

SUPPLEMENT TO PRELIMINARY OFFICIAL STATEMENT DATED APRIL 4, 2023

\$4,000,000*

**NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
(A political subdivision of the State of Texas located in Nueces County)
REVENUE NOTES, SERIES 2023**

The following paragraph replaces the paragraph under the subheading “INTRODUCTORY STATEMENT – Infectious Disease Outbreak – COVID-19” in its entirety on page 7 of the Preliminary Official Statement:

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. There are currently no COVID-19 related operating limits imposed by executive order of the Governor for any business or other establishment in the State. The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. The District experienced a temporary reduction in revenues of the System(hereinafter defined) as a result of COVID-19. Though collections have recovered from this temporary reduction, 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. For a discussion of the impact of COVID-19 on the District’s financial condition and budget, see “APPENDIX A – Financial Information of the Nueces County Water Control and Improvement District No. 3”.

*Preliminary, subject to change.

Dated: April 6, 2023

**OFFICIAL NOTICE OF SALE, OFFICIAL BID FORM
AND
PRELIMINARY OFFICIAL STATEMENT**

\$4,000,000*

**NUECES COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 3
REVENUE NOTES, SERIES 2023**

**(A political subdivision of the State of Texas located in Nueces
County, Texas)**

**The District will designate the Notes as
“QUALIFIED TAX-EXEMPT OBLIGATIONS”**

**Bids due
Tuesday, April 11, 2023
at
10:00 A.M., Central Time**

*Preliminary, subject to change based on bid structures. See "THE NOTES - MATURITY SCHEDULE" and "THE NOTES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES" in the Official Notice of Sale relating to the Notes.

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

OFFICIAL NOTICE OF SALE

The Issuer will designate the Notes as “Qualified Tax-Exempt Obligations” for financial institutions.

\$4,000,000*

**NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
REVENUE NOTES, SERIES 2023**

(A political subdivision of the State of Texas located in Nueces County, Texas)

NOTES OFFERED FOR SALE AT COMPETITIVE BID: The Board of Directors (the “Board”) of the Nueces County Water Control and Improvement District No. 3 (the “District” or the “Issuer”) is offering for sale at competitive bid \$4,000,000* Revenue Notes, Series 2023 (the “Notes”).

BIDS BY INTERNET: Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 10:00 A.M., Central Time, on April 11, 2023. Bidders submitting a bid by internet **shall not be required to submit signed Official Bid Forms prior to the award.** Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of PARITY and should, as a courtesy, register with PARITY by 9:00 A.M., Central Time, on April 11, 2023 indicating their intent to submit a bid by internet.

In the event of a malfunction in the electronic bidding process, bidders may submit their bids by email to mmcliney@samcocapital.com. If there is a malfunction of the electronic bidding process and a bidder submits a bid via email please call 210-832-9760 to notify the Financial Advisor (defined below) of the incoming bid. Any bid received after the scheduled time for their receipt will not be accepted.

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

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

OPENING OF BIDS: The bids for the Notes will be publicly opened and reviewed at the San Antonio offices of SAMCO Capital Markets, Inc. (the “Financial Advisor”), 1020 NE Loop 410, Suite 640, San Antonio, Texas, 78209, at 11:00 A.M., Central Time, on Tuesday, April 11, 2023.

AWARD AND SALE OF THE NOTES: The Board of Directors of the District will take action to reject the bids or accept the bid and award the Notes to the low qualified bidder (the “Winning Bidder”), as described in the section entitled “CONDITIONS OF SALE – Basis for Award” herein by adopting an order authorizing the issuance and awarding the sale of the Notes (the “Order”) at a scheduled meeting to commence at 6:00 P.M. Central Time on Tuesday, April 11, 2023.

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*Preliminary, subject to change based on bid structures. See “THE NOTES - MATURITY SCHEDULE” and “THE NOTES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES” in the Official Notice of Sale relating to the Notes.

THE NOTES

DESCRIPTION OF CERTAIN TERMS OF THE NOTES: The Notes will be dated April 1, 2023 (the “Dated Date”) with interest to accrue from the Dated Date and be payable initially February 1, 2024 and each August 1 and February 1 thereafter until stated maturity or prior redemption. The Notes will be issued as fully registered Notes in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository (the “Securities Depository”). Book-entry interests in the Notes will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Notes (“Beneficial Owners”) will not receive physical delivery of Notes representing their interest in the Notes purchased. So long as DTC or its nominee is the registered owner of the Notes, the principal of and interest on the Notes will be payable by BOKF, NA, Dallas, Texas, as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Notes. (See “BOOK-ENTRY-ONLY SYSTEM” in the Official Statement.) The Notes will be stated to mature on February 1 in each of the following years in the following amounts:

MATURITY SCHEDULE (Due February 1)

<u>Stated Maturity</u>	<u>Principal Amount*</u>	<u>Stated Maturity</u>	<u>Principal Amount</u>
2024	\$ 40,000	2037	\$ 160,000
2025	90,000	2038	165,000
2026	95,000	2039	175,000
2027	100,000	2040	185,000
2028	105,000	2041	195,000
2029	110,000	2042	205,000
2030	115,000	2043	215,000
2031	120,000	2044	225,000
2032	125,000	2045	235,000
2033	130,000	2046	245,000
2034	140,000	2047	260,000
2035	145,000	2048	270,000
2036	150,000		

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: The District reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Notes, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Notes shall not exceed \$4,000,000*. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Notice of Sale may be amended at the sole discretion of the District to reflect such increase or decrease. The District will attempt to maintain total per bond underwriting spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

SERIAL NOTES AND/OR TERM NOTES: Bidders may provide that all of the Notes be issued as serial maturities or may provide that any two or more consecutive annual principal amounts be combined into one or more term Notes (the “Term Notes”).

MANDATORY SINKING FUND REDEMPTION: If the Winning Bidder designates principal amounts to be combined into one or more Term Notes, each such Term Note will be subject to mandatory sinking fund redemption commencing on February 1 of the first year which has been combined to form such Term Note and continuing on February 1 in each year thereafter until the stated maturity date of that Term Note. The amount redeemed in any year will be equal to the principal amount for such year set forth in the table above under the caption “MATURITY SCHEDULE”. Notes to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par and will be selected by lot from among the Notes then subject to redemption. The District, at its option, may credit against any mandatory sinking fund redemption requirement Term Notes of the maturity then subject to redemption which have been purchased and canceled by the District or have been optionally redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

OPTIONAL REDEMPTION: The District reserves the right, at its option, to redeem the Notes maturing on or after February 1, 2033, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2032, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption as further described in the Official Statement.

SECURITY FOR PAYMENT: The Notes are special obligations of the Issuer payable from and equally and ratably secured, together with the currently outstanding Parity Obligations, solely from a first and prior lien on and pledge of the Net Revenues derived from the operation of the Issuer’s Utility System (the “System”). In the Order, the Issuer has reserved the right to issue Additional Prior Lien Obligations, Junior Lien Obligations and Subordinate Lien Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. The Order does not create a lien or mortgage on the System, except the Net Revenues, and any judgement against the District may not be enforced by levy and execution against any property owned by the District. The District has not covenanted or obligated itself to pay the Notes from monies raised or to be raised from taxation. (See “THE NOTES – Source of and Security for Payment” herein).

