5.000%	3.100%	AW6
135,000	2027	5.000%	3.150%	AX4
140,000	2028	5.000%	3.250%	AY2
150,000	2029	4.000%	3.300% [2]	AZ9
***	***	***	***	***
200,000	2034	4.000%	3.600% [2]	BE5
210,000	2035	4.000%	3.700% [2]	BF2
225,000	2036	4.000%	3.800% [2]	BG0
235,000	2037	4.000%	3.900% [2]	BH8
***	***	***	***	***
280,000	2040	4.000%	4.100%	BL9

$4,165,000 Term Bonds

$325,000 3.250% Term Bonds due May 1, 2031 Priced to Yield 3.450% - CUSIP Suffix [1]: BB1
$365,000 3.500% Term Bonds due May 1, 2033 Priced to Yield 3.650% - CUSIP Suffix [1]: BD7
$515,000 4.000% Term Bonds due May 1, 2039 Priced to Yield 4.050% - CUSIP Suffix [1]: BK1
$615,000 4.000% Term Bonds due May 1, 2042 Priced to Yield 4.120% - CUSIP Suffix [1]: BN5
$690,000 4.000% Term Bonds due May 1, 2044 Priced to Yield 4.170% - CUSIP Suffix [1]: BQ8
$780,000 4.000% Term Bonds due May 1, 2046 Priced to Yield 4.220% - CUSIP Suffix [1]: BS4
$875,000 4.000% Term Bonds due May 1, 2048 Priced to Yield 4.270% - CUSIP Suffix [1]: BU9

(Interest to Accrue from the Date of Initial Delivery)

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(1) 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. CUSIP numbers are included herein solely for the convenience of the owners of the Bonds. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions, including but not limited to, a refunding in whole or in part of such maturity, or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Bonds. None of the District, the Financial Advisor, or the Purchaser is responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) Yield shown is yield to first call date, May 1, 2028.

OPTIONAL REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after May 1, 2029, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on May 1, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – Optional Redemption").

MANDATORY SINKING FUND REDEMPTION . . . The Term Bonds maturing on May 1 in the years 2031, 2033, 2039, 2042, 2044, 2046 and 2048 are subject to mandatory sinking fund redemption prior to maturity on the dates and in the amounts described herein under "THE BONDS – Mandatory Sinking Fund Redemption".

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USE OF INFORMATION IN THIS OFFICIAL STATEMENT

No dealer, broker, salesman or other 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 representation must not be relied upon as having been authorized by the District.

This Official Statement is not to be used in 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.

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Specialized Public Finance Inc., the District's financial advisor (the "Financial Advisor"), 4925 Greenville Avenue, Suite 1350, Dallas, Texas 75206, for further information.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in the Official Statement until delivery of the Bonds to the Purchaser and thereafter only as specified in "CONTINUING DISCLOSURE OF INFORMATION."

References to website 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 websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, the Rule.

BAM MAKES NO REPRESENTATION REGARDING THE BONDS OR THE ADVISABILITY OF INVESTING IN THE BONDS. IN ADDITION, BAM HAS NOT INDEPENDENTLY VERIFIED, MAKES NO REPRESENTATION REGARDING, AND DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT OR ANY INFORMATION OR DISCLOSURE CONTAINED HEREIN, OR OMITTED HEREFROM, OTHER THAN WITH RESPECT TO THE ACCURACY OF THE INFORMATION REGARDING BAM, SUPPLIED BY BAM AND PRESENTED UNDER THE HEADING "BOND INSURANCE" AND "APPENDIX D - SPECIMEN MUNICIPAL BOND INSURANCE POLICY".

NEITHER THE DISTRICT NOR ITS FINANCIAL ADVISOR MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, OR BAM WITH RESPECT TO ITS MUNICIPAL BOND INSURANCE POLICY, AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC AND BAM, RESPECTIVELY.

SALE AND DISTRIBUTION OF THE BONDS

THE PRICES AND OTHER TERMS WITH RESPECT TO THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE PURCHASER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. The District has no understanding with the Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Purchaser.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of utility district bonds may be greater than the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

SECURITIES LAWS . . . No registration statement relating to the offer and sale of the Bonds has been filed with the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

NEITHER THE SEC NOR ANY STATE COMMISSION HAS APPROVED OR DISAPPROVED THE BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT............................. The Bell County Water Control and Improvement District No. 3 (the "District" or the "Issuer"), located in Bell County, Texas, is a body politic and corporate and a political subdivision of the State of Texas, being a conservation and reclamation district created and functioning under Article 16, Section 59, of the Texas Constitution, pursuant to the general laws of the State of Texas, including Chapters 49 and 51, Texas Water Code, and pursuant to the provisions of Chapter 506, Acts of 1955, 54th Legislature of Texas, Regular Session (see "INTRODUCTION - Description of the District").

THE BONDS................................. The $6,095,000 Bell County Water Control and Improvement District No. 3 Waterworks and Sewer System Revenue Bonds, Series 2023 are issued as serial Bonds maturing on May 1 in the years 2024 through 2029, 2034 through 2037, and 2040, and as Term Bonds maturing May 1 in the years 2031, 2033, 2039, 2042, 2044, 2046, and 2048 (see "THE BONDS – Description of the Bonds").

PAYMENT OF INTEREST .... Interest on the Bonds accrues from the Date of Initial Delivery and is payable May 1, 2023, and each November 1 and May 1 thereafter until maturity or prior redemption (see "THE BONDS – Description of the Bonds" and "THE BONDS – Redemption").

AUTHORITY FOR ISSUANCE .... The Bonds are issued pursuant to an order adopted by the Board of Directors of the District authorizing the issuance of the Bonds on December 19, 2022 (the "Bond Order"), an order of the Texas Commission on Environmental Quality dated October 10, 2022, Article 16, Section 59 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 51, Texas Water Code, as amended (see "THE BONDS – Authority for Issuance").

SECURITY FOR THE BONDS .... The Bonds are special obligations of the District payable, both as to principal and interest, solely from and, together with the currently outstanding first lien revenue bonds (the "Previously Issued Bonds") and any additional parity bonds which may be issued in the future (the "Additional Parity Bonds" and, together with the Bonds and the Previously Issued Bonds, the "Parity Bonds"), secured by a lien on and pledge of the Net Revenues (defined herein) of the System. The Bonds are not secured by or payable from a mortgage or deed of trust on any real, personal or mixed properties constituting the System (see "SELECTED PROVISIONS OF THE BOND ORDER"). **The District has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation** (see "SECURITY FOR THE BONDS").

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

QUALIFIED TAX-EXEMPT OBLIGATIONS.............................. The District designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions (see "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions").

OPTIONAL REDEMPTION .... The District reserves the right, at its option, to redeem Bonds having stated maturities on and after May 1, 2029, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on May 1, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – Optional Redemption").

MANDATORY REDEMPTION OF TERM BONDS .... The Term Bonds maturing on May 1 in the years 2031, 2033, 2039, 2042, 2044, 2046, and 2048 are subject to mandatory sinking fund redemption prior to maturity on the dates and in the amounts described herein under "THE BONDS – Mandatory Sinking Fund Redemption".

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

USE OF PROCEEDS .... Proceeds of the Bonds will be used to finance (i) the purchasing, constructing, acquiring, owning, operating, repairing, improving, or extending any district works, improvements, facilities, plants, equipment, and appliances needed to accomplish its purposes, including to provide a waterworks system; (ii) a deposit into the Reserve Fund as required by the Bond Order; and (iii) the costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

RATING....................................... The Bonds have been rated "AA" (stable outlook) by S&P Global Ratings, a division of S&P Global Inc. ("S&P") by virtue of a municipal bond insurance policy to be issued by Build America Mutual Assurance Company. The Bonds' underlying rating is "A" by S&P without regard to credit enhancement (see "OTHER INFORMATION – Ratings"). See "BOND INSURANCE" and "BOND INSURANCE RISKS" herein.

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

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

INVESTMENT CONSIDERATIONS... THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED "INVESTMENT CONSIDERATIONS."

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DISTRICT OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Board of Directors	Term Commenced	Term Expires
Robert Pena President	2020	2024
Rex Robertson Vice President	2020	2024
Owen Hall Director	2018	2026
Anthony Williams Director	2018	2024
Aaron Pryor Director	2021	2026

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service to the District
Owen Hall, Jr.	Superintendent	10 1/2 Years
Stephanie Hall	Office Manager	10 1/2 Years

CONSULTANTS AND ADVISORS

Auditors .... Ludwick, Montgomery & Stapp, P.C.
Temple, Texas

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

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

For additional information regarding the District, please contact:

Owen Hall Superintendent Bell County WCID No. 3 303 N. Main Street Nolanville, Texas 76559 (254) 698-6885 www.wcid3.com	or	Steven A. Adams, CFA Paul N. Jasin Specialized Public Finance Inc. 4925 Greenville Avenue, Suite 1350 Dallas, Texas 75206 (214) 373-3911 www.spfmuni.com

OFFICIAL STATEMENT

RELATING TO
$6,095,000
BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2023

INTRODUCTION

GENERAL . . . This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $6,095,000 Bell County Water Control and Improvement District No. 3 Waterworks and Sewer System Revenue Bonds, Series 2023. Capitalized terms used in this Official Statement not otherwise defined herein have the same meanings assigned to such terms in the Bond Order, as defined herein, adopted by the Board of Directors of the District (the "Board") on December 19, 2022 authorizing the issuance of the Bonds (see "SELECTED PROVISIONS OF THE BOND ORDER").

There follows in this Official Statement descriptions of the Bonds and certain information regarding the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District's Financial Advisor, Specialized Public Finance Inc., 4925 Greenville Avenue, Suite 1350, Dallas, Texas 75206.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of this final Official Statement will be submitted to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

DESCRIPTION OF THE DISTRICT . . . The District, located in Bell County, Texas, is a body politic and corporate and a political subdivision of the State of Texas, duly created, existing and operating under the laws of the State of Texas, being a conservation and reclamation district created and functioning under Article 16, Section 59, of the Texas Constitution, pursuant to the general laws of the State of Texas, including Chapters 49 and 51, Texas Water Code, pursuant to Section 59, of the Texas Constitution, and pursuant to the provisions of Chapter 506, Acts of 1955, 54th Legislature of Texas, Regular Session. The District is governed by a five-member Board of Directors elected for four year staggered terms by the registered voters of the District.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water, the collection, transportation and treatment of wastewater, and the control and diversion of storm water. The District issues bonds and other forms of indebtedness to purchase or construct such facilities. The District provides water and wastewater service to residents of the District and certain out-of-District customers. The District in 2022 provided water service to 2,468 connections and wastewater service to 2,280 connections.

The Texas Commission on Environmental Quality ("TCEQ") exercises continuing supervisory jurisdiction over the District. Construction and operation of the District's water and wastewater system is subject to the regulatory jurisdiction of federal and state governmental agencies.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated December 15, 2022, and mature on May 1 in each of the years and in the amounts shown on page two hereof. Interest will accrue from the Date of Initial Delivery and will be computed on the basis of a 360-day year comprised of twelve 30-day months, and will be payable on May 1, 2023, and each November 1 and May 1 thereafter until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein (the "Book-Entry-Only System"). **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the order adopted by the Board of Directors of the District on December 19, 2022 (the "Bond Order"), an order of the Texas Commission on Environmental Quality dated October 10, 2022, Article 16, Section 59 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 51, Texas Water Code, as amended.

OPTIONAL REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after May 1, 2029, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on May 1, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the District may select the maturities, and sinking fund installment in the case of Term Bonds, of Bonds to be redeemed. If less than all the Bonds of any maturity, or sinking fund installment in the case of Term Bonds, are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot or other customary random method the Bonds, or portions thereof, within such maturity, or sinking fund installment in the case of Term Bonds, to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION . . . The Bonds maturing on May 1 in the years 2031, 2033, 2039, 2042, 2044, 2046, and 2048 (the "Term Bonds") are subject to mandatory sinking fund redemption in part prior to maturity on the dates and in the amounts as follows:

Term Bonds Due May 1, 2031

Redemption Date	Principal Amount
May 1, 2030	$ 160,000
May 1, 2031	165,000 (*)

Term Bonds Due May 1, 2033

Redemption Date	Principal Amount
May 1, 2032	$ 175,000
May 1, 2033	190,000 (*)

Term Bonds Due May 1, 2039

Redemption Date	Principal Amount
May 1, 2038	$ 250,000
May 1, 2039	265,000 (*)

Term Bonds Due May 1, 2042

Redemption Date	Principal Amount
May 1, 2041	$ 300,000
May 1, 2042	315,000 (*)

Term Bonds Due May 1, 2044

Redemption Date	Principal Amount
May 1, 2043	$ 335,000
May 1, 2044	355,000 (*)

Term Bonds Due May 1, 2046

Redemption Date	Principal Amount
May 1, 2045	$ 380,000
May 1, 2046	400,000 (*)

Term Bonds Due May 1, 2048

Redemption Date	Principal Amount
May 1, 2047	$ 425,000
May 1, 2048	450,000 (*)

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(*) Stated maturity.

The principal amount of Term Bonds required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the District, by the principal amount of any Term Bonds which, at least 45 days prior to a mandatory redemption date (1) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

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

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

DTC Redemption Provision . . . The Paying Agent/Registrar and the District, so long as a book-entry-only is used for the Bonds, will send any notice of optional redemption, notice of proposed amendment to the Bond Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC Participant, as herein defined, or of any Direct Participant or Indirect Participant, as herein defined, to notify the beneficial owner, shall not affect the validity of the redemption of the bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to the DTC Participants. Indirect Participants or the persons for whom DTC Participants act as nominees with respect to the payment on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of Bonds for redemption.

Defeasance . . . The Bond Order provides for the defeasance of the Bonds when the payment on the Bonds to the due date thereof (whether such due date be by reason of maturity or otherwise) is provided by irrevocably depositing with the Paying Agent/Registrar or authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to ensure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Bond Order provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the District authorizes the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the District authorizes the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. There is no assurance that current State law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

The District has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance, and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance. After firm banking and financial arrangements for the defeasance of the Bonds have been made as described above, all rights of the District to take any action amending the terms of the Bonds are extinguished.

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

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

BOOK-ENTRY-ONLY SYSTEM . . . This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC"), New York, New York, while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive 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 MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

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

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

Effect of Termination of Book-Entry Only System . . . In the event that the Book-Entry Only System is discontinued by DTC or the use of the Book-Entry Only System is discontinued by the District, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Bond Order and summarized under "THE BONDS – Transfer, Exchange and Registration" below.

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

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Bond Order, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Bonds will be printed and delivered to the registered owners, and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "The Bonds

- 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 . . . The Paying Agent/Registrar shall not be required to make any transfer or exchange of any Bonds 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 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, such limitation on transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond called for redemption in part.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the 15th day of the preceding month.

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

BONDHOLDERS' REMEDIES . . . The Bond Order specifies events of default as the failure of the District to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable or default in the performance or observance of any other covenant, agreement or obligation of the District, which failure materially, adversely affects the rights of the registered owners, including, but not limited to, their prospect or ability to be repaid in accordance with the Bond Order, and the continuation thereof for a period of 60 days after notice of such default is given by any registered owner to the District. Upon an event of default, 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, as well as enforce rights of payment under the Permanent School Fund Guarantee, if there is no other available remedy at law to compel performance of the Bonds or the Bond Order covenants and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of 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 Bond Order does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the District to perform in accordance with the terms of the Bond 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 Bond Order covenants in the absence of District action. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the lien on the Net Revenues of the System 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, such as the Net Revenues, such provisions are subject to judicial construction. 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, principles of governmental immunity and by general principles of equity which permit the exercise of judicial discretion.

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USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs included herein were compiled by KPA Engineers, the District's engineer (the "Engineer"), Jones-Heroy Engineering, the District's bond and regulatory consultant engineer, and were submitted to the TCEQ in the District's Bond Application. Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and the Financial Advisor. The non-construction costs will be finalized after the sale of the Bonds. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ, where required.

The estimated use and distribution of Bond proceeds is shown below.