OTHER TERMS AND COVENANTS: Other terms of the Order and the various covenants of the District contained in the Order are described in the Official Statement, to which reference is made for all purposes.

*Preliminary, subject to change.

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

In the Order, the District retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the District, shall be qualified as described in the Preliminary Official Statement. Upon a change in the Paying Agent/Registrar for the Notes, the District agrees to promptly cause written notice thereof to be sent to each registered owner of the Notes by United States mail, first-class, postage prepaid.

CONDITIONS OF SALE

TYPES OF BIDS AND INTEREST RATES: The Notes will be sold in one block on an "All or None" basis, and at a price of not less than their par value, plus accrued interest on the Notes from the Dated Date of the Notes to the date of Initial Delivery (defined herein) of the Notes. **No bid producing a cash price on the Notes that results in a dollar price less than 99% of their par value will be considered; provided, however, that any bid is subject to adjustment as described under the caption "THE NOTES - ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS".** Bidders are invited to name the rate(s) of interest to be borne by the Notes, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest for the Notes (calculated in the manner required by Chapter 1204, as amended, Texas Government Code) must not exceed 15%. **The highest rate bid may not exceed the lowest rate bid by more than 300 basis points (or 3% in rate). No limitation is imposed upon bidders as to the number of rates or changes which may be used.** All Notes of one stated maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

BASIS OF AWARD: The sale of the Notes will be awarded to the bidder making a bid that conforms to the specifications herein (the "Winning Bidder" or "Purchaser") and which produces the lowest Net Effective Interest Cost (defined herein) rate to the District. The "Net Effective Interest Cost" rate is that rate which, when used to compute the total present value as of the Dated Date of all debt service payments on the Notes on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Notes plus the premium bid, (but not interest accrued from the Dated Date to the date of their initial delivery to the Purchaser). In the event of a bidder's error in interest cost rate calculations, the interest rates, and premium, set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the District with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Notes (the "Code"), relating to the excludability of interest on the Notes from the gross income of their owners, the Purchaser will be required to complete, execute, and deliver to the District (on or before the date of initial delivery of the Notes) a certification as to their initial offering prices of the Notes (the "Issue Price Certificate") substantially in the form and to the effect attached hereto or accompanying this Official Notice of Sale. (See "CONDITIONS OF SALE - ESTABLISHMENT OF ISSUE PRICE" herein.)

ESTABLISHMENT OF ISSUE PRICE:

(a) The Winning Bidder shall assist the District in establishing the issue price of the Notes and shall execute and deliver to the District at least five (5) business days before the Delivery Date an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public, together with the supporting pricing wires or equivalent communications, such issue price certificate substantially in the form attached hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Winning Bidder, the District, and Norton Rose Fulbright US LLP, the District's Bond Counsel (but not to the extent that would preclude the establishment of issue price of the Notes under applicable federal regulations). All actions to be taken by the District under this Official Notice of Sale to establish the issue price of the Notes may be taken on behalf of the District by the District's Financial Advisor and any notice or report to be provided to the District may be provided to the District's Financial Advisor.

(b) The District intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Notes) will apply to the initial sale of the Notes (the "competitive sale requirements") because:

- (1) the District shall disseminate this Official Notice of Sale to potential underwriters (defined below) in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the District may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the District anticipates awarding the sale of the Notes to the bidder who submits a firm offer to purchase the Notes at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale.

Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of the Notes, as specified in the bid.

(c) In the event that the competitive sale requirements are not satisfied, the District shall so advise the Winning Bidder. In such event, the District intends to treat the initial offering price to the public (defined below) as of the sale date (defined below) of each maturity of the Notes as the issue price of that maturity (the "hold-the-offering-price rule"). The District shall promptly advise the Winning Bidder, at or before the time of award of the Notes, if the competitive sale requirements were not satisfied, in which case the hold-the-offering-price rule shall apply to the Notes. Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied and the hold-the-offering-price rule applies. In the event that the competitive sale requirements are not satisfied, resulting in the application of the hold-the-price rule, the issue price certificate shall be modified as necessary in the reasonable judgment of Bond Counsel and the District.

(d) By submitting a bid, the Winning Bidder shall (i) confirm that the underwriters have offered or will offer the Notes to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the Winning Bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Notes, that the underwriters will neither offer nor sell unsold Notes of any maturity to which the hold-the-offering-price rule applies to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Notes to the public at a price that is no higher than the initial offering price to the public.

The Winning Bidder will advise the District promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Notes to the public at a price that is no higher than the initial offering price to the public.

(e) The District acknowledges that, in making the representations set forth above, the Winning Bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Notes to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a retail or other third-party distribution agreement that was employed in connection with the initial sale of the Notes to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, as set forth in the third-party distribution agreement and the related pricing wires. The District further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail or other third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Notes.

(f) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail or other third-party distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Winning Bidder and as set forth in the related pricing wires, (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a retail or other third-party distribution agreement to be employed in connection with the initial sale of the Notes to the public to require each broker-dealer that is a party to such third-party distribution agreement to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Winning Bidder or the underwriter and as set forth in the related pricing wires.

(g) Sales of any Notes to any person that is a related party (defined below) to an underwriter shall not constitute sales to the public for purposes of this Official Notice of Sale. Further, for purposes of this section of the Official Notice of Sale entitled "ESTABLISHMENT OF ISSUE PRICE":

- (1) "public" means any person other than an underwriter or a related party,
- (2) "underwriter" means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Notes to the public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Notes to the public),
- (3) a purchaser of any of the Notes is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (4) "sale date" means the date that the Notes are awarded by the District to the Winning Bidder.

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: See "THE NOTES – Adjustment of Principal Amounts and Maturity Schedule for the Notes" for a description of the District's reservation of the right to increase or decrease the principal (maturity) amount of any maturity of the Notes, including the elimination of a maturity or maturities.

GOOD FAITH DEPOSIT: A bank cashier's check payable to the order of "Nueces County Water Control and Improvement District No. 3" in the amount of \$80,000, which is 2% of the par value of the Notes (the "Good Faith Deposit"), is required. The Good Faith Deposit will be retained uncashed by the District until the Notes are delivered, and at that time it will be returned to the Purchaser uncashed on the date of delivery of the Notes; however, should the Purchaser fail or refuse to take up and pay for the Notes, said Good Faith Deposit is to be cashed by the District and the proceeds accepted as full and complete liquidated damages. The above mentioned Good Faith Deposit may accompany the bid, or it may be submitted separately; however, if submitted separately, it shall be made available to the District prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn which will authorize its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. No interest will be paid or allowed on any

Good Faith Deposit. The checks accompanying all other bids will be returned immediately after the bids are opened and the award of the sale of the Notes has been made.