CONSTRUCTION COSTS	Total Cost	District Share	
A. Developer Contribution Items - None			
B. District Items			
1. Elevated Storage Tank & Waterline	$ 2,300,000	$ 2,300,000	
2. Nolan Creek Lift Station & Wastewater Line	$ 1,300,000	$ 1,300,000	
3. Miscellaneous Wastewater System Improvements	$ 250,000	$ 250,000	
4. Miscellaneous Water System Improvements	$ 150,000	$ 150,000	
5. Engineering (15% of Items 1-4)	$ 600,000	$ 600,000	
6. Contingency (15% of Items 1-4)	$ 600,000	$ 600,000	(1)
Total Developer Contribution Items	**$ 5,200,000**	**$ 5,200,000**	
TOTAL CONSTRUCTION COSTS (85.32% of BIR)	**$ 5,200,000**	**$ 5,200,000**	
NON-CONSTRUCTION COSTS			
A. Legal Fees (1.0% of BIR)		$ 60,950	(2)
B. Fiscal Agent Fees (1.25% of BIR)		$ 76,188	(3)
C. Debt Service Reserve Fund		$ 468,000	
D. Underwriter's Discount (1.6%)		$ 98,673	
E. Bond Insurance Premium		$ 29,800	
F. Bond Issuance Expense		$ 107,056	(4)
G. Bond Engineering Report		$ 33,000	(5)
H. TCEQ Fee (0.25% BIR)		$ 15,238	
I. Attorney General's Fee (0.10% or $9,500 max)		$ 6,095	
TOTAL NON-CONSTRUCTION COSTS (14.68% of BIR)		**$ 895,000**	
TOTAL BOND ISSUE REQUIREMENT (BIR)		**$ 6,095,000**	

Notes:

(1) Due to the current economic condition 15% contingency is used.
(2) Legal Fees are 1% of the bond amount.
(3) Fiscal Agent Fees are 1.25% of the bond amount.
(4) Issuance expenses include: Disclosure Counsel - $9,000; Official Statement Preparation/Printing - $7,500; Legal - $3,000; Rating Agency Fee - $12,000; TCEQ Filing Fee - $500; Paying Agent Fee - $500; plus Miscellaneous copying, delivery expenses etc.
(5) Bond Application Report Fee is a lump sum amount of $33,000.

SECURITY FOR THE BONDS

The following summary of the provisions of the Bond Order that describe the security for the Bonds is qualified by reference to the Bond Order, excerpts of which are included herein under the heading "SELECTED PROVISIONS OF THE BOND ORDER."

NET REVENUES . . . The Bonds are special obligations of the District payable, both as to principal and interest, solely from and, together with the currently outstanding first lien revenue bonds shown below (the "Previously Issued Bonds") and any additional parity bonds which may be issued in the future (the "Additional Parity Bonds" and, together with the Bonds and the Previously Issued Bonds, the "Parity Bonds"), secured by a lien on and pledge of the Net Revenues (defined below) of the System. The Bonds are not secured by or payable from a mortgage or deed of trust on any real, personal or mixed properties constituting the System.

Pursuant to the Bond Order, the following terms are assigned the following meanings:

"Gross Revenues", for any period, means all revenue during such period in respect or on account of the operation or ownership of the System, excluding refundable meter deposits, restricted gifts, and grants in aid of construction, but including earnings and income derived from the investment or deposit of money in any special fund or account created and established from Gross Revenues.

"Maintenance and Operating Expenses" means all current expenses of operating and maintaining the System as allowed by Section 1502.056 of the Texas Government Code.

"Net Revenues", for any period, means the Gross Revenues of the System less Maintenance and Operating Expenses of the System.

See "SELECTED PROVISIONS OF THE BOND ORDER". **The District has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation.**

The District has currently outstanding Previously Issued Bonds secured by and payable from Net Revenues on parity with the Bonds as follows:

Dated Date	Outstanding Amount	Issue Description
05/01/2004	$ 715,000	Waterworks and Sewer System Revenue Bonds, Series 2004

RESERVE FUND . . . In accordance with the Bond Order, the District will establish and maintain a Reserve Fund for the benefit and security of the Bonds and covenants to accumulate and maintain therein an amount equal to the lesser of (i) 10 percent of the stated principal amount of the Bonds (calculated as of the date of delivery of the Bonds), (ii) 125 percent of the Average Annual Debt Service Requirements (calculated on or about each Fiscal Year End) on the Bonds, or (iii) the Maximum Annual Debt Service Requirements (calculated on or about each Fiscal Year End) on the Bonds (the "Required Reserve Amount"), which amount is equal to $468,000. The Required Reserve Amount shall be maintained in the Reserve Fund at all times after the delivery of the Bonds. Such Reserve Fund is solely for the benefit and security of the Bonds, and no holder of Previously Issued Bonds have any claim whatsoever on such Reserve Fund. The District is authorized to fund the Reserve Fund with (i) cash on hand, (ii) proceeds from the sale of the Bonds, (iii) one or more Reserve Fund Obligations or (iv) any combination of (i) through (iii). On the Date of Initial Delivery, the District will fully fund the Required Reserve Amount with $468,000. All funds, investments and Reserve Fund Obligations on deposit and credited to the Reserve Fund shall be used solely for (i) the payment of the principal of and interest on the Bonds, when and to the extent other funds available for such purposes are insufficient, (ii) to make Reserve Fund Obligation Payments, (iii) to retire the last Stated Maturity or Stated Maturities of or interest on the Bonds, or (iv) as provided in the Bond Order, any excess amount in the Reserve Fund may be transferred to the System Fund and allocated in accordance with the Bond Order.

The District established a reserve fund in connection with the issuance of the Previously Issued Bonds (the "2004 Reserve Fund") solely for the benefit and security of the Previously Issued Bonds. The Reserve Fund is in all respects on a parity with the 2004 Reserve Fund (see "SECURITY FOR THE BONDS - Flow of Funds" herein). The holders of the Previously Issued Bonds have no claim to funds on deposit in the Reserve Fund, and the holders of the Bonds have no claim to funds on deposit in the 2004 Reserve Fund.

See "SELECTED PROVISIONS OF THE BOND ORDER" for more details on the Reserve Fund and the District's covenants relating thereto.

RATE COVENANT . . . In the Bond Order, the District covenants and agrees that rates and charges for water and sewer services afforded by the System will be established and maintained, on the basis of all available information and experience and with due allowance for contingencies and other sources of revenues available therefor, that are reasonably expected to provide Gross Revenues each Fiscal Year to pay: (i) all Maintenance and Operating Expenses of the System; (ii) all amounts required to be deposited in the special funds or accounts maintained for the payment of the Parity Bonds; and (iii) any other legally incurred indebtedness payable from the revenues of the System and/or secured by a lien on the System or the revenues thereof.

Flow of Funds . . . In the Bond Order, the District covenants and agrees that, while the Bonds remain Outstanding, all revenues derived from the operation of the System shall be kept separate and apart from all other funds and moneys of the District, and such revenues shall be deposited from day to day as collected into a fund maintained at an official depository of the District known as the "Bell County Water Control and Improvement District No. 3 Waterworks and Sewer System Fund" (the "System Fund"). All moneys deposited in the System Fund shall be pledged and appropriated to the extent required for the following purposes and in the order of priority shown, to wit:

> First: To the payment of all necessary and reasonable Maintenance and Operating Expenses or required by statute to be a first charge on and claim against the revenues thereof;
> Second: to the payment of the amounts required to be deposited and credited to the Interest and Sinking Fund created and established for the payment of the Parity Bonds as the same become due and payable;
> Third: Pro rata to the payment of the amounts required to be deposited and credited (i) to the 2004 Reserve Fund and the Reserve Fund and (ii) to each other reserve fund created and established to maintain a reserve in accordance with the provisions of the orders relating to the issuance of any Additional Parity Bonds hereafter issued by the District; and
> Fourth: To make payment, including payment of amounts required for reserve fund requirements, of Subordinate Lien Obligations.

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

Additional Parity Bonds . . . In the Bond Order, the District reserves the right to issue, for any lawful purpose (including the refunding of any Parity Bonds or any other bonds or obligations of the District issued in connection with or payable from the revenues of the System), one or more series of Additional Parity Bonds payable from and secured by a parity lien on the Net Revenues of the System, and the Previously Issued Bonds, the Bonds and any Additional Parity Bonds shall be equally and ratably secured by a parity lien on the Net Revenues in all respects; provided, however, that no Additional Parity Bonds may be issued unless:

(i) That the laws of the State in force at such time provide for the issuance of such Additional Parity Bonds;

(ii) The District is not in default as to any covenant, condition or obligation prescribed by the Series 2004 Resolution or the Bond Order, and the Interest and Sinking Fund contains the amount of money then required to be on deposit therein, as certified by the President and Secretary of the Board;

(iii) The District has secured from a Certified Public Accountant and provided to the holders of the Bonds, including the United States of America (so long as the United States of America holds any Previously Issued Bonds) a certificate showing that the anticipated Net Revenues for the completed Fiscal Year next following the year in which such Additional Parity Bonds are to be issued, is equal to at least 1.20 times the average annual debt service requirements (calculated on a Fiscal Year basis) of all Parity Bonds, including the proposed Additional Parity Bonds (or other indebtedness payable from or secured by a lien against Net Revenues), secured in whole or in part by the Net Revenues; provided, however, that this requirement may be waived or modified by the written consent of the holders of seventy-five percent (75%) of the Parity Bonds then Outstanding, determined by Outstanding principal amount;

(iv) Provision is made in the order authorizing the Additional Parity Bonds or other indebtedness then proposed to be issued for additional payments into the Interest and Sinking Fund sufficient to provide for any increased principal and interest requirements resulting from the issuance of the Additional Parity Bonds or other indebtedness; and

(v) The holders of all of the Previously Issued Bonds agree to the issuance of such Additional Parity Bonds.

So long as the United States of America holds any Previously Issued Bonds, the District will not issue any Subordinate Lien Obligations without the prior written consent of the United States of America, except as otherwise provided by applicable law.

At such time as the Previously Issued Bonds have been fully paid or defeased and are no longer Outstanding, the Additional Parity Bonds test requirements set forth above shall automatically convert, and the new Additional Parity Bonds test requirements shall apply to the Bonds after such date. For more details on the post-conversion Additional Parity Bonds test requirements, see "SELECTED PROVISIONS OF THE BOND ORDER".

At such time as the Previously Issued Bonds have been fully paid or defeased and are no longer Outstanding, the Bonds and any Additional Parity Bonds may be refunded (pursuant to any law then available) upon such terms and conditions as the Board may deem to be in the best interests of the District and its inhabitants, and the District shall not be required to satisfy the Additional Parity Bonds test requirements set forth above in connection with the issuance of such refunding bonds.

See "SELECTED PROVISIONS OF THE BOND ORDER" for more details on the District's right to issue Additional Parity Bonds.

BOND INSURANCE

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

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

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

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

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

Capitalization of BAM . . . BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2022 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $512.5 million, $195.6 million and $316.9 million, respectively.

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

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

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

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

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

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

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

The information in this "BOND INSURANCE" section regarding BAM has been provided by BAM for use in this Official Statement, but the Board takes no responsibility for the accuracy or completeness thereof.

BOND INSURANCE RISKS

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

Payment of principal of and interest on the Bonds will not be subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE BONDS - Bondholders' Remedies"). The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the Bondholders.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the Net Revenues of the System. In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Bonds.

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

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

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

THE DISTRICT

Creation of the District . . . The District was created to provide a municipal water supply and sanitary sewer system for the City of Nolanville ("Nolanville"). Nolanville is located on U.S. Highway 190 between Belton and Killeen. Nolanville is primarily a residential community for people employed in Killeen and Fort Hood and retired military personnel. The predominant living structures in the area are mobile homes and the residents of Nolanville are more transient than those in the surrounding municipalities. The District covers an area of approximately one square mile.

The District purchases water from Bell County WCID #1. The drinking water comes from Lake Belton, a surface water supply. The purpose of the lake is flood control and water supply conservation.

The District also owns and operates a wastewater treatment facility with a total capacity of 675 thousand gallons per day which serves the Nolanville area.

The TCEQ exercises continuing supervisory jurisdiction over the District. Construction and operation of the District's water and wastewater system is subject to the regulatory jurisdiction of federal and state governmental agencies.

Location and Service Area . . . Nolanville is located in the Central Texas area, the fastest growing area of Texas, and fifth fastest growing area in the nation. Nolanville is located on U.S. Highway 190, eleven miles west of Interstate Highway 35, the major north-south NAFTA corridor. Nolanville is 60 miles north of Austin, 150 miles northeast of San Antonio, 190 miles northwest of Houston, 65 miles southwest of Waco and 162 Southwest of the Dallas/Fort Worth Metroplex.

Population . . . The District estimates that approximately 5,917 persons reside within its boundaries.

Management of the District . . . The District is governed by the Board of Directors, consisting of five Directors, who have control over management and supervision of all affairs of the District. All of the directors reside within the District. The Directors serve four-year staggered terms and elections are held in November.

THE SYSTEM

The District provides water and wastewater service to residents of the District and certain out-of-District customers.

The District purchases water from Bell County WCID #1. The drinking water comes from Lake Belton, a surface water supply. The purpose of the lake is flood control and water supply conservation.

The District also owns and operates a wastewater treatment facility with a total capacity of 675 thousand gallons per day which serves the Nolanville area.

In 2022, the District provided water service to 2,468 connections and wastewater service to 2,280 connections.

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TABLE 1 – HISTORICAL WATER CONSUMPTION (GALLONS)

Fiscal Year End	Gallons Pumped
2018	269,242,300
2019	244,694,800
2020	303,366,200
2021	270,795,500
2022	337,763,600

TABLE 2 – TOP WATER CUSTOMERS (BASED ON GALLONS CONSUMED FOR FISCAL YEAR ENDED AUGUST 31, 2022)

Name of Customer	Total Usage Gallons	% of Total Usage (1)
Cimmaron MHP	8,371,036	2.8%
Mac's MHP	5,173,800	1.7%
Twin Oaks MHP	1,490,700	0.5%
Tamara Tharpe	787,223	0.3%
Darrell Wilson	738,963	0.2%
Ernesto Servan	688,224	0.2%
Tiara Moore	632,182	0.2%
Clyde Kinsey	602,203	0.2%
Leona Taylor	554,600	0.2%
Brian McHugh	538,645	0.2%
	19,577,576	6.5%

(1) Calculation based upon usage total of 299,947,709 gallons.

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TABLE 3 – MONTHLY WATER AND SEWER RATES (EFFECTIVE APRIL 2020)

Residential

Water

Rates for a 3/4" meter (or equivalent)

Base Rate: 0-5,000 gallons usage	$30.70

Additional cost per 1,000 gallons used above the 5,000 gallons included in the minimum bill:

5,001-15,000 gallons usage	$2.75 per 1,000 gallons
15,001-25,000 gallons usage	$3.50 per 1,000 gallons
25,001-50,000 gallons usage	$6.25 per 1,000 gallons
50,001-400,000 gallons usage	$6.75 per 1,000 gallons
400,001 plus gallons usage	$7.25 per 1,000 gallons

Wastewater

Base Rate:	$27.00 (Flat Rate)

Commercial

Water

Base Rate: 0-5,000 gallons usage	$40.25

Additional cost per 1,000 gallons apply using same fees as above.

Wastewater

Base Rate:	$35.50 (Flat Rate)

INVESTMENT CONSIDERATIONS

GENERAL . . . The Bonds are special limited obligations solely of the District and are not obligations of the City of Nolanville, Bell County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect amounts sufficient to pay all expenses of operation and maintenance of the System, and to provide Net Revenues, which will be adequate to pay promptly all of the principal of and interest on the Parity Bonds, and to make all deposits required to be made into the Reserve Fund and any other funds established by the Bond Order or any other order authorizing the issuance of Additional Parity Bonds (see "SECURITY FOR THE BONDS"). **The District has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation.**

INFECTIOUS DISEASE OUTBREAK (COVID-19) . . . In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State of Texas (the "State") because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment except in counties with an "area with high hospitalizations" where a county judge may impose COVID-19 related mitigation strategies. Bell County is not currently an "area with high hospitalizations." The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. 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 into this Official Statement.

With the decrease in the number of active COVID-19 cases and the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions. See "FINANCIAL STATEMENT – Table 3 – Taxable Assessed Valuation" for the District's current fund balances.