ADDITIONAL CONDITION OF AWARD — DISCLOSURE OF INTERESTED PARTY FORM:

It is the obligation of the District to receive information from Winning Bidder if bidder is not a publicly traded business entity (a “Privately Held Bidder”). Pursuant to Texas Government Code Section 2252.908 (the “Interested Party Disclosure Act”), the District may not award the Notes to a Winning Bidder which is a Privately Held Bidder unless such party submits a Certificate of Interested Parties Form 1295 (the “Disclosure Form”) to the District as prescribed by the Texas Ethics Commission (“TEC”). In the event that a Privately Held Bidder’s bid for the Notes is the best bid received, the District, acting through its financial advisor, will promptly notify the winning Privately Held Bidder. That notification will serve as the District’s conditional verbal acceptance of the bid, and will obligate the winning Privately Held Bidder to establish (unless such winning Privately Held Bidder has previously so established) an account with the TEC, and promptly file a completed Disclosure Form, as described below, in order to allow the District to complete the award.

Process for completing the Disclosure Form. For purposes of illustration, the Disclosure Form is attached hereto, and reference should be made to such form for the following information needed to complete it: (a) item 2 - name of the governmental entity (Nueces County Water Control and Improvement District No. 3) and (b) item 3 - the identification number assigned to this contract by the District (NCWC&ID 3 RN 2023 – Bid Form) and description of the goods or services (Purchase of the Nueces County Water Control and Improvement District No. 3, NoteRevenue Notes, Series 2023). The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the “Disclosure Rules”) require a non-publicly traded business entity contracting with the District to complete the Disclosure Form electronically at <https://www.ethics.state.tx.us/filinginfo/1295>, print, sign, and deliver, in physical form, the certified Disclosure Form that is generated by the TEC’s “electronic portal” to the District. The executed Disclosure Form must be sent by email to the District’s financial advisor at mmcliney@samcocapital.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award. Upon receipt of the final written award, the Disclosure Form with original signatures must be submitted by mail to Stephanie Leibe, c/o Norton Rose Fulbright US LLP, 98 San Jacinto Boulevard, Suite 1100, Austin, Texas 78701-4255, along with a PDF executed version sent to stephanie.leibe@nortonrosefulbright.com.

Preparations for completion, and the significance of, the reported information. In accordance with the Interested Party Disclosure Act, the information reported by the winning Privately Held Bidder must be declared by an authorized agent of the Privately Held Winning Bidder. No exceptions may be made to that requirement. The Interested Party Disclosure Act and the Disclosure Form provides that such acknowledgment is made “under penalty of perjury.” Consequently, a winning Privately Held Bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form. Time will be of the essence in submitting the form to the City, and no final award will be made by the City regarding the sale of the Certificates until a completed Disclosure Form is received. If applicable, the City reserves the right to reject any bid that does not satisfy the requirement of a completed Disclosure Form, as described herein. Neither the City nor its consultants have the ability to verify the information included in a Disclosure Form, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to (1) the bidder’s obligation to submit the Disclosure Form or (2) the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Certificates should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form, if required, promptly upon notification from the City that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC’s website at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm.

ADDITIONAL CONDITIONS OF AWARD:

NO BOYCOTT OF ISRAEL: By submission of a bid for the Notes, the bidder represents and verifies that to the extent a bid for the Notes constitutes a contract for goods or services for which a written verification is required under Section 2271.002, Texas Government Code that the bidder and any parent company, wholly- or majority-owned subsidiaries, and other affiliates of the bidder, do not boycott Israel and will not boycott Israel through the end of the underwriting period. The foregoing verification is made solely to enable the District to comply with such Section and to the extent such Section does not contravene applicable federal or Texas law. As used in the foregoing verification, “boycott Israel,” a term defined in Section 2271.001, Texas Government Code, by reference to Section 808.001(1), Texas Government Code, means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes.

SANCTIONED COUNTRIES REPRESENTATION: By submission of a bid for the Notes, the bidder represents and verifies that neither the bidder nor any parent company, wholly- or majority-owned subsidiaries, and other affiliates of the bidder, is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer’s internet website:

<https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>,

<https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or

<https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>.

The foregoing representation is made solely to enable the District to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable federal or Texas law and excludes the bidder and each parent company, wholly- or majority-owned subsidiaries, and other affiliates of the bidder, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

COMPLIANCE WITH LAWS PROHIBITING CONTRACTS WITH COMPANIES THAT BOYCOTT ENERGY COMPANIES. By submission of a bid for the Notes, the bidder represents and verifies that to the extent a bid for the Notes constitutes a contract for goods or services for which a written verification is required under Section 2274.002, Texas Government Code (as added by Senate Bill 13, 87th Texas Legislature, Regular Session (“SB 13”)), as amended, the bidder, and the parent company, wholly- or majority- owned subsidiaries, and other affiliates, if any, of the bidder do not boycott energy companies and, such entities will not boycott energy companies through the end of the underwriting period. The foregoing verification is made solely to enable the District to comply with such Section and to the extent such Section does not contravene applicable federal or Texas law. As used in the foregoing verification, “boycott energy companies,” a term defined in Section 2274.001(1), Texas Government Code (as enacted by SB 13) by reference to Section 809.001, Texas Government Code (also as enacted by SB 13), shall mean, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company (A) engages in the exploration,

production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (B) does business with a company described by (A) above.

COMPLIANCE WITH LAWS PROHIBITING CONTRACTS WITH COMPANIES THAT DISCRIMINATE AGAINST A FIREARM ENTITY OR TRADE ASSOCIATION. By submission of a bid for the Notes, the bidder represents and verifies that to the extent a bid for the Notes constitutes a contract for goods or services for which a written verification is required under Section 2274.002, Texas Government Code (as added by Senate Bill 19, 87th Texas Legislature, Regular Session, ("SB 19")), as amended, the neither bidder nor the parent company, wholly- or majority- owned subsidiaries, and other affiliates, if any, of the bidder have a practice, policy, guidance or directive that discriminates against a firearm entity or firearm trade association; and such entities will not through the end of the underwriting period discriminate against a firearm entity or firearm trade association. The foregoing verification is made solely to enable the District to comply with such Section and to the extent such Section does not contravene applicable federal or Texas law. As used in the foregoing verification and the following definitions, (a) "discriminate against a firearm entity or firearm trade association," a term defined in Section 2274.001(3), Texas Government Code (as enacted by SB 19), (A) means, with respect to the firearm entity or firearm trade association, to (i) refuse to engage in the trade of any goods or services with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, (ii) refrain from continuing an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, or (iii) terminate an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association and (B) does not include (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories and (ii) a company's refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity's or association's status as a firearm entity or firearm trade association, (b) "firearm entity," a term defined in Section 2274.001(6), Texas Government Code (as enacted by SB 19), means a manufacturer, distributor, wholesaler, supplier, or retailer of firearms (defined in Section 2274.001(4), Texas Government Code, as enacted by SB19, as weapons that expel projectiles by the action of explosive or expanding gases), firearm accessories (defined in Section 2274.001(5), Texas Government Code, as enacted by SB 19, as devices specifically designed or adapted to enable an individual to wear, carry, store, or mount a firearm on the individual or on a conveyance and items used in conjunction with or mounted on a firearm that are not essential to the basic function of the firearm, including detachable firearm magazines), or ammunition (defined in Section 2274.001(1), Texas Government Code, as enacted by SB 19, as a loaded cartridge case, primer, bullet, or propellant powder with or without a projectile) or a sport shooting range (defined in Section 250.001, Texas Local Government Code, as a business establishment, private club, or association that operates an area for the discharge or other use of firearms for silhouette, skeet, trap, black powder, target, self-defense, or similar recreational shooting), and (c) "firearm trade association," a term defined in Section 2274.001(7), Texas Government Code (as enacted by SB 19), means any person, corporation, unincorporated association, federation, business league, or business organization that (i) is not organized or operated for profit (and none of the net earnings of which inures to the benefit of any private shareholder or individual), (ii) has two or more firearm entities as members, and (iii) is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as an organization described by Section 501(c) of that code. As used in the foregoing verifications, the bidder understands "affiliate" to mean an entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit.

REPRESENTATION REGARDING TEXAS ATTORNEY GENERAL STANDING LETTER. By submission of a bid for the Notes, the bidder represents and verifies that the bidder has, or will have not later than ten days before to the scheduled closing of the Notes, on file with the Texas Attorney General either (i) a standing letter addressing the verifications contained in the Bid Form in a form acceptable to the Texas Attorney General, or (ii) another letter addressing the verifications in the Bid Form in a form acceptable to the Texas Attorney General. Each of bidder shall provide the District with a copy of such letter not later than ten days prior to the scheduled closing date for the Notes.

CONTRACTING INFORMATION: The District will not award the Notes to a bidder unless the bidder verifies that, to the extent the Official Bid Form represents a contract for goods or services within the meaning of Section 552.371 of the Texas Government Code, as amended, the bidder will (i) preserve all contracting information related to the bid as provided by the records retention requirements applicable to the District through the delivery date of the Notes, (ii) promptly provide to the District any contracting information related to the bid that is in the custody or possession of the bidder, and (iii) upon delivery of the Notes to the bidder, either (a) provide at no cost to the District all contracting information related to the bid that is in the custody or possession of the bidder or (b) preserve the contracting information related to the bid as provided by the records retention requirements applicable to the District. The term "contracting information" as used in this paragraph has the meaning assigned to such term in Section 552.003 of the Texas Government Code.

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

OFFICIAL STATEMENT

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

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

The District agrees to provide, or cause to be provided, to the Purchaser, the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a "designated electronic format" (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the Municipal Securities Rulemaking Board ("MSRB"). The District consents to the distribution of such documents in a "designated electronic format." Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the applicable MSRB rules.

The District will complete and authorize distribution of the Official Statement identifying the Purchaser and containing information omitted from the Preliminary Official Statement. The District does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Purchaser on or after the sale date, the District intends the same to be final as of such date, within the meaning of Section 15c2-12(b)(3) of the Rule.

Notwithstanding the foregoing, the District makes no representation concerning the absence of material misstatements or omissions from the Official Statement, except only as and to the extent under "CERTIFICATION OF THE OFFICIAL STATEMENT" as described below. To the best knowledge and belief of the District, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Notes.

FINAL OFFICIAL STATEMENT: In addition to delivering the Official Statement in a "designated electronic format", the District will furnish to the Purchaser, within seven (7) days after the sale date, an aggregate maximum of fifty (50) copies of the Official Statement, together with information regarding interest rates and other terms relating to the reoffering of the Notes, in accordance with Section 15c2-12(b)(3) of the Rule. The Purchaser may arrange, at its own expense, to have the Official Statement reproduced and printed if it requires more than 100 copies and may also arrange, at its own expense and responsibility, for completion and perfection of the first or cover page of the Official Statement so as to reflect interest rates and other terms and information related to the reoffering of the Notes. The Purchaser will be responsible for providing information concerning the District and the Notes to subsequent purchasers of the Notes, and the District will undertake no responsibility for providing such information other than to make the Official Statement available to the Purchaser as provided herein. The District's obligation to supplement the Official Statement to correct key representations determined to be materially misleading, after the date of the Official Statement, shall terminate upon initial delivery of the Notes to the Purchaser, unless the Purchaser notifies, in writing, the District that less than all of the Notes have been sold to ultimate customers on or before such date, in which case the obligation will extend for an additional period of time (but not more than 90 days after the sale date) until all of the Notes have been sold to ultimate customers.

CHANGES TO OFFICIAL STATEMENT: If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Purchaser of any adverse event which causes the Official Statement to be materially misleading, and unless the Purchaser elects to terminate its obligation to purchase the Notes, as described below under "DELIVERY AND ACCOMPANYING DOCUMENTS - Conditions to Delivery", the District will promptly prepare and supply to the Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Purchaser and in a "designated electronic format"; provided, however, that the obligation of the District to do so will terminate when the District delivers the Notes to the Purchaser, unless the Purchaser notifies the District on or before such date that less than all of the Notes have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Notes) until all of the Notes have been sold to ultimate customers.

MUNICIPAL BOND INSURANCE: In the event the Notes are qualified for municipal bond insurance, and the Purchaser desires to purchase such insurance, the cost thereof will be paid by the Purchaser. The District shall pay the rating agency fee for S&P. Any other fees to be paid to rating agencies as a result of said insurance will be paid by the Purchaser. It will be the responsibility of the Purchaser to disclose the existence of insurance, its terms and the effect thereof with respect to the reoffering of the Notes. Any downgrade by rating agencies of the bond insurance provider shall not relieve the Purchaser of its obligation under the heading. See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" in the Preliminary Official Statement.

CERTIFICATION OF THE OFFICIAL STATEMENT: At the time of payment for and delivery of the hereinafter defined Initial Notes (the "Delivery Date"), the Purchaser will be furnished a certificate, executed by proper officials of the District, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Notes, on the date of such Official Statement, on the date of sale of said Notes and the acceptance of the best bid therefor, and on the date of the initial delivery thereof, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the District, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable and the District has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the District since the date of the last financial statements of the District appearing in the Official Statement. The Official Statement and Official Notice of Sale will be approved as to form and content and the use thereof in the offering of the Notes will be authorized, ratified and approved by the Board of the District on the date of sale, and the Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Notes, a certified copy of such approval, duly executed by the proper officials of the District.

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

COMPLIANCE WITH PRIOR UNDERTAKINGS: During the past five years, the District has not been subject to a continuing disclosure agreement made in accordance with the Rule.