STATE LEGISLATIVE ISSUES . . . The State Legislature, operating under the biennial system, convenes its regular session at noon on the second Tuesday in January of odd-numbered years. The maximum duration of a regular session is140 days. The 87th regular legislative session convened on January 12, 2021 and concluded on May 31, 2021. Under the Texas Constitution, the Governor has the authority to call additional special sessions of the State Legislature at any time, each for a duration of no more than thirty days, to address only those subjects designated by the Governor. While in session, the State Legislature may consider bills which could have a direct impact on the District. The District makes no representations or predictions with respect to whether the Governor will exercise his authority under the Texas Constitution to call additional special sessions of the State Legislature or concerning the substance or effect of any legislation that may be proposed and ultimately passed while the State Legislature is in session.

CONTINUING COMPLIANCE WITH CERTAIN COVENANTS . . . Failure of the District to comply with certain covenants contained in the Bond Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

FUTURE DEBT . . . In the Bond Order, the District retains the right to issue Additional Bonds, subject to certain requirements. See "SECURITY FOR THE BONDS – Issuance of Additional Bonds."

FORWARD-LOOKING STATEMENTS . . . The statements contained in this Official Statement and in any other information provided by the District that are not purely historical are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. 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, 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, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

DEBT INFORMATION

TABLE 4 – REVENUE DEBT SERVICE REQUIREMENTS

Year Ending 8/31	Outstanding Debt Service			The Bonds [1]			Total
	Principal	Interest	Total	Principal	Interest	Total	Debt Service
2023	$ 21,000	$ 32,175	$ 53,175	$ -	$ 73,919	$ 73,919	$ 127,094
2024	22,000	31,230	53,230	110,000	244,138	354,138	407,368
2025	23,000	30,240	53,240	120,000	239,738	359,738	412,978
2026	24,000	29,205	53,205	125,000	234,338	359,338	412,543
2027	25,000	28,125	53,125	135,000	228,088	363,088	416,213
2028	26,000	27,000	53,000	140,000	221,338	361,338	414,338
2029	27,000	25,830	52,830	150,000	214,338	364,338	417,168
2030	29,000	24,615	53,615	160,000	208,338	368,338	421,953
2031	30,000	23,310	53,310	165,000	203,138	368,138	421,448
2032	31,000	21,960	52,960	175,000	197,775	372,775	425,735
2033	33,000	20,565	53,565	190,000	191,650	381,650	435,215
2034	34,000	19,080	53,080	200,000	185,000	385,000	438,080
2035	36,000	17,550	53,550	210,000	177,000	387,000	440,550
2036	38,000	15,930	53,930	225,000	168,600	393,600	447,530
2037	39,000	14,220	53,220	235,000	159,600	394,600	447,820
2038	41,000	12,465	53,465	250,000	150,200	400,200	453,665
2039	43,000	10,620	53,620	265,000	140,200	405,200	458,820
2040	45,000	8,685	53,685	280,000	129,600	409,600	463,285
2041	47,000	6,660	53,660	300,000	118,400	418,400	472,060
2042	49,000	4,545	53,545	315,000	106,400	421,400	474,945
2043	52,000	2,340	54,340	335,000	93,800	428,800	483,140
2044	-	-	-	355,000	80,400	435,400	435,400
2045	-	-	-	380,000	66,200	446,200	446,200
2046	-	-	-	400,000	51,000	451,000	451,000
2047	-	-	-	425,000	35,000	460,000	460,000
2048	-	-	-	450,000	18,000	468,000	468,000
	$ 715,000	$ 406,350	$ 1,121,350	$ 6,095,000	$ 3,936,194	$ 10,031,194	11,152,544

(1) Interest on the Bonds has been calculated at the rates set forth on the inside cover.

ANTICIPATED ISSUANCE OF ADDITIONAL BONDS . . . The District does not anticipate the issuance of additional revenue bonds within the next twelve months.

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FINANCIAL INFORMATION

TABLE 5 – STATEMENT OF ACTIVITIES

	Fiscal Year Ended August 31,				
	2022	2021	2020	2019	2018
Revenues					
Property taxes	$ 103,147	$ 94,093	$ 85,006	$ 78,466	$ -
Property tax penalties and interest	510	465	403	248	-
Charges for service					
Water sales	1,540,711	1,277,246	1,129,041	971,458	1,000,628
Sewer service	752,799	701,450	580,044	564,522	542,293
Tap connection fees	160,595	135,070	62,210	54,810	51,400
Penalties and interest	39,024	36,931	28,885	39,350	39,210
Connection fees	7,163	6,775	3,989	4,903	5,256
Inspection fees	8,100	6,850	-	-	-
Interest Income	1,538	1,032	1,247	1,037	678
Trash service income	25,915	21,603	18,368	8,502	7,795
Gain on sale of assets	72,142	-	-	-	-
Other Income	4,891	6,140	8,095	7,509	10,877
Total Revenues	$ 2,716,535	$ 2,287,655	$ 1,917,288	$ 1,730,805	$ 1,658,137
Expenditures					
Service operations					
Purchase water	$ 445,927	$ 407,655	$ 420,562	$ 372,513	$ 446,212
Professional fees	44,322	33,887	49,019	56,322	43,937
Personnel (including benefits)	623,645	625,691	606,625	506,985	405,287
Utilities	111,565	102,928	104,590	93,940	90,203
Fuel, supplies, disposal and analysis fees	87,992	74,396	75,276	92,723	72,367
Repairs and maintenance	120,360	111,135	109,778	106,216	72,302
Insurance	98,693	98,203	92,625	79,343	75,494
Capital outlay	-	-	-	-	-
Depreciation	222,789	207,607	194,647	185,553	178,958
Other expenditures	72,759	57,996	52,969	53,160	50,943
Debt Service					
Principal	-	-	-	-	-
Interest expense	32,775	33,645	34,470	35,280	36,060
Total Expenditures	$ 1,860,827	$ 1,753,143	$ 1,740,561	$ 1,582,035	$ 1,471,763
Excess Deficiency) of Revenues Over (Under) Expenditures	$ 855,708	$ 534,512	$ 176,727	$ 148,770	$ 186,374
Other Financing Sources (Uses)					
Transfers in	$ 317,800	$ 52,802	$ 52,801	$ 52,799	$ 52,802
Transfers out	(317,800)	(52,802)	(52,801)	(52,799)	(52,802)
Total Other Financing Sources (Uses)	$ -	$ -	$ -	$ -	$ -
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ -	$ -	$ -	$ -	$ -
Change in net position	855,708	534,630	177,019	149,111	186,628
Fund Balance/Net Position, September 1	$ 4,462,643	$ 3,928,013	$ 3,750,994	$ 3,601,883 (1)	$ 3,415,256 (1)
Fund Balance/Net Position, August 31	$ 5,318,351	$ 4,462,643	$ 3,928,013	$ 3,750,994	$ 3,601,884

(1) Restated.

TABLE 6 – COVERAGE AND FUND BALANCES [1]

Pledged Net Revenues Available for Debt Service, Fiscal Year ended 8/31/2022	$1,111,272	(1)
Projected Annual Principal and Interest Requirement, 2023	$ 127,094	(2)
Coverage (2022 Net Revenues)	8.74 x	
Projected Average Annual Principal and Interest Requirement, 2023-2048	$ 428,944	(2)
Coverage (2022 Net Revenues)	2.59 x	
Projected Maximum Principal and Interest Requirement, 2043	$ 483,140	(2)
Coverage (2022 Net Revenues)	2.30 x	

(1) Excludes Depreciation and Interest expense.
(2) Includes the Bonds.

INVESTMENT AUTHORITY AND PRACTICES OF THE DISTRICT

LEGAL INVESTMENTS . . . Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is unconditionally guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund, or their respective successors; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in this state that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3; (9) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and amount provided by law for District deposits; or (ii) where (a) the funds are invested by the District through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the District as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the District; (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the United States Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the value of the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (14) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that comply with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.) and that provide the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934; and, (15) no-load mutual funds registered with the United States Securities and Exchange Commission that have an average weighted maturity of less than two years, and either: (i) have a duration of one year or more and are invested exclusively in obligations described in this paragraph or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the District and deposited with the District or with a third party selected and approved by the District.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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

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

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

CURRENT INVESTMENTS . . . The District's investment goal is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Funds of the District are invested either in short term U.S. Treasuries or certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank. The District does not currently own, nor does it anticipate the inclusion of, long term securities or derivative products in the District portfolio.

As of October 31, 2022 the District's funds were invested in the following:

Description	Market Value	% of Portfolio
Checking Accounts	$ 744,426	99.51%
Certificates of Deposit	3,663	0.49%
	$ 748,089	100.00%

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SELECTED PROVISIONS OF THE BOND ORDER

The following are excerpts of certain definitions and provisions of the Bond Order Authorizing the Issuance of Bell County Water Control and Improvement District No. 3 Waterworks and Sewer System Revenue Bonds, Series 2023. Such excerpts do not purport to be complete and reference should be made to the Bond Order for the entirety thereof. Copies of the Bond Order are available upon request to the District.

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SECTION 2. Definitions. For all purposes of this Order and in particular for clarity with respect to the issuance of the Bonds herein authorized and the pledge and appropriation of revenues to the payment of the Bonds, the following definitions are provided:

"2004 Reserve Fund" means the special fund created, established and maintained by the provisions of the Series 2004 Resolution.

"Additional Parity Bonds" means the additional parity revenue bonds permitted to be issued by the District pursuant to this Order.

"Attorney General" means the Attorney General of the State.

"Authorized Denomination" means any integral multiple of $5,000 in principal amount of the Bonds.

"Bond" or "Bonds" means the "Bell County Water Control and Improvement District No. 3 Waterworks and Sewer System Revenue Bonds, Series 2023", authorized and issued pursuant to this Order. The term "Bonds" as used in this Order shall mean and include collectively the Bonds initially issued and delivered pursuant to this Order and all substitute Bonds exchanged therefor, as well as all other substitute Bonds and replacement Bonds issued pursuant hereto, and the term Bonds shall mean any of the Bonds.

"Business Day" means any day other than a Saturday, Sunday or legal holiday in the State observed as such by the District or the Paying Agent/Registrar or any national holiday observed by the Paying Agent/Registrar.

"Comptroller" means the Comptroller of Public Accounts of the State.

"Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to refund, retire or otherwise discharge obligations such as the Bonds.

"Delivery Date" means the date of delivery of the Bonds to the Purchaser against payment therefor, anticipated to be January 12, 2023.

"District" means the Bell County Water Control and Improvement District No. 3 located in Bell County, Texas.

"Fiscal Year" means the twelve-month period commencing on the first day of September of any year and ending on the last day of August in the immediately following calendar year, or such other period designated by the District.

"Gross Revenues", for any period, means all revenue during such period in respect or on account of the operation or ownership of the System, excluding refundable meter deposits, restricted gifts, and grants in aid of construction, but including earnings and income derived from the investment or deposit of money in any special fund or account created and established from Gross Revenues.

"Maintenance and Operating Expenses" means all current expenses of operating and maintaining the System as allowed by Section 1502.056 of the Texas Government Code.

"Net Revenues", for any period, means the Gross Revenues of the System less Maintenance and Operating Expenses of the System.

"Outstanding", when used in this Order with respect to Parity Bonds, means, as of the date of determination, all Parity Bonds theretofore sold, issued and delivered by the District, except:

(1) those Parity Bonds cancelled or delivered to the transfer agent or registrar for cancellation in connection with the exchange or transfer of such obligations;

(2) those Parity Bonds paid or deemed to be paid in accordance with the provisions hereof; and

(3) those Parity Bonds that have been mutilated, destroyed, lost, or stolen and replacement bonds have been registered and delivered in lieu thereof.

"Parity Bonds" means, collectively, the Previously Issued Bonds, the Bonds and Additional Parity Bonds.

"Permitted Investments" means any security or obligation or combination thereof permitted under the Public Funds Investments Act, Chapter 2256, Texas Government Code, as amended or other applicable law.

"Previously Issued Bonds" means the Outstanding Bell County Water Control and Improvement District No. 3 Waterworks and Sewer System Revenue Bonds, Series 2004.

"Purchaser" means, initially, SAMCO Capital Markets, the initial purchaser of the Bonds.

"Rating Agency" means any nationally recognized securities rating agency which has assigned, at the request of the District, a rating to the Parity Bonds.

"Required Reserve Amount" means the amount required to be maintained in the 2023 Reserve Fund pursuant to the provisions of this Order.

"Required Reserve Fund Deposits" means the deposits and credits required to be made to the 2023 Reserve Fund pursuant to the provisions of this Order.

"Reserve Fund Obligation" means, to the extent permitted by law, (i) a policy of insurance or a surety bond, issued by an District of policies of insurance insuring the timely payment of debt service on governmental obligations, provided that a Rating Agency having an outstanding rating on Parity Bonds would rate the Parity Bonds fully insured by a standard policy issued by the District of such Reserve Fund Obligation in its two highest generic rating categories for such obligations; and (ii) a letter or line of credit issued by any financial institution, provided that a Rating Agency having an outstanding rating on the Parity Bonds would rate the Parity Bonds in any one of its two highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the Parity Bonds and the interest thereon.

"Reserve Fund Obligation Payment" means any subrogation payment the District is obligated to make from Net Revenues deposited in the 2023 Reserve Fund with respect to a Reserve Fund Obligation.

"Series 2004 Resolution" means the resolution authorizing the issuance of the Previously Issued Bonds.

"State" means the State of Texas.

"Subordinate Lien Obligations" means (i) any bonds, notes, warrants, certificates of obligation, contractual obligations or other debt issued by the District that are payable, in whole or in part, from and equally and ratably secured by a lien on and pledge of the Net Revenues, such pledge being subordinate and inferior to the lien on and pledge of the Net Revenues that are or will be pledged to the payment of any Parity Bonds issued by the District, and (ii) obligations hereafter issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured, in whole or in part, by a lien on and pledge of the Net Revenues on a parity with the Subordinate Lien Obligations.

"System" means all properties, facilities and plants currently owned, operated and maintained by the District for the supply, treatment, transmission and distribution of treated potable water and the collection, treatment and disposal of waterborne wastes, together with all future extensions, improvements and additions thereto and replacements thereof, including the Projects.

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SECTION 11. Pledge. The District hereby covenants and agrees that the Net Revenues of the System are hereby irrevocably pledged, equally and ratably, to the payment of the principal of and interest on the Parity Bonds as herein provided, and the pledge of the Net Revenues of the System herein made for the payment of the Parity Bonds shall constitute a lien on the Net Revenues and be valid and binding and fully perfected from and after the date of adoption of this Order without physical delivery or transfer or transfer of control of the Net Revenues, the filing of this Order or any other act; all as provided in Chapter 1208 of the Texas Government Code, as amended ("Chapter 1208").

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

SECTION 12. Rates and Charges. While any of the Bonds remain Outstanding, the District hereby covenants and agrees that rates and charges for water and sewer services afforded by the System will be established and maintained, on the basis of all available information and experience and with due allowance for contingencies and other sources of revenues available therefor, that are reasonably expected to provide Gross Revenues each Fiscal Year to pay:

(i) all Maintenance and Operating Expenses of the System;

(ii) all amounts required to be deposited in the special funds or accounts maintained for the payment of the Parity Bonds; and

(iii) any other legally incurred indebtedness payable from the revenues of the System and/or secured by a lien on the System or the revenues thereof.

The District will not grant or permit any free service from the System except for buildings and institutions operated by the District.

Notwithstanding the foregoing, for so long as any Bonds remain Outstanding, the District covenants and agrees that rates and charges for water and sewer services afforded by the System will be established and maintained, on the basis of all available information and experience and with due allowance for contingencies and other sources of revenues available therefor, that are reasonably expected to provide Net Revenues equal to or greater than 1.10 times the amount required to make all debt service payments described in clauses (ii) and (iii) above in each respective Fiscal Year.

SECTION 13: System Fund. (a) The District hereby covenants and agrees that, while the Bonds remain Outstanding, all revenues derived from the operation of the System shall be kept separate and apart from all other funds and moneys of the District, and such revenues shall be deposited from day to day as collected into a fund maintained at an official depository of the District known as the "Bell County Water Control and Improvement District No. 3 Waterworks and Sewer System Fund" (hereinafter called the "System Fund"). All moneys deposited in the System Fund shall be pledged and appropriated to the extent required for the following purposes and in the order of priority shown, to wit:

First: To the payment of all necessary and reasonable Maintenance and Operating Expenses or required by statute to be a first charge on and claim against the revenues thereof.

Second: to the payment of the amounts required to be deposited and credited to the Interest and Sinking Fund created and established for the payment of the Parity Bonds as the same become due and payable.

Third: Pro rata to the payment of the amounts required to be deposited and credited (i) to the 2004 Reserve Fund and the 2023 Reserve Fund and (ii) to each other reserve fund created and established to maintain a reserve in accordance with the provisions of the orders relating to the issuance of any Additional Parity Bonds hereafter issued by the District; and

Fourth: To make payment, including payment of amounts required for reserve fund requirements, of Subordinate Lien Obligations.

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

SECTION 14: Interest and Sinking Fund. For purposes of providing funds to pay the principal of and interest on the Parity Bonds as the same shall become due and payable (whether at maturity or upon redemption), the District agrees to maintain at an official depository of the District a separate and special account or fund known as "Bell County Water Control and Improvement District No. 3 Waterworks and Sewer System Revenue Bonds Interest and Sinking Fund" (the "Interest and Sinking Fund"). In addition to the deposits to be made to the Interest and Sinking Fund for the payment of the Previously Issued Bonds, the District covenants that on or before the fifteenth day of each month while any of the Bonds remain Outstanding, Net Revenues in the System Fund shall be deposited to the credit of the Interest and Sinking Fund in the following amounts:

(a) such amounts, in approximately equal monthly installments, as will be sufficient to accumulate the amount required to pay the interest scheduled to become due on the Bonds on the next interest payment date; and

(b) such amounts, in approximately equal monthly installments, as will be sufficient to accumulate the amount required to pay the next maturing principal of the Bonds, including the amounts payable as a result of the exercise of an optional redemption provision with respect to the Bonds, if applicable.

Whenever the total amounts on deposit to the credit of the Interest and Sinking Fund and the 2023 Reserve Fund shall be equivalent to the sum of the aggregate principal amount of all Parity Bonds then Outstanding plus the aggregate amount of all interest accrued and to accrue thereon, no further payments need be made into the Interest and Sinking Fund, and such Parity Bonds shall not be regarded as being Outstanding except for the purposes of being paid with the money on deposit in such Funds.

On or before each interest payment date on the Bonds, the District shall transfer from the Interest and Sinking Fund to the Paying Agent/Registrar an amount equal to the principal, interest and redemption premiums payable on the Bonds on such date, together with an amount equal to all bank charges and other costs and expenses relating to such payment.

SECTION 15: <u>2023 Reserve Fund</u>. (a) There is hereby created and ordered held at a depository of the District, for the benefit of the Bonds, the 2023 Reserve Fund. The District shall deposit and credit to the 2023 Reserve Fund an amount equal to the lesser of (i) 10 percent of the stated principal amount of the Bonds (calculated as of the date of delivery of the Bonds), (ii) 125 percent of the Average Annual Debt Service Requirements (calculated on or about each Fiscal Year End) on the Bonds, or (iii) the Maximum Annual Debt Service Requirements (calculated on or about each Fiscal Year End) on the Bonds (the "Required Reserve Amount"), which amount is equal to $468,000. The District may fund the 2023 Reserve Fund with (i) cash on hand, (ii) proceeds from the sale of the Bonds, (iii) one or more Reserve Fund Obligations or (iv) any combination of (i) through (iii). The Required Reserve Amount will be funded with Bond proceeds. The Required Reserve Amount shall be maintained in the 2023 Reserve Fund at all times after the delivery of the Bonds. There shall be deposited into the 2023 Reserve Fund any Reserve Fund Obligations so designated by the District. All funds, investments and Reserve Fund Obligations on deposit and credited to the 2023 Reserve Fund shall be used solely for (i) the payment of the principal of and interest on the Bonds, when and to the extent other funds available for such purposes are insufficient, (ii) to make Reserve Fund Obligation Payments, (iii) to retire the last Stated Maturity or Stated Maturities of or interest on the Bonds, or (iv) as provided in clause (c) below, any excess amount in the 2023 Reserve Fund may be transferred to the System Fund and allocated in accordance with this Order.

(b) When and for so long as the cash, investments and Reserve Fund Obligations in the 2023 Reserve Fund equal the Required Reserve Amount, no deposits need be made to the credit of the 2023 Reserve Fund; but, if and when the 2023 Reserve Fund at any time contains less than the Required Reserve Amount, the District covenants and agrees that the District shall cure the deficiency in the 2023 Reserve Fund by making Required Reserve Fund Deposits to the 2023 Reserve Fund from the Net Revenues in accordance with the provisions hereof by monthly deposits in amounts equal to not less than 1/60th of the Required Reserve Amount with any such deficiency payments being made on or before the last day of each month until the Required Reserve Amount has been fully restored. In addition, in the event that a portion of the Required Reserve Amount is represented by a Reserve Fund Obligation, the Required Reserve Amount shall be restored as soon as possible from monthly deposits of Net Revenues on deposit in the Revenue Fund in accordance with the provisions hereof, but subject to making the full deposits and credits to the Interest and Sinking Fund required by this Order. The District further covenants and agrees that, subject only to the prior deposits to be made to the Interest and Sinking Fund, the Net Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve Amount, including by paying Reserve Fund Obligation Payments when due, and any reserve established for the benefit of any issue or series of Additional Parity Bonds and to cure any deficiency in such amounts as required by the terms of this Order and any other order pertaining to the issuance of Additional Parity Bonds. Reimbursements to the provider, if any, of a Reserve Fund Obligation shall constitute the making up of a deficiency in the 2023 Reserve Fund to the extent that such reimbursements result in the reinstatement, in whole or in part, as the case may be, of the amount of the Reserve Fund Obligation.

(c) Earnings and income derived from the investment of amounts held for the credit of the 2023 Reserve Fund shall be retained in the 2023 Reserve Fund until the 2023 Reserve Fund contains the Required Reserve Amount. During such time as the 2023 Reserve Fund contains the Required Reserve Amount or any cash or Permitted Investment is replaced with a Reserve Fund Obligation pursuant to subsection (d) below, the District may, at its option, withdraw all surplus funds in the 2023 Reserve Fund and deposit such surplus in the Revenue Fund; provided that the face amount of any Reserve Fund Obligation may be reduced at the option of the District in lieu of such transfer. Notwithstanding the foregoing, any surplus funds in the 2023 Reserve Fund that consist of proceeds of the Bonds or interest thereon shall be used for purposes for which the Bonds were issued or deposited to the Interest and Sinking Fund.

(d) The District may at any time deposit, supplement, replace or substitute a Reserve Fund Obligation for cash or Permitted Investments on deposit in the 2023 Reserve Fund or in substitution for or replacement of any existing Reserve Fund Obligation, provided, that the deposit, supplement, replacement or substitution of the Reserve Fund Obligation will not, in and of itself, cause any ratings then assigned to the Bonds by any Rating Agency to be lowered and the order authorizing the substitution of the Reserve Fund Obligation for all or part of the Required Reserve Amount contains a finding that such substitution is cost effective. Notwithstanding any other provision of this Order, if a Reserve Fund Obligation is utilized in connection with the Bonds after the Delivery Date, the Board must specifically approve any such Reserve Fund Obligation and any such Reserve Fund Obligation must be submitted to the Attorney General (if submission is then required by law) for approval.

(e) If the District is required to make a withdrawal from the 2023 Reserve Fund for any of the purposes described in this Section, the District shall promptly notify the issuer of such Reserve Fund Obligation of the necessity for a withdrawal from the 2023 Reserve Fund for any such purposes, and shall make such withdrawal FIRST from available moneys or Permitted Investments then on deposit in the 2023 Reserve Fund, and NEXT from a drawing under any Reserve Fund Obligation to the extent of such deficiency.

(f) In the event there is a draw upon the Reserve Fund Obligation, the District shall reimburse the issuer of such Reserve Fund Obligation for such draw, in accordance with the terms of any agreement pursuant to which the Reserve Fund Obligation is used, from Net Revenues, however, such reimbursement from Net Revenues shall be in accordance with the provisions of Section 15(c) hereof and shall be subordinate and junior in right of payment to the payment of principal of and premium, if any, and interest on any then Outstanding Parity Bonds.

(g) The District may create and establish a debt service reserve fund pursuant to the provisions of any order or other instrument authorizing the issuance of Parity Bonds for the purpose of securing that particular issue or series of Parity Bonds or any specific group of issues or series of Parity Bonds, and the amounts once deposited or credited to said debt service reserve funds shall no longer constitute Net Revenues and shall be held solely for the benefit of the owners of the particular Parity Bonds for which such debt service reserve fund was established. Each debt service reserve fund shall receive a pro rata amount of the Net Revenues after the requirements of the Interest and Sinking Fund, which secures all Parity Bonds, have first been met. Each such debt service reserve fund shall be designated in such manner as is necessary to identify the Parity Bonds it secures and to distinguish such debt service reserve fund from the debt service reserve funds created for the benefit of other Parity Bonds. Each order authorizing the issuance of Parity Bonds that are to be secured by a debt service reserve fund shall specify the amount or a manner of calculating the amount to be held and maintained on deposit therein.

SECTION 16: Maintenance and Operation Expenses. While any series of Parity Bonds remain Outstanding, the District covenants and agrees to maintain and operate the System with all possible efficiency and to maintain casualty and other insurance on the properties of the System and its operations of a kind and in such amounts customarily carried by municipal corporations in the State engaged in a similar type business; and that it will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the State.

SECTION 17: Deficiencies in Funds. If in any month there shall not be deposited into any Fund maintained pursuant to this Order the full amounts required herein, amounts equivalent to such deficiency shall be set apart and paid into such Fund or Funds from the first available and unallocated Net Revenues in the System Fund, and such payment shall be in addition to the amounts otherwise required to be paid into such Funds during the succeeding month or months. To the extent necessary, the rates and charges for the System shall be increased to make up for any such deficiencies.

SECTION 18: Investment of Funds; Transfer of Investment Income. Money in the System Fund, the Interest and Sinking Fund and the 2023 Reserve Fund may, at the option of the District, be invested in Permitted Investments, provided that all such deposits and investments shall be made in such manner (which may include repurchase agreements for such investments with any national bank) that the money required to be expended from any Fund will be available at the proper time or times, and provided further that in no event shall such deposits or investments of money in the 2023 Reserve Fund mature later than the final maturity date of the Parity Bonds. All such investments shall be valued in terms of current market value as of the last Business Day of the District's Fiscal Year, except for investments in direct obligations of the United States of America - State and Local Government Series, which shall be valued at their par value. Any obligation in which money is so invested shall be kept and held in the official depository bank of the District at which the Fund is maintained from which the investment was made. All such investments shall be promptly sold when necessary to prevent any default in connection with the Parity Bonds. All interest and income derived from such deposits and investments shall be transferred or credited as received to the System Fund, and shall constitute Gross Revenues of the System.

SECTION 19: Security for Uninvested Funds. While any of the Bonds remain Outstanding, all uninvested money on deposit in or credited to, the System Fund, the Interest and Sinking Fund and the 2023 Reserve Fund shall be secured by the pledge of security, as provided by V.T.C.A., Government Code, Chapter 2257, as amended, in a principal amount not less than the amount of such uninvested funds.

SECTION 20: Additional Parity Bonds. (a) The District reserves the right to issue, for any lawful purpose (including the refunding of any Parity Bonds or any other bonds or obligations of the District issued in connection with or payable from the revenues of the System), one or more series of Additional Parity Bonds payable from and secured by a parity lien on the Net Revenues of the System, and the Previously Issued Bonds, the Bonds and any Additional Parity Bonds shall be equally and ratably secured by a parity lien on the Net Revenues in all respects; provided, however, that no Additional Parity Bonds may be issued unless:

(i) That the laws of the State in force at such time provide for the issuance of such Additional Parity Bonds;

(ii) The District is not in default as to any covenant, condition or obligation prescribed by the Series 2004 Resolution or this Order, and the Interest and Sinking Fund contains the amount of money then required to be on deposit therein, as certified by the President and Secretary of the Board;

(iii) The District has secured from a Certified Public Accountant and provided to the holders of the Bonds, including the United States of America (so long as the United States of America holds any Previously Issued Bonds) a certificate showing that the anticipated Net Revenues for the completed Fiscal Year next following the year in which such Additional Parity Bonds are to be issued, is equal to at least 1.20 times the average annual debt service requirements (calculated on a Fiscal Year basis) of all Parity Bonds, including the proposed Additional Parity Bonds (or other indebtedness payable from or secured by a lien against Net Revenues), secured in whole or in part by the Net Revenues; provided, however, that this requirement may be waived or modified by the written consent of the holders of seventy-five percent (75%) of the Parity Bonds then Outstanding, determined by Outstanding principal amount;

(iv) Provision is made in the order authorizing the Additional Parity Bonds or other indebtedness then proposed to be issued for additional payments into the Interest and Sinking Fund sufficient to provide for any increased principal and interest requirements resulting from the issuance of the Additional Parity Bonds or other indebtedness; and

(v) The holders of all of the Previously Issued Bonds agree to the issuance of such Additional Parity Bonds.

So long as the United States of America holds any Previously Issued Bonds, the District will not issue any Subordinate Lien Obligations without the prior written consent of the United States of America, except as otherwise provided by applicable law.

(b) At such time as the Previously Issued Bonds have been fully paid or defeased and are no longer Outstanding,

(I) the following provision shall replace Section 20(a)(iii) in its entirety:

"(iii) A Designated Financial Officer signs and delivers to the Board a written certificate to the effect that based on the books and records of the District, during either the next preceding Fiscal Year, or any twelve consecutive calendar month period ending not more than ninety days prior to the date of the then proposed Additional Parity Bonds, the Net Revenues are at least equal to the sum of 1.10 times the average annual principal and interest requirements of all Parity Bonds which are scheduled to be outstanding after the delivery of the then-proposed Additional Parity Bonds;" and

(II) the following definition shall be incorporated into this Order and into any order authorizing the issuance of any Additional Parity bonds:

"'Designated Financial Officer' means the chief financial officer of the District, if such an office has been created, or such other financial or accounting official of the District so designated by the Board."; and

(III) Section 20(a)(v) shall be deleted in its entirety.

(c) At such time as the Previously Issued Bonds have been fully paid or defeased and are no longer Outstanding, the Bonds and any Additional Parity Bonds may be refunded (pursuant to any law then available) upon such terms and conditions as the Board may deem to be in the best interests of the District and its inhabitants, and the District shall not be required to satisfy the requirements set forth in Section 20(a) in connection with the issuance of such refunding bonds.

SECTION 21: Subordinate Lien Obligations - No Senior Lien Bonds. The District reserves the right to issue, for any lawful purpose, Subordinate Lien Obligations; provided, however, that for so long as the United States of America holds any of the Previously Issued Bonds, the District will not issue any Subordinate Lien Obligation without the prior written consent of the United States of America, except as otherwise provided by applicable law. Such Subordinate Lien Obligations may be further secured by any other source of payment lawfully available for such purposes. The District shall not have the right to issue any bonds, notes or other obligations secured in whole or in part by liens on the Net Revenues that are senior to the lien on the Net Revenues securing payment of the Parity Bonds.

SECTION 22: Punctual Payment. The District will punctually pay or cause to be paid the interest on and principal of the Bonds according to the terms thereof and will faithfully do and perform, and at all times fully observe, any and all covenants, undertakings, stipulations and provisions contained in this Order.

SECTION 23: Maintenance of System. While any of the Bonds remain Outstanding, the District covenants that it will at all times maintain the System, or within the limits of its authority cause the same to be maintained, in good condition and working order and will operate the same, or cause the same to be operated, in an efficient and economical manner at a reasonable cost and in accordance with sound business principles. In operating and maintaining the System, the District will comply with all contractual provisions and agreements entered into by it and with all valid rules, regulations, directions or orders of any governmental, administrative or judicial body promulgating same, noncompliance with which would materially and adversely affect the operation of the System.

SECTION 24: Sale or Encumbrance of System. While any Bonds remain Outstanding, the District will not sell, dispose of or, except as permitted in Sections 20 and 21, further encumber the System or any substantial part thereof; provided, however, that this provision shall not prevent the District from disposing of any of the System which is being replaced or is deemed by the District to be obsolete, worn out, surplus or no longer needed for the proper operation of the System. Any agreement pursuant to which the District contracts with a person, corporation, municipal corporation or political subdivision to operate the System or to lease and/or operate all or part of the System shall not be considered as an encumbrance of the System.