DELIVERY AND ACCOMPANYING DOCUMENTS

INITIAL DELIVERY OF INITIAL NOTE: The initial delivery of the Notes to the Purchasers on the "Delivery Date" (identified below), will be accomplished by the issuance of either (i) a single fully registered Note in the total principal amount of \$4,000,000* payable in stated installments to the Purchaser and numbered T-1, or (ii) as one (1) fully registered Note for each year of stated maturity in the applicable principal amount and denomination, to be numbered consecutively from R-1 and upward (in either case, the "Initial Note(s)"), signed by manual or facsimile signature of the Board President and the Board Secretary approved by the Attorney General of Texas, and registered and manually signed by an authorized representative of the Comptroller of Public Accounts of the State of Texas. Initial Delivery (defined below) of the Notes will be at the corporate trust office of the Paying Agent/Registrar. Upon delivery of the Initial Note(s), they shall be immediately canceled and one Note for each stated maturity will be registered in the name of Cede & Co. and deposited with DTC in connection with DTC's Book-Entry-Only System. Payment for the Initial Note(s) must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. The Purchaser will be given six (6) business days' notice of the time fixed for delivery of the Notes. It is anticipated that Initial Delivery of the Initial Notes can be made on or about May 3, 2023, but if for any reason the District is unable to make delivery by May 3, 2023, then the District shall immediately contact the Purchaser and offer to allow the Purchaser to extend for an additional thirty (30) days its obligation to take up and pay for the Notes. If the Purchaser does not so elect within six (6) business days thereafter, then the Good Faith Deposit will be returned, and both the District and the Purchaser shall be relieved of further obligation. In no event shall the District be liable for any damages by reason of its failure to deliver the Notes, provided such failure is due to circumstances beyond the District's reasonable control.

EXCHANGE OF INITIAL NOTES FOR DEFINITIVE NOTES: Upon payment for the Initial Note(s) at the time of such delivery, the Initial Note(s) are to be canceled by the Paying Agent/Registrar and registered definitive Notes delivered in lieu thereof, in multiples of \$5,000 for each stated maturity, in accordance with written instructions received from the Purchaser and/or members of the Purchaser's syndicate. Such Notes shall be registered by the Paying Agent/Registrar. It shall be the duty of the Purchaser and/or members of the Purchaser's syndicate to furnish to the Paying Agent/Registrar, at least five days prior to the delivery of the Initial Note(s), final written instructions identifying the names and addresses of the registered owners, the stated maturities, interest rates, and denominations. The Paying Agent/Registrar will not be required to accept changes in such written instructions after the five day period, and if such written instructions are not received by the Paying Agent/Registrar five days prior to the delivery, the cancellation of the Initial Note(s) and delivery of registered definitive Notes may be delayed until the fifth day next following the receipt of such written instructions by the Paying Agent/Registrar.

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

CONDITIONS TO DELIVERY: The obligation to take up and pay for the Notes is subject to the following conditions: the issuance of an approving opinion of the Attorney General of Texas, the Purchaser's acknowledgment of the receipt of the Initial Note, the Purchaser's receipt of the legal opinions of Bond Counsel and the no-litigation certificate, and the non-occurrence of the events described below under the caption "No Material Adverse Change", all as described below. In addition, if the District fails to comply with its obligations described under "OFFICIAL STATEMENT" above, the Purchaser may terminate its contract to purchase the Notes by delivering written notice to the District within five (5) days thereafter.

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

LEGAL OPINIONS: The Notes are offered when, as and if issued, subject to the approval of certain legal matters by the Attorney General of the State of Texas and Bond Counsel (see discussion "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" in the Preliminary Official Statement).

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

QUALIFIED TAX-EXEMPT OBLIGATIONS: The District will designate the Notes as "Qualified Tax-Exempt Obligations" for financial institutions (see discussion under "TAX MATTERS – Qualified Tax-Exempt Obligations" in the Preliminary Official Statement).

GENERAL CONSIDERATIONS

FUTURE REGISTRATION: The Notes may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Note may be assigned by the execution of an assignment form on the Notes or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Note or Notes will be delivered by the Paying Agent/Registrar in lieu of the Notes being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk, and expense. To the extent possible, new Notes issued in an exchange or transfer of Notes will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Notes to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or its duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Notes registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and interest rate as the Notes surrendered for exchange or transfer.

RECORD DATE: The record date ("Record Date") for determining the party to whom the semiannual interest on the Notes is payable on any interest payment date is the fifteenth day of the month next preceding such interest payment date.

RATING: A municipal bond rating application has been made to S&P Global Ratings ("S&P"). The outcome of the results will be made available to the Purchasers as soon as possible. (See "OTHER PERTINENT INFORMATION – Ratings" in the Preliminary Official Statement). An explanation of the significance of such a rating may be obtained from S&P. The rating of the Notes by S&P reflects only the view of S&P at the time the rating is given, and the District makes no representations as to the appropriateness of the rating. If the Purchaser chooses to submit a bid utilizing bond insurance, the enhanced long-term rating on the Notes will be dependent upon the rating of the provider of such policy. See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" in the Preliminary Official Statement. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Notes.

SALE OF ADDITIONAL NOTES: The District has no plans for any other debt issues in the next 12 months.

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

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

ADDITIONAL COPIES: Subject to the limitations described herein, an electronic copy of this Official Notice of Sale, the Official Bid Form, and the Official Statement may be obtained from www.samccapital.com.

The Board of the District has approved the form and content of the Official Notice of Sale, the Official Bid Form, and the Official Statement and authorized the use thereof in its initial offering of the Notes. On the date of the sale, the Notes will, in the Order authorizing the issuance of the Notes, reconfirm its approval of the form and content of the Official Statement, and any addenda, supplement, or amendment thereto, and authorize its further use in the reoffering of the Notes by the Purchaser.

/s/

President, Board of Directors
NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3

ATTEST:

/s/

Secretary, Board of Directors
NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3

April 4, 2023

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OFFICIAL BID FORM

Honorable Board President and Board
 Nueces County Water Control and Improvement District No. 3
 501 East Main Street
 Robstown, Texas 78380

April 11, 2023

Dear Ladies and Gentlemen:

Subject to the terms of your Official Notice of Sale and Preliminary Official Statement dated April 4, 2023, which terms are incorporated by reference to this proposal, we hereby submit the following bid for \$4,000,000* Nueces County Water Control and Improvement District No. 3 Revenue Notes, Series 2023, dated April 1, 2023 (the "Notes").

For said legally issued Notes, we will pay you \$_____ (a dollar price not less than 99% of par value) plus accrued interest from their date to the date of delivery to us, for Notes maturing February 1 and bearing interest per annum as follows:

Year of Stated Maturity	Principal Amount at Stated Maturity	Coupon %	Year of Stated Maturity	Principal Amount at Stated Maturity	Coupon %
2024	\$ 40,000		2037*	\$ 160,000	
2025	90,000		2038*	165,000	
2026	95,000		2039*	175,000	
2027	100,000		2040*	185,000	
2028	105,000		2041*	195,000	
2029	110,000		2042*	205,000	
2030	115,000		2043*	215,000	
2031	120,000		2044*	225,000	
2032	125,000		2045*	235,000	
2033*	130,000		2046*	245,000	
2034*	140,000		2047*	260,000	
2035*	145,000		2048*	270,000	
2036*	150,000				

**Maturities available for term Notes*

Our calculation (which is not part of this bid) of the Net Effective _____% Interest Cost from the above is:

We are (are not) having the Notes of the following maturities _____ insured by _____ at a premium of \$_____. The premium will be paid by the Winning Bidder. Any fees due to Rating Agencies, other than S&P Global Ratings ("S&P"), as a result of said insurance will be paid by the Winning Bidder. The District will pay the fee due to S&P.