SECTION 25: Insurance. The District further covenants and agrees that it will keep the System insured with insurers of good standing against risks, accidents or casualties against which and to the extent customarily insured against by political subdivisions of the State operating similar properties, to the extent that such insurance is available. The cost of all such insurance, together with any additional insurance, shall be a part of the Maintenance and Operation Expenses. All net proceeds of such insurance shall be applied to repair or replace the insured property that is damaged or destroyed or to make other capital improvements to the System or to redeem Parity Bonds.

SECTION 26: Accounts, Records and Audits. While any Bonds remain Outstanding, the District covenants and agrees that it will maintain a proper and complete system of records and accounts pertaining to the operation of the System in which full, true and proper entries will be made of all dealings, transactions, business and affairs which in any way affect or pertain to the System or the Net Revenues thereof. The District shall after the close of each Fiscal Year cause an audit report of such records and accounts to be prepared by an independent certified public accountant or independent firm of certified public accountants. Each year promptly after such audit report is prepared, the District shall furnish a copy thereof without cost to the Municipal Advisory Council of Texas and the major municipal rating agencies. All expenses incurred in preparing such audits shall be Maintenance and Operation Expenses.

SECTION 27: Competition. To the extent it legally may, the District will not grant any franchise or permit for the acquisition, construction or operation of any competing facilities which might be used ·as a substitute for the System and will prohibit the operation of any such competing facilities.

SECTION 28: Pledge and Encumbrance of Net Revenues. The District covenants and represents that it has the lawful power to create a lien on and to pledge the Net Revenues to secure the payment of the Bonds and has lawfully exercised such power under the Constitution and laws of the State. The District further covenants and represents that, other than to the payment of the Parity Bonds, the Net Revenues are not and will not be made subject to any other lien, pledge or encumbrance to secure the payment of any debt or obligation of the District, unless such lien, pledge or encumbrance is junior and subordinate to the lien and pledge securing payment of the Parity Bonds and the District has satisfied the conditions herein and in the Series 2004 Resolution prior to issuing such Subordinate Lien Obligations.

SECTION 29: Events of Default; Registered Holders' Remedies. In addition to all the rights and remedies provided by the laws of the State, it is specifically covenanted and agreed particularly that in the event the District (i) defaults in the payment of the principal, premium, if any, or interest on the Bonds, (ii) defaults in the deposits and credits required to be made to the Interest and Sinking Fund or the 2023 Reserve Fund, (iii) declares bankruptcy, or (iv) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Order, the following remedies shall be available:

(a) Bondholders shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the District and other officers of the District to observe and perform any covenant, condition or obligation prescribed in this Order; and

(b) no delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedy herein provided shall be cumulative of all other existing remedies, and the specification of such remedy shall not be deemed to be exclusive.

SECTION 30: No Recourse Against District Officials or Members. No recourse shall be had for the payment of principal of or interest on any Parity Bonds or for any claim based thereon or on this Order against any member, director or officer of the District or any person executing any of the Bonds, except for fraud.

SECTION 31: Special Covenants. The District further covenants and agrees that:

(a) Sale of the System. While any Parity Bonds remain Outstanding, and except as otherwise permitted by this Order and by the Series 2004 Resolution, the District shall not mortgage, pledge, encumber, sell, lease or otherwise dispose of or impair its title to the System or any significant or substantial part thereof.

(b) Title. The District lawfully owns or will own and is or will be lawfully possessed of the lands or easements upon which the System is and will be located, and has purchased or will purchase good and indefeasible estate in such lands in fee simple, or has lawfully obtained or will lawfully obtain any necessary easements to operate the System, and it warrants that it has obtained or will obtain and will defend, the title to all the aforesaid lands and easements for the benefit of the owners of the Parity Bonds against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Net Revenues to the payment of the Parity Bonds, in the manner prescribed herein, and that has lawfully exercised such rights.

(c) Liens. The District will from time to time and before the same become delinquent pay and discharge all taxes, assessments and governmental charges, if any, which shall be lawfully imposed upon it, or the System, and it will pay all lawful claims for rents, royalties, labor, materials and supplies which if unpaid might by law become a lien or charge upon the System, provided, however, that no such tax, assessment or charge, and that no such claims which might be or other lien or charge, shall be required to be paid while the validity of the same shall be contested in good faith by the District.

(d) Performance. The District will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Order and in the Series 2004 Resolution, and in each and every Parity Bond and pay from the Net Revenues the principal of and interest on every Parity Bond on the dates and in the places and manner prescribed; and that it will, at the times and in the manner prescribed, deposit or cause to be deposited from the Net Revenues the amounts required to be deposited into the Interest and Sinking Fund and the 2023 Reserve Fund; and the holders of the Parity Bonds may require the District, its officials, agents and employees to carry out, respect or enforce the covenants and obligations of this Order including, but without limitation, the use and filing of mandamus proceedings, in any court or competent jurisdiction, against the District, its officials, agents and employees.

(e) Legal Authority. The District is duly authorized under the laws of the State to issue the Parity Bonds; that all action on its part for the authorization and issuance of the Parity Bonds has been duly and effectively taken, and the Parity Bonds in the hands of the holders thereof are and will be valid and enforceable special obligations of the District in accordance with their terms.

(f) Budget. The District will prepare, adopt and place into effect an annual budget (the "Annual Budget") for maintenance and operation of the System for each Fiscal Year, including in each Annual Budget such items as are customarily and reasonably contained in a waterworks system budget under generally accepted accounting procedures.

(g) Permits. The District will comply with all of the terms and conditions of any and all franchises, permits and authorizations applicable to or necessary with respect to the System and which have been obtained from any governmental agency; and the District has or will obtain and keep in full force and effect all franchises, permits, authorizations and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, maintenance and operation of the System.

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TAX MATTERS

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

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate and (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

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

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

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

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

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

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

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

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

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

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

Interest on the Bonds may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

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

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

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

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

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

QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS . . . Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The District designated the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the District covenanted to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds $10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of $10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the Bonds would not be "qualified tax-exempt obligations."**

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the District's continuing disclosure obligations, because the District does not currently have outstanding more than $10,000,000 in aggregate principal amount of municipal securities (excluding securities offered in transactions that were exempt from the Rule) and no person is committed by contract or other arrangement with respect to payment of the Bonds. Pursuant to the exemption, 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 certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access (EMMA) system, free of charge at www.emma.msrb.org.

ANNUAL REPORTS . . . The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement that is customarily prepared by the District and publicly available, which currently consists of an annual audited financial statement. The District will update and provide this information within twelve months after the end of each fiscal year ending in or after 2022. The District will provide the updated information to the MSRB through the EMMA information system in accordance with recent amendments to Rule 15c2-12 (the "Rule") promulgated by the SEC.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the SEC, as permitted by 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 information and operating data of the type described in the preceding paragraph 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 B 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 fiscal year end is currently August 31. Accordingly, it must provide updated information by the last day of February each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS . . . The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) nonpayment 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 beneficial owners 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; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District (as defined by the Rule, which includes debt, debt-like and debt related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the District, any of which reflect financial difficulties.

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 of the District in a proceeding under the United States Bankruptcy Court or in any other proceeding under state or federal law in which a court of 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 of the District in possession but subject to the supervision and orders of a court of governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

For the purposes of the events described in clauses (15) and (16) of the preceding paragraph, the term "Financial Obligation" is defined in the Bond Order to mean (a) debt obligation; (b) derivative instrumententered into in connection with, or pledged as security or a source of payment for, and existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "Financial Obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The Bond Order further provides that the District intends the words in such clauses (15) and (16) in the preceding paragraph and in the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 29, 2018.

The District will provide notice of the aforementioned events to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event). The District will also provide timely notice of any failure by the District to provide annual financial information in accordance with the agreement described above under "– Annual Reports."

Availability of Information . . . The District has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org. Pursuant to subsection (d)(2)(iii) of Rule 15c2-12, the forgoing information, data and notices can be obtained from the District's Office Manager, Stephanie Hall, 303 N Main Street, Nolanville, Texas 76559, Telephone: (254) 698-6885.

Limitations and Amendments . . . The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders and beneficial owners of the 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 operations of the District but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as 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 a 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 amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid but in either case, only to the extent that its right to do so would not prevent an underwriter from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings . . . The District has not previously made a continuing disclosure agreement in accordance with the Rule.

OTHER INFORMATION

RATING . . . The Bonds have been rated "AA" (stable outlook) by S&P Global Ratings, a division of S&P Global Inc. ("S&P") by virtue of the Policy to be issued by BAM. The Bonds underlying rating is "A" by S&P without regard to credit enhancement. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the views of S&P, and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it 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 such rating may have an adverse effect on the market price of the Bonds.

LITIGATION . . . It is the opinion of General Counsel for the District and District Staff that there is no pending litigation against the District that would have a material adverse financial impact upon the District or its operations.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE . . . The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The District agrees to cooperate, at the Purchaser'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.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION – Rating" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the District has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

No representation is made that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The District has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Bonds for such purposes.

LEGAL OPINIONS . . . The District will furnish to the Purchaser a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Bonds and to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The customary closing papers, including a certificate from the District 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. In its role as Bond Counsel, McCall, Parkhurst & Horton L.L.P. has reviewed the information describing the Bonds in the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement to verify that such information conforms to the provisions of the Bond Order. In connection with the transactions described in the Official Statement, Bond Counsel represents only the District. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. The District expects to pay all legal fees of McCall, Parkhurst & Horton L.L.P. for services rendered in connection with the issuance of the Bonds from proceeds of the Bonds.

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

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

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

CERTIFICATION OF OFFICIAL STATEMENT . . . At the time of payment for and delivery of the Bonds, the District will furnish the Purchaser a certificate, executed by an authorized representative of the District, acting in such person's official capacity, to the effect that to the best of such person's knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in the Official Statement, and any addenda, supplement or amendment thereto, on the date of the Official Statement, on the date of sale of the Bonds and the acceptance of the best bid therefor, and on the Delivery Date, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, the 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 light of the circumstances under which they were made, not misleading in any material respect; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the District, and their activities contained in the 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; (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; and (e) no litigation of any nature has been filed or is pending, as of the Delivery Date, to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security or in any manner questioning the validity of the Bonds.

PURCHASER . . . After requesting competitive bids for the Bonds, the District accepted the bid of SAMCO Capital Markets to purchase the Bonds at the interest rates shown on the inside cover page of the Official Statement at a price of approximately 97.000% of par. The Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the District to the Purchaser. The District has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

MISCELLANEOUS . . . All estimates, statements and assumptions in this Official Statement and the APPENDICES hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

The Bond Order authorizing the issuance of the Bonds approved the form and content of the Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Bonds by the Purchaser.

Robert Pena
President, Board of Directors
Bell County Water Control and
Improvement District No. 3

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APPENDIX A

GENERAL INFORMATION REGARDING THE DISTRICT

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THE DISTRICT

General

The District was established to provide a municipal water supply for the City of Nolanville located on US Highway 190.

The District purchases water from Bell County WCID #1. Drinking water comes from Lake Belton, a surface water supply. The purpose of the lake is flood control and water supply conservation.

The District also owns and operates a wastewater treatment facility with a total capacity of 675 thousand gallons per day which serves the Nolanville area.

County Characteristics

Bell County is located 65 miles north of Austin, 40 miles southwest of Waco, and 140 miles south of the Dallas-Fort Worth Metroplex and encompasses the junction points of Interstate Highway 35 and U.S. Highway 190. Fort Hood is the largest military installation in Texas. The County seat is the City of Belton.

Economic Base

Mineral: gravel.
Industry: tourism, plastic goods, military bases, manufacturing, furniture, distribution center, computers, clothing and agribusiness.
Agricultural: wheat, sorghums, oats, cotton, corn and beef.

Population

United States Census Bureau population for the City of Nolanville:

2022 population estimate 6,249
2020 census population 5,917
2010 census population 4,259

Employment Statistics

Employment figures for Bell County are as follows:

	September	Average Annual			
	2022	2021	2020	2019	2018
Total Civilian Labor Force	147,988	147,526	143,703	142,089	141,237
Total Employment	141,649	139,057	133,640	136,616	135,339
Total Unemployment	6,339	8,469	10,063	5,473	5,898
% Unemployed	4.3%	5.7%	7.0%	3.9%	4.2%

Source: Texas Labor Market Information.

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APPENDIX B

EXCERPTS FROM THE
BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
ANNUAL FINANCIAL REPORT
For the Year Ended August 31, 2022

The information contained in this APPENDIX consists of excerpts from the Bell County Water Control and Improvement District No. 3 Annual Financial Report for the Year Ended August 31, 2022, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Report for further information.

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STRENGTH IN NUMBERS
LMS
LUDWICK, MONTGOMERY & STAPP, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1949 SCOTT BOULEVARD
TEMPLE, TEXAS 76504
254.771.0061 - VOICE
254.771.1445 - FAX
WWW.LMS-CPA.COM

INDEPENDENT AUDITORS' REPORT

Board of Directors
Bell County Water Control and
Improvement District No. 3
Nolanville, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Bell County Water Control and Improvement District No. 3, as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Bell County Water Control and Improvement District, as of August 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bell County Water and Control and Improvement District No. 3, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bell County Water Control and Improvement District No. 3's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Bell County Water Control and Improvement District No. 3's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bell County Water Control and Improvement District No. 3's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the other supplementary information section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Ludwick, Montgomery, + Stagg, PC

Temple, Texas
December 6, 2022

BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
Statement of Net Position
August 31, 2022

	Governmental Funds	2022 Total
Assets		
Current Assets:		
Cash	$ 2,475,489	$ 2,475,489
Certificate of deposit	3,655	3,655
Prepaid expenses	81,692	81,692
Receivables		
Property taxes	1,785	1,785
Accounts	234,320	234,320
Unbilled water and sewer service	73,947	73,947
Other	17,124	17,124
Restricted cash - Note 2	328,395	328,395
Total Current Assets	3,216,407	3,216,407
Noncurrent Assets:		
Capital assets, net of accumulated depreciation - Note 4		
Land	199,845	199,845
Infrastructure	2,779,236	2,779,236
Other capital assets	197,950	197,950
Total capital assets, net	3,177,031	3,177,031
Net pension asset	30,337	30,337
Deposits	900	900
Total Noncurrent Assets	3,208,268	3,208,268
Total Assets	6,424,675	6,424,675
Deferred Outflows of Resources		
Deferred outflows related to pensions	38,080	38,080
Total Deferred Outflows of Resources	38,080	38,080
Liabilities		
Current Liabilities:		
Accounts payable	97,615	97,615
Accrued salaries and payroll tax	6,491	6,491
Accrued state assessment fees	7,811	7,811
Trash service liability	61,852	61,852
Other current liabilities	8,239	8,239
Deferred property tax revenue	1,785	1,785
Due to bondholders	1,200	1,200
Refundable meter deposits	217,672	217,672
Bonds payable within year	21,000	21,000
Total Current Liabilities	423,665	423,665
Noncurrent Liabilities		
Bonds payable - Note 9	694,000	694,000
Total Liabilities	1,117,665	1,117,665
Deferred Inflows of Resources		
Deferred inflows related to pensions	26,739	26,739
Total Deferred Inflows of Resources	26,739	26,739
Net Position		
Net investment in capital assets	2,462,031	2,462,031
Restricted for debt service	408,920	408,920
Unrestricted	2,447,400	2,447,400
Total Net Position	$ 5,318,351	$ 5,318,351

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

BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
Statement of Activities
For the Fiscal Year Ended August 31, 2022

Functions/Programs	Expenses	Program Revenue: Charges for Services	Net (Expense) Revenue and Changes in Net Position: Governmental Funds	Net (Expense) Revenue and Changes in Net Position: 2022 Total
Governmental funds				
General fund	$ 1,828,052	$ 2,508,392	$ 680,340	$ 680,340
Interest on debt	32,775	-	(32,775)	(32,775)
Total Governmental Funds	$ 1,860,827	$ 2,508,392	647,565	647,565
General Revenues:				
Property taxes			103,147	103,147
Property tax penalty and interest			510	510
Interest, trash service, and other			32,344	32,344
Gain on sale of assets			72,142	72,142
Change in Net Position			855,708	855,708
Beginning net position			4,462,643	4,462,643
Ending Net Position			$ 5,318,351	$ 5,318,351