**Preliminary; subject to change.*

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: As a condition to our submittal of this bid for the Notes, we acknowledge the following: The District reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Notes, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Notes shall not exceed \$4,000,000*. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Official Notice of Sale may be amended at the sole discretion of the District to reflect such increase or decrease. The District will attempt to maintain total per bond underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

Of the principal maturities set forth in the table above, we have created term bonds (the "Term Notes") as indicated in the following table (which may include no more than three Term Notes). For those years which have been combined into a Term Note, the principal amount shown in the table shown on page ii of the Official Notice of Sale will be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the Term Note maturity date will mature in such year. The Term Notes created are as follows:

Term Note Maturity Date February 1	Year of First Mandatory Redemption	Principal Amount of Term Note	Interest Rate

The Initial Note(s) shall be registered in the name of _____, which will, upon payment for the Notes, be cancelled by the Paying Agent/Registrar. The Notes will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the Book-Entry-Only System.

Cashier's Check of the _____ Bank, _____, Texas, in the amount of \$80,000, which represents our Good Faith Deposit (is attached hereto) or (has been made available to you prior to the opening of this Bid), and is submitted in accordance with the terms as set forth in the Official Notice of Sale, said check is to be returned to the Purchaser.

We agree to accept delivery of the Notes utilizing the Book-Entry-Only System through DTC and make payment for the Initial Notes in immediately available funds at the Corporate Trust Division, BOKF, NA, Dallas, Texas, not later than 10:00 A.M., Central Time, on Tuesday, April 11, 2023, or thereafter on the date the Notes are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale. It will be the obligation of the Purchaser of the Notes to complete and file the DTC Eligibility Questionnaire. The undersigned agrees to the provisions of the Official Notice of Sale under the heading "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" and, as evidence thereof, agrees to complete, execute, and deliver to the District, by the Delivery Date, a certificate relating to the "issue price" of the Notes in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to Bond Counsel for the District. (See "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" in the Official Notice of Sale.)

Through submittal of this executed Official Bid Form, the undersigned verifies that, except to the extent otherwise required by applicable Texas or Federal law, it (1) does not and will not "boycott Israel", (2) is not a company on the Texas Comptroller's list concerning "foreign terrorist organizations" prepared and maintained thereby under applicable Texas law, (3) does not and will not "discriminate against a firearm entity or firearm trade association", (4) does not and will not "boycott energy companies" and (5) will provide a standing letters, in the form of acceptable to the Texas Attorney General, addressing the verifications, all as more fully provided in the Official Notice of Sale under the heading "ADDITIONAL CONDITION OF AWARD".

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

Upon notification of conditional verbal acceptance, the undersigned will, if required by applicable Texas law as described in the Official Notice of Sale under the heading "ADDITIONAL CONDITION OF AWARD – Disclosure of Interested Party Form", complete an electronic form of the Certificate of Interested Parties Form 1295 (the "Disclosure Form") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Disclosure Form that is generated by the TEC's electronic portal will be printed, signed, and sent by email to the District's financial advisor at mmcliney@samcocapital.com and Bond Counsel at stephanie.leibe@nortonrosefulbright.com. The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the District from providing final written award of the enclosed bid.

By: _____
Authorized Representative

Telephone Number

E-mail Address

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by Nueces County Water Control and Improvement District No. 3, subject to and in accordance with the Official Notice of Sale and Official Bid Form, this 11th day of April, 2023.

President, Board of Directors
NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3

ATTEST:

Secretary, Board of Directors
NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3

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\$4,000,000*
NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
REVENUE NOTES, SERIES 2023

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of _____, _____, _____ (“_____”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Obligations”) of the Nueces County Water Control and Improvement District No. 3 (the “Issuer”).

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Obligations to the Public by _____ are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Obligations used by _____ in formulating its bid to purchase the Obligations. Attached as Schedule B is a true and correct copy of the bid provided by _____ to purchase the Obligations.

(b) _____ was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by _____ constituted a firm offer to purchase the Obligations.

2. Defined Terms.

(a) Maturity means Obligations with the same credit and payment terms. Obligations with different maturity dates, or Obligations with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) Public means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) Sale Date means the first day on which there is a binding contract in writing for the sale of a Maturity of the Obligations. The Sale Date of the Obligations is April 11, 2023.

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

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents _____ interpretation of any laws, including specifically sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Obligations and with respect to compliance with the federal income tax rules affecting the Obligations, and by Norton Rose Fulbright US LLP in connection with rendering its opinion that the interest on the Obligations is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Obligations.

By: _____

Name: _____

Title: _____

Dated: _____

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SCHEDULE A
EXPECTED OFFERING PRICES

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SCHEDULE B
COPY OF UNDERWRITER'S BID

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This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

NEW ISSUE - BOOK-ENTRY-ONLY

Ratings: S&P: "Applied For"
(See: "OTHER PERTINENT INFORMATION - Ratings"
"BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein)

PRELIMINARY OFFICIAL STATEMENT
April 4, 2023

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

The Issuer will designate the Notes as "Qualified Tax-Exempt Obligations" for financial institutions.

\$4,000,000*

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
(A political subdivision of the State of Texas located in Nueces County, Texas)
REVENUE NOTES, SERIES 2023

Dated Date: April 1, 2023

Due: February 1, as shown on inside cover

The \$4,000,000* Nueces County Water Control and Improvement District No. 3 Revenue Notes, Series 2023 (the "Notes"), are being issued pursuant to the laws of the State of Texas (the "State"), including Chapters 49, 50 and 51, as amended, Texas Water Code, Article XVI, Section 59 Texas Constitution, and an order (the "Order") to be adopted by the Board of Directors of the Nueces County Water Control and Improvement District No. 3 (the "District" or the "Issuer") on April 11, 2023. (See "THE NOTES – Authority for Issuance" herein.)

The Notes are special obligations of the Issuer payable from and equally and ratably secured, together with the currently outstanding Parity Obligations, solely from a first and prior lien on and pledge of the Net Revenues (defined herein) derived from the operation of the Issuer's Utility System (the "System"). In the Order, the Issuer has reserved the right to issue Additional Prior Lien Obligations, Junior Lien Obligations and Subordinate Lien Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. The Order does not create a lien or mortgage on the System, except the Net Revenues, and any judgement against the District may not be enforced by levy and execution against any property owned by the District. The District has not covenanted or obligated itself to pay the Notes from monies raised or to be raised from taxation. As additional security, there has been established a Reserve Fund which shall be funded in an amount at least equal to the Average Annual Debt Service Requirements (as defined in the Order) of the Bonds Similarly Secured and any Additional Parity Obligations hereinafter issued by the District. (See "THE NOTES – Source of and Security for Payment" herein). Capitalized, but undefined, terms used herein have the meanings described thereto in the Order.

Interest on the Notes will accrue from April 1, 2023 (the "Dated Date") and is payable initially February 1, 2024 and each August 1 and February 1 thereafter until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Notes will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof within a stated maturity, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Notes until DTC resigns or is discharged. The Notes initially will be available to purchasers in book-entry form only. Purchasers of the Notes ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Notes purchased. So long as Cede & Co., as the paying agent to DTC, is the registered owner of the Notes, principal of and interest on the Notes will be payable by the Paying Agent/Registrar to DTC, which will be solely responsible for making such payment to the Beneficial Owners of the Notes. The initial Paying Agent/Registrar for the Notes shall be BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar").

Proceeds from the sale of the Notes will be used for the purpose of (1) acquiring, purchasing, constructing, improving, extending, renovating, enlarging, equipping, or repairing the System, and (2) paying the costs and expenses incurred in connection with issuance the Notes. (See "THE NOTES – Use of Note Proceeds" herein.)

The District has made application to municipal bond insurance companies to have the payment of the principal of and interest on the Notes insured by a municipal bond insurance policy and will consider the purchase of such insurance after an analysis of the bids from such companies has been made. The Underwriters (hereinafter defined) will be responsible for paying the bond insurer's bond insurance premium. See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)

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

The Notes are offered for delivery when, as and if issued and received by the initial purchaser thereof (the "Purchaser") and subject to the approving opinion of the Attorney General of the State and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin and San Antonio, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or attached to, the Notes. It is expected that the Notes will be available for initial delivery through DTC on or about May 3, 2023.

BIDS DUE TUESDAY, APRIL 11, 2023 10:00 A.M. CENTRAL TIME

*Preliminary, subject to change

\$4,000,000*
NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
(A political subdivision of the State of Texas located in Nueces County, Texas)
REVENUE NOTES, SERIES 2023

CUSIP Prefix No. 670480⁽¹⁾

MATURITY SCHEDULE*

Stated Maturity February 1	Principal Amount*	Interest Rate (%)	Initial Yield (%)	CUSIP Suffix ^(a)
2024	\$ 40,000			
2025	90,000			
2026	95,000			
2027	100,000			
2028	105,000			
2029	110,000			
2030	115,000			
2031	120,000			
2032	125,000			
2033	130,000			
2034	140,000			
2035	145,000			
2036	150,000			
2037	160,000			
2038	165,000			
2039	175,000			
2040	185,000			
2041	195,000			
2042	205,000			
2043	215,000			
2044	225,000			
2045	235,000			
2046	245,000			
2047	260,000			
2048	270,000			

(Interest to accrue from the Dated Date)

The Issuer reserves the right to redeem the Notes maturing on or after February 1, 2033, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2032 or any date thereafter, at the redemption price of par plus accrued interest as further described herein. Additionally, the Purchaser may select any two or more consecutive maturities of the Notes to be grouped together as a "term note" and such term notes would be subject to mandatory sinking fund redemption. (See "THE NOTES - Redemption Provisions of the Notes" herein.)

*Preliminary, subject to change.

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc., on behalf of the American Bankers Association and are solely for the convenience of the owners and potential owners of the Notes. No assurance can be given that the CUSIP number for a particular maturity of the Notes will remain the same after the date of initial delivery of the Notes. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the District, the Financial Advisor, or the Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

ELECTED AND APPOINTED OFFICIALS

**NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
501 EAST MAIN STREET
ROBSTOWN, TEXAS 78380**

BOARD OF DIRECTORS:

Name	Years Served	Term Expires
Ronnie Salinas President	5	May 2, 2026
Richard Villarreal Vice President	7	May 4, 2024
Ramiro Alejandro, Jr. Secretary	5	May 2, 2026
Rene Vela Director	5	May 2, 2026
Jose Angel Rodriquez Director	3	May 4, 2024

ADMINISTRATIVE OFFICIALS

Name	Position	Length of Service (Years)
Marcos Alaniz	District Manager	4
Addie Salinas-Hollers	Director of Finance/Administrative Services	35

CONSULTANTS AND ADVISORS

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

Certified Public Accountant Ernest R. Garza & Company, P.C.
Corpus Christi, Texas

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

For Additional Information Please Contact

Ms. Addie Salinas-Hollers
Director of Finance/Administrative Services
Nueces County Water Control and Improvement District No. 3
501 East Main Street
Robstown, Texas 78380
Telephone: (361) 387-4549
asalinas@nueceswater3.com

Mr. Mark McLiney
Mr. Andrew Friedman
SAMCO Capital Markets, Inc.
1020 NE Loop 410, Suite 640
San Antonio, Texas 78209
Telephone: (210) 832-9760
mmcliney@samcocapital.com
afriedman@samcocapital.com

USE OF INFORMATION IN THE PRELIMINARY OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended, and in effect on the date of this Preliminary Official Statement (the "Rule"), this document constitutes an "official statement" of the District with respect to the Notes that has been "deemed final" by the District as of its date except for the omission of no more than the information permitted by the Rule.