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

BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
Governmental Fund Balance Sheet and Reconciliation to the Statement of Net Position
August 31, 2022

	General Fund	Debt Service Fund	Total	Adjustments (Note 17)	Statement of Net Position
Assets					
Current Assets:					
Cash	$ 2,179,747	$ 295,742	$ 2,475,489	$ -	$ 2,475,489
Certificate of deposit	-	3,655	3,655	-	3,655
Prepaid expenses	81,692	-	81,692	-	81,692
Receivables					
Property taxes	1,785	-	1,785	-	1,785
Accounts	234,320	-	234,320	-	234,320
Unbilled water and sewer service	73,947	-	73,947	-	73,947
Other	17,124	-	17,124	-	17,124
Restricted cash - Note 2	217,672	110,723	328,395	-	328,395
Total Current Assets	2,806,287	410,120	3,216,407	-	3,216,407
Noncurrent Assets:					
Capital assets, net of accumulated depreciation - Note 4					
Land	-	-	-	199,845	199,845
Infrastructure	-	-	-	2,779,236	2,779,236
Other capital assets	-	-	-	197,950	197,950
Total capital assets, net	-	-	-	3,177,031	3,177,031
Net pension asset	-	-	-	30,337	30,337
Deposits	900	-	900	-	900
Total Noncurrent Assets	900	-	900	3,207,368	3,208,268
Total Assets	$ 2,807,187	$ 410,120	$ 3,217,307	3,207,368	6,424,675
Deferred Outflows of Resources					
Deferred outflows related to pensions	-	-	-	38,080	38,080
Total Deferred Outflows of Resources	-	-	-	38,080	38,080
Liabilities					
Current Liabilities:					
Accounts payable	$ 86,905	$ -	$ 86,905	10,710	97,615
Accrued salaries and payroll tax	6,491	-	6,491	-	6,491
Accrued state assessment fees	7,811	-	7,811	-	7,811
Trash service liability	61,852	-	61,852	-	61,852
Other current liabilities	8,239	-	8,239	-	8,239
Deferred property tax revenue	1,785	-	1,785	-	1,785
Due to bondholders	-	1,200	1,200	-	1,200
Refundable meter deposits	217,672	-	217,672	-	217,672
Bonds payable within year	-	-	-	21,000	21,000
Total Current Liabilities	390,755	1,200	391,955	31,710	423,665
Noncurrent Liabilities					
Bonds payable - Note 9	-	-	-	694,000	694,000
Total Liabilities	390,755	1,200	391,955	725,710	1,117,665
Deferred Inflows of Resources					
Deferred inflows related to pensions	-	-	-	26,739	26,739
Total Deferred Inflows of Resources	-	-	-	26,739	26,739
Fund Balance/Net Position					
Fund Balances					
Non-spendable fund balance	82,592	2,455	85,047	(85,047)	-
Restricted fund balance	-	110,723	110,723	(110,723)	-
Unrestricted fund balance					
Assigned	811,208	295,742	1,106,950	(1,106,950)	-
Unassigned	1,522,632	-	1,522,632	(1,522,632)	-
Total Fund Balances	2,416,432	408,920	2,825,352	(2,825,352)	-
Total Liabilities and Fund Balances	$ 2,807,187	$ 410,120	$ 3,217,307		
Net Position					
Net investment in capital assets				2,462,031	2,462,031
Restricted for debt service				408,920	408,920
Unrestricted				2,447,400	2,447,400
				$ 5,318,351	$ 5,318,351

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

BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
Statement of Revenues, Expenditures, and Changes in Fund Balances and
Reconciliation to the Statement of Activities
For the Fiscal Year Ended August 31, 2022

	General Fund	Debt Service Fund	Total Governmental Funds	Adjustments (Note 17)	Statement of Activities
Revenues					
Property taxes	$ 103,147	$ -	$ 103,147	$ -	$ 103,147
Property tax penalties and interest	510	-	510	-	510
Charges for service					
Water sales	1,540,711	-	1,540,711	-	1,540,711
Sewer service	752,799	-	752,799	-	752,799
Tap connection fees	160,595	-	160,595	-	160,595
Penalties and interest	39,024	-	39,024	-	39,024
Connection fees	7,163	-	7,163	-	7,163
Inspection fees	8,100	-	8,100	-	8,100
Interest income	1,361	177	1,538	-	1,538
Trash service income	25,915	-	25,915	-	25,915
Gain on sale of assets	72,142	-	72,142	-	72,142
Other income	4,891	-	4,891	-	4,891
Total Revenues	2,716,358	177	2,716,535	-	2,716,535
Expenditures					
Service operations					
Purchase water	445,927	-	445,927	-	445,927
Professional fees	83,721	-	83,721	(39,399)	44,322
Personnel (including benefits)	631,085	-	631,085	(7,440)	623,645
Utilities	111,565	-	111,565	-	111,565
Fuel, supplies, disposal and analysis fees	87,992	-	87,992	-	87,992
Repairs and maintenance	120,360	-	120,360	-	120,360
Insurance	98,693	-	98,693	-	98,693
Capital outlay	326,390	-	326,390	(326,390)	-
Depreciation	-	-	-	222,789	222,789
Other expenditures	72,759	-	72,759	-	72,759
Debt service					
Principal - Note 9	-	20,000	20,000	(20,000)	-
Interest expense	-	33,075	33,075	(300)	32,775
Total Expenditures	1,978,492	53,075	2,031,567	(170,740)	1,860,827
Excess (Deficiency) of Revenues Over (Under) Expenditures	737,866	(52,898)	684,968	(170,740)	855,708
Other Financing Sources (Uses)					
Transfers in	-	317,800	317,800	-	317,800
Transfers out	(317,800)	-	(317,800)	-	(317,800)
Total Other Financing Sources (Uses)	(317,800)	317,800	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	420,066	264,902	684,968	(684,968)	-
Change in net position				855,708	855,708
Fund Balance/Net Position, September 1, 2021	1,996,366	144,018	2,140,384	2,322,259	4,462,643
Fund Balance/Net Position, August 31, 2022	$ 2,416,432	$ 408,920	$ 2,825,352	$ 2,492,999	$ 5,318,351

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bell County Water Control and Improvement District No. 3 (WCID No. 3) is organized and operates under the provisions of the Constitution of Texas. The District was created in April 1955, by Article XVI, Section 59, 52nd Legislature of the State of Texas.

The financial statements of Bell County Water Control and Improvement District No. 3 have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

Reporting Entity

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 in GAAP. The District Board of Directors, a five member group constituting an ongoing entity, is the level of government which has governance responsibilities over all activities related to Bell County Water Control and Improvement District No. 3. The Board is not included in any other governmental "reporting entity", since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The basic--but not the only--criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of 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. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity.

Excluded from the reporting entity:

City of Nolanville

The District provided water services within its geographical boundaries which are approximately the same as those of the City of Nolanville. However, the City of Nolanville is not a component unit of the District since the District Board of Directors has no oversight responsibility for the City, does not select the City's governing authority or management and is not accountable for its fiscal matters.

Bell County Water Control and Improvement District No. 1

There is a contract to purchase water service from Bell County Water Control and Improvement District No. 1 (WCID No. 1), Killeen, Texas; however, no oversight responsibility is maintained by WCID No. 3 and therefore, the financial activity of WCID No. 1 has not been included in these financial statements. See Note 10, Notes to Financial Statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Appraisal District of Bell County

The Tax Appraisal District of Bell County bills for and collects the taxes levied by the District; however, the District's Board of Directors does not appoint a voting majority of the Tax Appraisal District's governing board and does not impose its will on the board. The financial activity of the Tax Appraisal District has not been included in these financial statements. Also see Note 3.

Government-Wide and Fund Financial Statements

With the implementation of GASB No. 34, fund financial statements are converted to statement of net position and statement of activities. The fund financial statements and the government-wide statements are combined using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements rather than at the bottom of the statements or in an accompanying schedule. Fund financial statements are provided for governmental funds. Each major governmental fund is reported separately. The District does not have any fiduciary funds. The government-wide financial statements consist of the statement of net position and the statement of activities. These financial statements report financial information for the District as a whole.

Measurement Focus and Basis of Accounting

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are expected to be collected within 60 days. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due. The District reports deferred revenue when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period.

Fund Types and Major Funds

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Transactions are accounted for in the following fund types:

Governmental Fund Types

General Fund - To account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - To account for the accumulation of resources for, and the payment of, general long-term bonded debt principal and interest and related costs as well as notes payable.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets
The District's Board of Directors adopted the budget on August 16, 2021, which was amended on October 18, 2021. The budget is employed as a management control device during the year. Expenditures exceeding the budget must be approved by the board, which is authorized to make revisions. All annual appropriations lapse at fiscal year end.

Cash and Investments
Cash includes amount in demand deposits and money market fund deposits. Investments include certificates of deposit at local banks.

Capital Assets
The District's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical/estimated cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The straight-line method of depreciation is employed in computing depreciation on assets. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Also see Note 4.

Long-term Debt
In the government-wide financial statements, outstanding debt is reported as a liability.

Fund Balance
Fund balance is reported in the following classifications.

Non-spendable – amounts that cannot be spent because it is not in a spendable form (prepaid expenses, deposits, etc.) or legally or contractually required to be maintained. Non-spendable classification includes items not expected to be converted to cash.

Restricted – resources which have spending constraints that are externally imposed by creditors, debt covenants, contributors, grantors, law, etc.

Committed – amounts that are to be used only for a specific purpose, which is determined internally by formal action of the government's highest level of decision making authority. Changes can only be made by taking the same formal action that was used to place the constraints. Formal actions are noted in board meeting minutes. The board of directors has the highest level of decision making authority.

Assigned – amounts in this category are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed. The board of directors or an individual authorized by the Board is able to assign amounts to a specific purpose.

Unassigned – fund balance remaining after allocation of non-spending, restricted, committed, and assigned funds. This is the residual balance of the general fund.

If restricted and unrestricted assets are available for the same purpose, then restricted assets will be used before unrestricted assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Recently Adopted Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board ("GASB") issued GASB Statement No. 87, Leases. The District adopted the requirements of the new standard effective September 1, 2021.

NOTE 2 - RESTRICTED ASSETS

General Fund cash in the amount of $217,672 is restricted for customer meter deposits. Debt Service Fund cash is restricted to comply with bond resolutions. Restricted cash in the amount of $110,723 is held to meet bond requirements of the District's Waterworks and Sewer System Revenue Bonds, Series 2004.

NOTE 3 - AD VALOREM TAXES

Property taxes are assessed and collected by the Bell County Tax Appraisal District. The tax calendar is as follows:

Levy date:	October 1 of the tax year
Due date:	January 31 of year following the tax year, without penalty
Collection date:	Beginning in October of the tax year
Lien date:	January 1 of the tax year

The District set a tax rate at $0.0357 per $100 of assessed value for the fiscal year ending August 31, 2022.

NOTE 4 - CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance 9/1/2021	Additions	Deletions	Balance 8/31/2022
Land	$ 199,845	$ -	$ -	$ 199,845
Water system	1,782,073	122,339	-	1,904,412
Sewer system	4,313,816	218,277	-	4,532,093
Equipment	290,636	16,781	-	307,417
Office furniture/equipment	28,698	3,168	2,889	28,977
Vehicles/Trailers	199,575	-	15,689	183,886
Warehouse/office building	239,118	5,224	12,626	231,716
Total	$ 7,053,761	$ 365,789	$ 31,204	$ 7,388,346

NOTE 4 - CAPITAL ASSETS (Continued)

	Balance 9/1/2021	Additions	Deletions	Balance 8/31/2022
Accumulated Depreciation:				
Water system	$ 1,123,987	$ 72,044	$ -	$ 1,196,031
Sewer system	2,335,175	126,063	-	2,461,238
Equipment	284,335	3,927	-	288,262
Office furniture/equipment	24,252	1,465	2,889	22,828
Vehicles/Trailers	145,476	12,585	15,689	142,372
Warehouse/office building	106,505	6,705	12,626	100,584
Total	$ 4,019,730	$ 222,789	$ 31,204	$ 4,211,315

	Balance 8/31/2022	Accumulated Depreciation	Net Book Value	Depreciation Expense	Estimated Useful Life
Land	$ 199,845	$ -	$ 199,845	$ -	n/a
Water system	1,904,412	1,196,031	708,381	72,044	3-25 years
Sewer system	4,532,093	2,461,238	2,070,855	126,063	5-40 years
Equipment	307,417	288,262	19,155	3,927	5-7 years
Office furniture/equipment	28,977	22,828	6,149	1,465	3-7 years
Vehicles/Trailers	183,886	142,372	41,514	12,585	5 years
Warehouse/office building	231,716	100,584	131,132	6,705	7-40 years
Total	$ 7,388,346	$ 4,211,315	$ 3,177,031	$ 222,789	

NOTE 5 - REVENUE BONDS

Waterworks and Sewer System Revenue Bonds, Series 2004
The Waterworks and Sewer System Revenue Bond Series 2004, dated May 1, 2004 were issued at various dates beginning in June 2005. All bonds were issued as of January 17, 2006 for a total of $968,000. The bonds were used for the acquisition and construction of a wastewater treatment plant and distribution lines, and other improvements to the District's water system. Bond interest rate is stated at 4.50%. Maturity dates begin 5/1/06 and end 5/1/43.

NOTE 6 - PLEDGE OF REVENUES

Waterworks and Sewer System Revenue Bonds, Series 2004
The net revenues from the operation of the District's waterworks and sewer system are irrevocably pledged, equally and ratably, to the payment of the principal and interest on the bonds and additional bonds, if issued. The pledge of the net revenues of the system made for the payment of the bonds shall constitute a lien on the net revenues.

NOTE 7 - REDEMPTION OF BONDS

Waterworks and Sewer System Revenue Bonds, Series 2004
The bonds may be redeemed prior to their scheduled maturities. The principal of and the interest on the bonds shall be payable at that time.

NOTE 8 - COMPLIANCE WITH DEBT SERVICE REQUIREMENTS

Waterworks and Sewer System Revenue Bonds, Series 2004

Interest and Sinking Fund, Series 2004 Bonds - The Interest and Sinking Fund is to be maintained solely for the payment of the bonds. Deposits are to be made to this fund from net revenues of the system in an amount equal to the interest and principal bond payments as they become due. Deposits should be made on or before the 15^{th} day of the month. The deposits to the Interest and Sinking Fund shall be made until such time as such fund contains an amount equal to pay the principal of and interest on the bonds to maturity or redemption.

Earnings received from investments held for the account of the Interest and Sinking Fund may be taken into consideration and reduce the amount of the deposits otherwise required to be deposited into the Interest and Sinking Fund from the net revenues of the system. In addition, any surplus proceeds from the sale of the bonds not expended for authorized purposes shall be deposited in the Interest and Sinking Fund, and such amounts so deposited shall reduce the sums otherwise required to be deposited in fund from the net revenues of the system.

Reserve Fund, Series 2004 Bonds - The District is to maintain a reserve fund with deposits being made on the 10^{th} of each month, beginning the first month after the date the bonds were delivered and ending 120 months later. Deposits into the reserve fund should be equal to $448, until the total sum of $53,803 is on deposit.

The District may withdraw monies from the reserve fund: (i) to prevent a default in the payment of the principal of and interest on the bonds, when due, because of insufficient monies in the Interest and Sinking Fund for such purpose; (ii) paying the cost of repairing or replacing any damage to the system caused by catastrophe; (iii) repairing or replacing short lived assets which are a part of the system; or (iv) making extensions or improvements to the system; provided, further, however, that the consent of The United States of America shall be required (if The United States of America remains the holder of the bonds at such time) for the use of the reserve fund for any of the purposes set forth in items (ii), (iii), or (iv) above.

The District shall restore and redeposit to the reserve fund the amount withdrawn until the amount therein equals the amount required to be on deposit. Any amounts on deposit in the reserve fund in excess of $53,803 shall be transferred to the Interest and Sinking Fund.

As of August 31, 2022, the balance in the Interest and Sinking Fund, Series 2004 is $55,072 and the balance in the Reserve Fund is $55,651. The combined total exceeds the amount required to be held for the bonds.