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

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

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

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

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

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

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

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

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

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

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SELECTED DATA FROM THE PRELIMINARY OFFICIAL STATEMENT

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

The Issuer	The Nueces County Water Control and Improvement District No. 3 (the “Issuer” or “District”)
The Notes	The Notes are being issued pursuant to the laws of the State of Texas, including Chapters 49, 50 and 51, as amended, of the Texas Water Code, Article XVI, Section 59 of the Texas Constitution, and an order (the “Order”) to be adopted by the District’s Board of Directors (the “Board”) on April 11, 2023. (See “THE NOTES – Authority for Issuance” herein.)
Redemption	The District reserves the right to redeem the Notes maturing on and after February 1, 2033, in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof, on February 1, 2032 or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption. Additionally, the Purchaser may select any two or more consecutive maturities of the Notes to be grouped together as a “term note” and such term notes would be subject to mandatory sinking fund redemption. (See “THE NOTES - Redemption Provisions of the Notes” herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar will be BOKF, NA, Dallas, Texas.
Security for Payment	The Notes are special obligations of the Issuer payable from and equally and ratably secured, together with the currently outstanding Parity Obligations, solely from a first and prior lien on and pledge of the Net Revenues derived from the operation of the Issuer’s Utility System (the “System”). In the Order, the Issuer has reserved the right to issue Additional Prior Lien Obligations, Junior Lien Obligations and Subordinate Lien Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. The Order does not create a lien or mortgage on the System, except the Net Revenues, and any judgement against the District may not be enforced by levy and execution against any property owned by the District. The District has not covenanted or obligated itself to pay the Notes from monies raised or to be raised from taxation. As additional security, there has been established a Reserve Fund which shall be funded in an amount at least equal to the Average Annual Debt Service Requirements of the Bonds Similarly Secured and any Additional Parity Obligations (all as defined in the Order) hereinafter issued by the District. (See “THE NOTES – Source of and Security for Payment” herein.)
Book-Entry-Only System	The District intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York relating to the method and timing of payment and the method and transfer relating to the Notes. (See “BOOK-ENTRY-ONLY SYSTEM” herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Notes will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing statutes, regulations, published rulings, and court decisions, subject to matters discussed herein under “TAX MATTERS”. (See “TAX MATTERS” and “Appendix C - Form of Opinion of Bond Counsel” herein.)
Qualified Tax-Exempt Obligations	The District will designate the Notes as “Qualified Tax-Exempt Obligations” for financial institutions. (See “TAX MATTERS - Qualified Tax-Exempt Obligations” herein.)
Use of Note Proceeds	Proceeds from the sale of the Notes will be used for the purpose of (1) acquiring, purchasing, constructing, improving, extending, renovating, enlarging, equipping, and repairing the System, and (2) paying the costs and expenses incurred in connection with issuance the Notes. (See “THE NOTES – Use of Note Proceeds” herein.)
Ratings	A municipal bond rating application has been made to S&P Global Ratings (“S&P”). The outcome of the results will be made available as soon as possible. (See “OTHER PERTINENT INFORMATION - Ratings” herein.)

Bond Insurance	The District has made application to municipal bond insurance companies to have the payment of the principal of and interest on the Notes insured by a municipal bond insurance policy. (See “BOND INSURANCE” and “BOND INSURANCE GENERAL RISKS” herein.)
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Future Bond issues	The District has no plans to issue any other debt issues in the next 12 months.
Delivery	When issued, anticipated to occur on or about May 3, 2023.
Legality	Delivery of the Notes is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Bond Counsel, Austin and San Antonio, Texas.

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PRELIMINARY OFFICIAL STATEMENT
relating to
\$4,000,000*
NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
(A political subdivision of the State of Texas located in Nueces County, Texas)
REVENUE NOTES, SERIES 2023

INTRODUCTORY STATEMENT

This Official Statement, including the appendices hereto, provides certain information in connection with the issuance by the Nueces County Water Control and Improvement District No. 3 (the "District" or "Issuer") of its \$4,000,000* Revenue Notes, Series 2023 (the "Notes") identified on page 2 hereof.

The District is a political subdivision of the State of Texas and the Notes are being issued pursuant to the laws of the State of Texas (the "State"), including Chapters 49, 50 and 51, as amended, Texas Water Code, Article XVI, Section 59 of the Texas Constitution, and an order (the "Order") to be adopted by the Board of Directors (the "Board") of the District on April 11, 2023, being the date of sale of the Notes (see "THE NOTES – Authority for Issuance" herein).

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

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

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

Infectious Disease Outbreak – COVID-19

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. There are currently no COVID-19 related operating limits imposed by executive order of the Governor for any business or other establishment in the State. The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. The District experienced a temporary reduction in revenues of the System (hereinafter defined) as a result of COVID-19. Though collections have recovered from this temporary reduction, 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. For a discussion of the impact of COVID-19 on the District's financial condition and budget, see "APPENDIX A – Financial Information of the Nueces County Water Control and Improvement District No. 3".

Convening of the Texas Legislature

The 88th Texas Legislature convened on January 10, 2023 and will conclude on May 29, 2023 ("88th Regular Session"). Thereafter, the Governor may call one or more additional special sessions which may last no more than 30 days and for which the Governor sets the agenda. During the legislative session, the Legislature will consider a general appropriations act and may consider legislation affecting how political subdivisions such as the District operate. The District can make no representations or predictions regarding any actions the Legislature may take during the 88th Texas Legislative Session or the effect of any legislation that may be passed in the future or how such legislation could affect the District.

THE NOTES

General Description

Interest on the Notes will accrue from April 1, 2023 (the "Dated Date") and is payable initially February 1, 2024 and each August 1 and February 1 thereafter until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Notes will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof within a stated maturity, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Notes until DTC resigns or is discharged. The Notes initially will be available to purchasers in book-entry form only. Purchasers of the

Notes (“Beneficial Owners”) will not receive physical delivery of certificates representing their interest in the Notes purchased. So long as Cede & Co., as the paying agent to DTC, is the registered owner of the Notes, principal of and interest on the Notes will be payable by the Paying Agent/Registrar to DTC, which will be solely responsible for making such payment to the Beneficial Owners of the Notes. The initial Paying Agent/Registrar for the Notes shall be BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”). (See “BOOK-ENTRY-ONLY SYSTEM” herein.)

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

Use of Note Proceeds

Proceeds from the sale of the Notes will be used for the purpose of (1) acquiring, purchasing, constructing, improving, extending, renovating, enlarging, equipping, and repairing the System, and (2) paying the costs and expenses incurred in connection with issuance the Notes.

Sources and Uses of Funds

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

Sources	
Par Amount of the Notes	\$ _____
Accrued Interest on the Notes	_____
[Net] Reoffering Premium/Discount on the Notes	_____
Total Sources of Funds	=====
Uses	
Project Fund Deposit	\$ _____
Purchasers’ Discount	_____
Note Fund Deposit	_____
Costs of Issuance	_____
Total Uses	=====

Authority for Issuance

The Notes are being issued pursuant to the laws of the State of Texas, including Chapters 49, 50 and 51, as amended, Texas Water Code, Article XVI, Section 59 of the Texas Constitution, and an order (the “Order”) to be adopted by the Board of Directors of the Nueces County Water Control and Improvement District No. 3 (the “District” or the “Issuer”) on April 11, 2023, being the date of sale of the Notes.

Source of and Security for Payment

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

Perfection of Security for the Notes

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

Flow of Funds

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

- First: To the payment of all necessary and reasonable Maintenance and Operating Expenses or other expenses required by statute to be a first charge on and claim against the revenues of the System.
- Second: To the payment of the amounts required to be deposited in the special funds and accounts created and established for the payment, security and benefit of any Bonds Similarly Secured.
- Third: To the payment of the amounts required to be deposited in any special funds and accounts created and established for the payment, security, and benefit of any Junior Lien Obligations hereafter issued by the District.
- Fourth: To the payment of the amounts required to be deposited in any special funds and accounts created and established for the payment, security, and benefit of any Subordinate Lien Obligations hereafter issued by the District.

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

Reserve Fund

Current Reserve Fund. Subject to the springing covenant provisions described below, the Order reaffirms the establishment and maintenance of a Reserve Fund for the payment of the principal of and interest on the Bonds Similarly Secured (which includes the Notes) when money in the Note Fund maintained for such purposes is insufficient on any payment date. The amount to be accumulated and maintained as a reserve amount (the "Required Reserve Amount") in such Fund shall be equal to the Average Annual Debt Service requirements of the Bonds