NOTE 9 - LONG-TERM DEBT

	Beginning Balance	Increases	Decreases	Ending Balance
Waterworks and Sewer System Revenue Bonds, series 2004	$ 735,000	$ -	$ 20,000	$ 715,000
	$ 735,000	$ -	$ 20,000	715,000
Amount due within one year				(21,000)
Amount due after one year				$ 694,000

Maturites of long-term debt are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2023	$ 21,000	$ 32,130	$ 53,130
2024	22,000	31,185	53,185
2025	23,000	30,195	53,195
2026	24,000	29,160	53,160
2027	25,000	28,080	53,080
2028-2032	143,000	122,490	265,490
2033-2037	180,000	87,120	267,120
2038-2042	225,000	42,750	267,750
2043	52,000	2,295	54,295
	$ 715,000	$ 405,405	$ 1,120,405

Total interest expense paid during the year was $33,075.

NOTE 10 - PURCHASE OF WATER SERVICE FROM WCID NO. 1

The District has an agreement to purchase water service from WCID No. 1, Killeen, Texas. WCID No.1 agrees to deliver and meter water required by WCID No. 3 customers. WCID No. 1 bills WCID No. 3 for water purchased, at rates which are reviewed and adjusted periodically. The rates are determined by amounts necessary to retire WCID No. 1 debt and cover maintenance and operating expenses.

During the fiscal year ended August 31, 2022, WCID No. 3 purchased 337,763,600 gallons of water from WCID No. 1 at a total charge of $445,927. This total charge includes $199,691, which was the District's share of WCID No. 1's debt and the water supply agreement for additional water.

NOTE 11 - DEPOSITS WITH FINANCIAL INSTITUTIONS

As of August 31, 2022, deposits with financial institutions are comprised of thirteen cash accounts and one certificate of deposit. At August 31, 2022, the general ledger balances of cash and certificates of deposit totaled $2,807,539 and the bank balances totaled $2,813,920. The District's deposits at year-end were covered by federal depository insurance or by collateral pledged by the District's financial institution.

Collateral pledged by the financial institution, to cover a portion of the uninsured amounts, is held by the safekeeping bank for the financial institution in the financial institution's name. Collateral consists of Denton Co TX Fresh Wtr maturing February 15, 2027, Brookesmith TX SPL Util maturing December 1, 2030, Spring Creek TX Util maturing October 1, 2030, La Vernia TX CTFS Oblig maturing September 1, 2034, Reunion Ranch TX WC & I maturing August 15, 2030, Cincos SW TX MUD# 1 maturing December 1, 2033, Viridian TX Muni Mgmt D maturing December 1, 2024, Bell Cnty TX MUD #1 maturing September 1, 2031, N W Harris Cnty MUD# 5 maturing May 1, 2032, Harris Cnty TX MUD# 285 maturing September 1, 2027, and Williamson Cnty TX MUD maturing August 1, 2033. The market value of securities pledged as of August 31, 2022 is $2,998,282.

NOTE 12 - PENSION PLANS

Bell County WCID# 3 began participation in the Texas County & District Retirement System (TCDRS) as of June 1, 2017. A description of the pension plan pursuant to Paragraph 40 of GASB Statement of No. 68 is as follows:

a. Bell County WCID# 3 participates in TCDRS, which is a statewide, agent multiple-employer, public employee retirement system.

b. A brief description of the benefit terms:

   1) All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.

   2) The plan provides retirement, disability, and survivor benefits.

   3) TCDRS is a savings-based plan. For the Bell County WCID# 3 plan, 7% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 100%) and is then converted to an annuity.

   4) There are no automatic COLAs. Each year Bell County WCID# 3 may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.

   5) Benefit terms are established under the TCDRS Act. They may be amended as of January 1 each year but must remain in conformity with the Act.

c. Membership information is shown in the chart below.

NOTE 12 - PENSION PLANS (Continued)

d. Bell County WCID# 3's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The Bell County WCID# 3 contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by Bell County WCID# 3 and are currently 7%.

e. The most recent comprehensive annual financial report for TCDRS can be found at the following link, www.tcdrs.org.

Membership Information

Members	12/31/2020	12/31/2021
Number of inactive employees entitled to but not yet receiving benefits:	2	1
Number of active employees:	8	8
Average monthly salary*:	$4,704	$4,784
Average age*:	49.42	47.72
Average length of service in years*:	9.45	10.74
Inactive Employees (or the Beneficiaries) Receiving Benefits		
Number of benefit recipients:	1	2
Average monthly benefit:	$54	$124

** Averages reported for active employees*

Contributions

Employees for the Bell County WCID# 3 were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the District were 4.30% and 5.23% in calendar year 2021 and 2022, respectively. The District's contributions to TCDRS for the year ended August 31, 2022 were $24,375 and were equal to the required distributions.

NOTE 12 - PENSION PLANS (Continued)

Net Pension Liability

	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 12/31/20	$ 182,387	$ 178,757	$ 3,630
Changes for the year:			
Service cost	52,707	-	52,707
Interest	17,273	-	17,273
Change in benefit terms	-	-	-
Diff between expected/actual experience	(2,972)	-	(2,972)
Changes of assumptions	12	-	12
Contributions - employer	-	21,335	(21,335)
Contributions - employee	-	34,731	(34,731)
Net investment income	-	43,878	(43,878)
Benefit payments, including refunds of employee contributions	(15,925)	(15,925)	-
Administrative expenses	-	(143)	143
Other charges	-	1,186	(1,186)
Net changes	51,095	85,062	(33,967)
Balance at 12/31/21	$ 233,482	$ 263,819	$ (30,337)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the District, calculated using the discount rate of 7.6%, as well as what the District's net position liability would have been if it were calculated using a discount rate that is 1 percentage point lower (6.6%) or 1 percentage point higher (8.6%) than the current rate.

	1% Decrease in Discount Rate (6.6%)	Discount Rate (7.6%)	1% Increase in Discount Rate (8.6%)
District's net pension liability (asset)	$ 1,153	$ (30,337)	$ (57,345)

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

For the year ended August 31, 2022, the District recognized pension expense in the amount of $16,936.

At August 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 12 - PENSION PLANS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	$ 11,842	$ 2,600
Changes in actuarial assumptions	8,180	12
Differences between projected and actual investment earnings (net of current year amortization)	-	24,127
Contributions subsequent to the measurement date	18,058	-
Total	$ 38,080	$ 26,739

$18,058 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending August 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ending August 31,	
2023	$ (2,246)
2024	$ (2,885)
2025	$ (2,282)
2026	$ (2,097)
2027	$ 2,555
Thereafter	$ 238

NOTE 13 - RELATED PARTY

As of August 31, 2022, the District's office manager has a son who is also employed by the District as the superintendent, and her husband serves as a director on the board.

NOTE 14 - COMMITMENTS

The District has a commitment to pay WCID No. 1 for 740 acre-feet of water from the Brazos River Authority beginning January 1, 1992, and each year thereafter until December 31, 2041. The current rate per acre-foot is $29 for election use water; however, the contract between WCID No. 1 and Brazos River Authority contains escalation provisions, which would be passed through to the District. The rate for election water is estimated to be $32 per acre-foot for the year ended August 31, 2023. The District has an agreement for 750 acre feet of raw water with a rate of $88 for the year ended August 31, 2023.

NOTE 15 - ASSIGNED FUND BALANCE

As of August 31, 2022, General Fund cash in the amount of $811,208 is assigned for the repair and improvement of infrastructure.

NOTE 16 - RISK MANAGEMENT

The District has insurable risks in various areas, including property, casualty, automobile, general commercial liability, and workmen's compensation. For the fiscal year, the District obtained insurance against such risk through commercial carriers. The Board believes the amount and types of coverage are adequate to protect the District from losses which could reasonably be expected to occur.

NOTE 17 - RECONCILIATION TO GOVERNMENT-WIDE STATEMENTS

Total fund balance - total government funds	$ 2,825,352
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in government activities are not financial resources; therefore, they are not reported in the funds.	3,177,031
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an interest expenditure is reported when due.	(10,710)
Long-term liabilities, bonds payable, are not due and payable in the current period; therefore, they are not reported in the funds.	(715,000)
Included in the noncurrent assets is the recognition of the District's net pension asset required by GASB 68 in the amount of $30,337, a deferred resource inflow in the amount of $26,739, and a deferred resource outflow in the amount of $38,080. This resulted in an increase in net position by $41,678.	41,678
Total net position	$ 5,318,351

NOTE 17 - RECONCILIATION TO GOVERNMENT-WIDE STATEMENTS (Continued)

Net change in fund balance - total governmental funds	$	684,968
Amounts reported for governmental activities in the statement are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay and engineering/consulting fees capitalized of $365,789 exceeded depreciation of $222,789.		143,000
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net assets.		20,000
Interest is accrued on outstanding debt in the government-wide finanical statements, whereas in the governmental fund financial statements, an interest expenditure is reported when due.		300
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/21 caused the change in the ending net position to increase in the amount of $18,058. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling $15,017. The District's reported TCDRS net pension expense had to be recorded. The net pension expense increased the change in net position by $4,399. The result of these changes is to increase the change in net position by $7,440.		7,440
Change in net position	$	855,708

NOTE 18 – EVALUATION OF SUBSEQUENT EVENT

Management has evaluated subsequent events through December 6, 2022, the date on which the financial statements were available to be issued.

In November 2022, the board of directors adopted a resolution authorizing the publication of a notice of sale of bonds. The District anticipates receiving the bond proceeds in January 2023.

REQUIRED SUPPLEMENTAL INFORMATION

BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
Required Supplementary Information
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended August 31, 2022

	Actual	Original Budget	Final Budget	Variance Favorable (Unfavorable)
Revenues				
Property taxes	$ 103,147	$ 98,000	$ 98,000	$ 5,147
Property tax penalties and interest	510	-	-	510
Charges for service				
Water sales	1,540,711	1,198,000	1,198,000	342,711
Sewer service	752,799	710,000	710,000	42,799
Tap connection fees	160,595	130,000	130,000	30,595
Penalties and interest	39,024	50,000	50,000	(10,976)
Connection fees	7,163	-	-	7,163
Inspection fees	8,100	-	-	8,100
Interest income	1,361	1,500	1,500	(139)
Trash service income	25,915	23,000	23,000	2,915
Gain on sale of assets	72,142	-	-	72,142
Other income	4,891	4,000	4,000	891
Total Revenues	2,716,358	2,214,500	2,214,500	501,858
Expenditures				
Service operations				
Purchase water	445,927	504,000	504,000	58,073
Professional fees	83,721	90,000	90,000	6,279
Personnel (including benefits)	631,085	696,925	696,925	65,840
Utilities	111,565	103,000	103,000	(8,565)
Fuel, supplies, disposal and analysis fees	87,992	94,000	94,000	6,008
Repairs and maintenance	120,360	130,000	132,000	11,640
Insurance	98,693	100,000	100,000	1,307
Capital outlay	326,390	1,003,740	1,003,740	677,350
Other expenditures	72,759	50,400	59,400	(13,359)
Total Expenditures	1,978,492	2,772,065	2,783,065	804,573
Excess (Deficiency) of Revenues Over (Under) Expenditures	737,866	(557,565)	(568,565)	1,306,431
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(317,800)	(172,800)	(172,800)	(145,000)
Total Other Financing Sources (Uses)	(317,800)	(172,800)	(172,800)	(145,000)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	420,066	(730,365)	(741,365)	1,161,431
Fund Balance, September 1, 2021	1,996,366	1,996,366	1,996,366	-
Fund Balance, August 31, 2022	$ 2,416,432	$ 1,266,001	$ 1,255,001	$ 1,161,431

BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
Required Supplementary Information
Budgetary Comparison Schedule – Debt Service
For the Fiscal Year Ended August 31, 2022

	Actual	Original Budget	Final Budget	Variance Favorable (Unfavorable)
Revenues				
Interest income	$ 177	$ 70	$ 70	$ 107
Total Revenues	177	70	70	107
Expenditures				
Principal	20,000	116,000	116,000	96,000
Interest expense	33,075	56,800	56,800	23,725
Total Expenditures	53,075	172,800	172,800	119,725
Excess (Deficiency) of Revenues Over (Under) Expenditures	(52,898)	(172,730)	(172,730)	119,832
Other Financing Sources (Uses)				
Transfers in	317,800	172,800	172,800	145,000
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	317,800	172,800	172,800	145,000
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	264,902	70	70	264,832
Fund Balance, September 1, 2021	144,018	144,018	144,018	-
Fund Balance, August 31, 2022	$ 408,920	$ 144,088	$ 144,088	$ 264,832

BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
Schedule of Changes in Net Pension Liability and Related Ratios
For the Fiscal Year Ended August 31, 2022

	Plan Year Ended December 31,				
	2021	2020	2019	2018	2017
Total Pension Liability					
Service cost	$ 52,707	$ 46,683	$ 38,365	$ 31,115	$ 18,607
Interest (on the total pension liability)	17,273	13,025	8,281	4,148	1,507
Changes of benefit terms	-	-	-	-	-
Difference between expected and acutal experience	(2,972)	2,179	8,802	8,823	16
Change of assumptions	12	11,438	-	-	(32)
Benefit payments, including refunds of employee contributions	(15,925)	(9,920)	(650)	-	-
Net Change in Total Pension Liability	51,095	63,405	54,798	44,086	20,098
Total Pension Liability - Beginning	182,387	118,982	64,184	20,098	-
Total Pension Liability - Ending (a)	$ 233,482	$ 182,387	$ 118,982	$ 64,184	$ 20,098
Plan Fiduciary Net Position					
Contributions - employer	$ 21,335	$ 20,932	$ 18,540	$ 14,711	$ 7,633
Contributions - employee	34,731	34,076	30,181	23,949	12,425
Net investment income	43,878	12,486	9,878	47	323
Benefit payments, including refunds of employee contributions	(15,925)	(9,920)	(650)	-	-
Administrative expense	(143)	(131)	(91)	(49)	(14)
Other	1,186	1,346	1,662	1,154	269
Net Change in Plan Fiduciary Net Position	85,062	58,789	59,520	39,812	20,636
Plan Fiduciary Net Position - Beginning	178,757	119,968	60,448	20,636	-
Plan Fiduciary Net Position - Ending (b)	$ 263,819	$ 178,757	$ 119,968	$ 60,448	$ 20,636
Net Pension Liability (Asset) - Ending (a) - (b)	$ (30,337)	$ 3,630	$ (986)	$ 3,736	$ (538)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	112.99%	98.01%	100.83%	94.18%	102.68%
Covered Payroll	$ 496,154	$ 486,797	$ 431,163	$ 342,124	$ 177,506
Net Pension Liability as a Percentage of Covered Payroll	-6.11%	0.75%	-0.23%	1.09%	-0.30%

BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
Schedule of Pension Contributions
For the Fiscal Year Ended August 31, 2022

	Fiscal Year Ended August 31,				
	2022	2021	2020	2019	2018
Actuarially determined contribution	$ 24,375	$ 22,094	$ 21,009	$ 16,682	$ 13,198
Contributions in relation to actuarially determined contribution	(24,375)	(22,094)	(21,009)	(16,682)	(13,198)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 492,193	$ 513,816	$ 488,571	$ 387,960	$ 306,930
Contributions as a percentage of covered payroll	4.95%	4.30%	4.30%	4.30%	4.30%

Valuation Date:	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry age (level percentage of pay)
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	19.3 years (based on contribution rate calculated in 12/31/21 valuation).
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment rate of return	7.50%, net of administrative and investment expenses, including inflation.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Other Information:	There were no benefit changes during the year.

OTHER SUPPLEMENTAL INFORMATION

Supplemental Schedules	Page

Note 1: Creation of District - Bell County Water Control and Improvement District No. 3 was created in April 1955 by Article XVI, Section 59, 52nd Legislature of the State of Texas under Chapter 506. The Board of Directors held its first meeting in April 1955.

Note 2: Pledge of Revenues - See Note 6, Notes to Financial Statements.

Note 3: Compliance with Debt Requirements - See Note 8, Notes to Financial Statements.

Note 4: Redemption of Bonds - See Note 7, Notes to Financial Statements.

Note 5: Pension Coverage for District Employees - See Note 12, Notes to Financial Statements.

BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
Services and Rates
For the Fiscal Year Ended August 31, 2022

1. Services Provided by the District:

X Retail Water	___ Wholesale Water	___ Drainage
X Retail Wastewater	___ Wholesale Wastewater	___ Irrigation
___ Parks/Recreation	___ Fire Protection	___ Security
___ Solid Waste/Garbage	___ Flood Control	___ Roads

___ Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

X Other - Billing for trash service only

2. Retail Service Providers

a. Retail Rates for a 3/4" meter (or equivalent):

Residental:

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rates per 1000 Gallons Over Minimum	Usage Levels
Water	$ 30.70	5,000	N	$ 2.75	5,001 to 15,000
				3.50	15,001 to 25,000
				6.25	25,001 to 50,000
				6.75	50,001 to 400,000
				7.25	400,001 gallons and over, per 1000
Wastewater	$ 27.00	-	Y		
Surcharge	$ 0.29	-	N		

Sewer usage employs winter averaging Yes ___ No X

Total water and sewer charges per 10,000 gallons usage (including surcharges) $ 71.81

Commercial:

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rates per 1000 Gallons Over Minimum	Usage Levels
Water	$ 40.25	5,000	N	$ 2.75	5,001 to 15,000
				3.50	15,001 to 25,000
				6.25	25,001 to 50,000
				6.75	50,001 to 400,000
				7.25	400,001 gallons and over, per 1000
Wastewater	$ 35.50	-	Y		
Surcharge	$ 0.38	-	N		

Sewer usage employs winter averaging Yes ___ No X

Total water and sewer charges per 10,000 gallons usage (including surcharges) $ 89.95

b. Water and Wastewater Retail Connections:
District as of the fiscal year end.

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	-	-	x 1.0	-
≤ 3/4"	2,404	2,226	x 1.0	2,226
1"	41	41	x 2.5	103
1 1/2"	7	7	x 5.0	35
2"	13	13	x 8.0	104
3"	1	1	x 15.0	15
4"	1	1	x 25.0	25
6"	1	1	x 50.0	50
8"	-	-	x 80.0	-
10"	-	-	x 115.0	-
Total Water	2,468	2,290		2,558
Total Wastewater	2,280	2,230	x 1.0	2,230

3. Total water consumption during the fiscal year:

Gallons pumped into system: 337,763,600 Gallons billed to customers: 274,148,618

Water Accountability Ratio (Gallons billed / Gallons pumped): 81.17%

4. Standby Fees: Does the District assess standby fees? Yes ____ No X
If yes, specify amount and basis of the assessment.

Check One	____ Per lot	____ Per acre	____ Other or non-uniform
	____ Per year	____ Per quarter	____ Per month rate

Percent allocated to: General Fund ____% Debt Service Fund ____%

For the most recent fiscal year, August 31, 2022

General Fund:	Total levy	$ 105,834
	Total collected	$ 102,933
	Percentage collected	97.26%

Have the standby fees been approved by the Texas Water Commssion? Yes ____ No ____

Have standby fees been levied in accordance with Water Code Section 49.231, thereby constituting a lien on property? Yes ____ No ____

5. Location of District:

County(ies) in which District is located. Bell

Is the District located entirely within one county? Yes X No ___

Is the District located within a city? Entirely ___ Partly X Not at all ___

City in which District is located. Nolanville

Is the District located within a city's extra territorial jurisdiction (ETJ)?
Entirely ___ Partly X Not at all ___

ETJ's in which District is located. Nolanville

Is the general membership of the Board appointed by an office outside the District? Yes ___ No X

BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
General Fund Expenditures
For the Fiscal Year Ended August 31, 2022

Personnel (including benefits)	$	631,085
Professional fees:		
Auditing		15,000
Legal		1,314
Engineering		49,106
Consulting		11,701
Other		6,600
Purchased services for resale:		
Bulk water and wastewater service purchases		445,927
Utilities		111,565
Repairs and maintenance		120,360
Administrative expenditures:		
Directors' fees		1,060
Office supplies		10,457
Postage		12,140
Insurance		98,693
License, fees, and permits		13,555
Other administrative expenses		18,347
Other expenditures:		
Chemical, fuel, disposal and analysis fees		87,992
Capital outlay		326,390
Rent, lease, freight		7,629
Bad debt		9,571
Total expenditures	$	1,978,492

Number of persons employed by the District: 9 Full-Time 0 Part-Time
(Do not include independent contractors or consultants)

BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
Temporary Investments
For the Fiscal Year Ended August 31, 2022

Fund Debt Service Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year
Certificate of deposit	7013	0.20%	10/13/2022	$ 3,655

BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3

Taxes Levied and Receivable

For the Fiscal Year Ended August 31, 2022

	Maintenance Taxes
Receivable, beginning of year	$ 1,312
FYE 2022 Original tax levy	105,834
Penalties	325
Interest	185
Attorney Fees	181
Adjustments	(2,395)
Total to be accounted for	105,442
Tax collections:	
Current year	102,933
Prior years	905
Adjustments	(181)
Total collections	103,657
Taxes receivable, end of year	$ 1,785
Taxes receivable, by years	
FYE 2022	$ 1,103
FYE 2021	280
FYE 2020	262
FYE 2019	140
Taxes receivable, end of year	$ 1,785

Assessed Valuation Summary

	2022	2021	2020	2019
Property valuations:				
Land	$ 85,156,389	$ 77,433,479	$ 40,264,580	$ 33,636,611
Improvements	314,606,543	254,261,124	250,519,026	218,345,039
Personal property	6,497,132	4,465,775	3,687,078	1,988,756
Productivity loss, homestead, exemptions	(109,808,394)	(83,604,398)	(63,737,998)	(43,011,613)
Net assessed valuation	$ 296,451,670	$ 252,555,980	$ 230,732,686	$ 210,958,793
Tax rates per $100 valuation:				
Maitenance tax rates	$ 0.0357	$ 0.0378	$ 0.0376	$ 0.038
Total tax rates per $100 valuation	$ 0.0357	$ 0.0378	$ 0.0376	$ 0.038
Original tax levy	$ 105,834	$ 95,466	$ 86,756	$ 80,165
Percent of taxes collected to levy*	97.26%	98.34%	97.42%	97.90%

* Calculated as taxes collected in current year divided by tax levy.

BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
Long-term Debt Service Requirement – By Years
For the Fiscal Year Ended August 31, 2022

Due During Fiscal Years Ending	Series 2004 Principal Due May 1	Interest Due May 1, Nov 1	Totals
2023	$ 21,000	$ 32,130	$ 53,130
2024	22,000	31,185	53,185
2025	23,000	30,195	53,195
2026	24,000	29,160	53,160
2027	25,000	28,080	53,080
2028	26,000	26,955	52,955
2029	27,000	25,785	52,785
2030	29,000	24,570	53,570
2031	30,000	23,265	53,265
2032	31,000	21,915	52,915
2033	33,000	20,520	53,520
2034	34,000	19,035	53,035
2035	36,000	17,505	53,505
2036	38,000	15,885	53,885
2037	39,000	14,175	53,175
2038	41,000	12,420	53,420
2039	43,000	10,575	53,575
2040	45,000	8,640	53,640
2041	47,000	6,615	53,615
2042	49,000	4,500	53,500
2043	52,000	2,295	54,295
	$ 715,000	$ 405,405	$ 1,120,405

BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
Change in Long-term Bonded Debt
For the Fiscal Year Ended August 31, 2022

	Bond Issues Series 2004	Total
Interest rate	4.50%	
Dates interest payable	5/1; 11/1	
Maturity dates	5/1/06 to 5/1/43	
Bonds outstanding at beginning of current year	$ 735,000	$ 735,000
Bonds sold during the current year	-	-
Retirements during the current year	20,000	20,000
Bonds outstanding at end of current year	$ 715,000	$ 715,000
Interest Paid During the Current Year	$ 33,075	$ 33,075

Paying Agent's Name and Address:
Extraco Banks, N.A., 1700 N. Valley Mills, Waco, Texas 76710

Bond authority:	Tax Bonds*	Other Bonds	Refunding Bonds
Amount authorized by voters	$ 968,000	$ -	$ -
Amount issued	$ 968,000	$ -	$ -
Remaining to be issued	$ -	$ -	$ -

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

Debt service fund cash and temporary investment balances as of 8/31/22	$ 110,723
Estimated average annual debt service payment (principal and interest) for remaining term of bond debt:	$ 53,353

BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
Comparative Schedule of Revenues and Expenditures
General Fund and Debt Service Fund
For the Fiscal Year Ended August 31, 2022

	2022	2021	2020	2019	2018
General fund revenues:					
Property taxes	$ 103,147	$ 94,093	$ 85,006	$ 78,466	$ -
Property tax penalty and interest	510	465	403	248	-
Water sales	1,540,711	1,277,246	1,129,041	971,458	1,000,628
Sewer service	752,799	701,450	580,044	564,522	542,293
Tap connection fees	160,595	135,070	62,210	54,810	51,400
Penalties and interest	39,024	36,931	28,885	39,350	39,210
Connection fees	7,163	6,775	3,989	4,903	5,256
Inspection fees	8,100	6,850	-	-	-
Interest income	1,361	1,032	1,247	1,037	678
Trash service income	25,915	21,603	18,368	8,502	7,795
Gain on sale of assets	72,142	-	-	-	-
Other income	4,891	6,140	8,095	7,509	10,877
Total revenues	2,716,358	2,287,655	1,917,288	1,730,805	1,658,137
Expenditures:					
Purchased water	445,927	407,655	420,562	372,513	446,212
Professional fees	83,721	87,257	49,019	56,322	43,937
Personnel (including benefits)	631,085	630,950	617,393	515,362	411,763
Utilities	111,565	102,928	104,590	93,940	90,203
Fuel, supplies, disposal and analysis fe	87,992	74,396	75,276	92,723	72,367
Repairs and maintenance	120,360	111,135	109,778	106,216	72,302
Capital outlay	326,390	318,250	228,702	296,375	75,494
Insurance	98,693	98,203	92,625	79,343	96,925
Bad debt	9,571	8,376	8,033	7,796	6,549
Other expenditures	63,188	49,620	44,936	45,364	44,394
Total expenditures	1,978,492	1,888,770	1,750,914	1,665,954	1,360,146
Excess revenues/(expenditures)	$ 737,866	$ 398,885	$ 166,374	$ 64,851	$ 297,991
Debt service fund revenues:					
Interest income	$ 177	$ 118	$ 292	$ 341	$ 254
Total revenues	177	118	292	341	254
Expenditures:					
Interest and other fees	33,075	33,930	34,740	35,550	36,315
Principal	20,000	19,000	18,000	18,000	17,000
Total expenditures	53,075	52,930	52,740	53,550	53,315
Excess revenues/(expenditures)	$ (52,898)	$ (52,812)	$ (52,448)	$ (53,209)	$ (53,061)

2022	2021	2020	2019	2018
3.8%	4.1%	4.4%	4.5%	0.0%
0.0%	0.0%	0.0%	0.0%	0.0%
56.7%	55.8%	58.9%	56.1%	60.3%
27.7%	30.7%	30.3%	32.6%	32.7%
5.9%	5.9%	3.2%	3.2%	3.1%
1.4%	1.6%	1.5%	2.3%	2.4%
0.3%	0.3%	0.2%	0.3%	0.3%
0.3%	0.3%	0.0%	0.0%	0.0%
0.1%	0.0%	0.1%	0.1%	0.0%
1.0%	0.9%	1.0%	0.5%	0.5%
2.7%	0.0%	0.0%	0.0%	0.0%
0.2%	0.3%	0.4%	0.4%	0.7%
100.0%	100.0%	100.0%	100.0%	100.0%
16.4%	17.8%	21.9%	21.5%	26.9%
3.1%	3.8%	2.6%	3.3%	2.6%
23.2%	27.6%	32.2%	29.8%	24.8%
4.1%	4.5%	5.5%	5.4%	5.4%
3.2%	3.3%	3.9%	5.4%	4.4%
4.4%	4.9%	5.7%	6.1%	4.4%
12.0%	13.9%	11.9%	17.1%	4.6%
3.6%	4.3%	4.8%	4.6%	5.8%
0.4%	0.4%	0.4%	0.5%	0.4%
2.3%	2.2%	2.3%	2.6%	2.7%
72.8%	82.6%	91.3%	96.3%	82.0%
27.2%	17.4%	8.7%	3.7%	18.0%
100.0%	100.0%	100.0%	100.0%	100.0%
100.0%	100.0%	100.0%	100.0%	100.0%
18686.4%	28754.2%	11897.3%	10425.2%	14297.2%
11299.4%	16101.7%	6164.4%	5278.6%	6692.9%
29985.9%	44855.9%	18061.6%	15703.8%	20990.2%
-29885.9%	-44755.9%	-17961.6%	-15603.8%	-20890.2%

Complete District Mailing Address: Bell County W.C.I.D. No. 3
303 N. Main St.
Nolanville, Texas 76559

District Business Telephone Number: (254) 698-6885

Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): October 21, 2021

Names	Term of Office Elected and Expires or Date Hired	Fees of Office Paid* (FYE 8/31/22)	Title at Year End
Board Members:			
Robert Pena	(Elected) 11/2020 - 11/2024	$ -	Pres.
Rex Robertson	(Elected) 11/2020 - 11/2024	$ 260	V.P.
Owen Hall	(Elected) 11/2018 - 11/2022	$ 280	Director
Anthony Williams	(Elected) 11/2020 - 11/2024	$ 280	Director
Aaron Pryor	(Appointed) 10/2021 - 11/2022	$ 240	Director

* Fees of Office are amounts actually paid to a director during the District's fiscal year.

Names	Term of Office Elected and Expires or Date Hired	Fees/Expense Reimbursements (FYE 8/31/22)	Title at Year End
Key Administrative Personnel			
Owen Hall, Jr.	8/28/2012	$ 74,760	Superintendent
Consultants:			
Ludwick, Montgomery, and Stapp P.C.	1995	$ 15,000	Auditor
Michael R. Lackmeyer	4/24/2007	$ 1,314	Attorney
Kasberg, Patrick & Associates, LP	1/5/2006	$ 49,106	Engineer
Jones - Heroy & Associates, Inc.	4/25/2022	$ 6,600	Bond application
City of Nolanville - Grant Development Services	1/1/2022	$ 10,213	Consulting
Newgen Strategies & Solutions	7/26/2022	$ 1,488	Consulting

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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Proposed Form of Opinion of Bond Counsel

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

BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2023

IN THE AGGREGATE PRINCIPAL AMOUNT OF $6,095,000

AS BOND COUNSEL for the Bell County Water Control and Improvement District No. 3 (the "Issuer"), the issuer of the Bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the date specified in the text of the Bonds, at the rates and payable on the dates as stated in the text of the Bonds, maturing all in accordance with the terms and conditions stated in the text of the Bonds.

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

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized for issuance by an order adopted by the Board of Directors of the Issuer (the "Bond Order"), and issued and the Bonds delivered concurrently with this opinion have been duly delivered and that, assuming due authentication, Bonds issued in exchange therefore will have been duly delivered, in accordance with law, and that the Bonds, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally, and by general principles of equity which permit the exercise of judicial discretion, constitute valid and legally binding special obligations of the Issuer, and that the Bonds, together with the Issuer's outstanding Previously Issued Bonds (as defined in the Bond Order), are secured by and payable from a pledge of the Net Revenues of the Issuer as provided in the Bond Order.

THE ISSUER HAS RESERVED the right, subject to the restrictions stated in the Bond Order, to issue Additional Parity Bonds (as defined in the Bond Order) which also may be made payable from, and secured by, a lien on and pledge of the Net Revenues on a parity with the lien that secures the Bonds and the Issuer's other Previously Issued Bonds.

THE ISSUER HAS ALSO RESERVED the right to amend the Bond Order as provided therein and subject to the restrictions therein stated.

THE HOLDERS OF THE BONDS shall never have the right to demand payment thereof out of any funds raised or to be raised by taxation; and the Bonds are payable solely from sources described in the Bond Order, and are not payable from any other funds or resources of the Issuer.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code").

IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on and assume continuing compliance with, certain representations contained in the federal tax certificate of the Issuer and covenants set forth in the Bond Order relating to, among other matters, the use of the project and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds, the accuracy of which we have not independently verified. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering our opinions with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the availability and sufficiency of the revenues pledged by the Issuer to the payment 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.

Respectfully,

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APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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BAM

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER] Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _________

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

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

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SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES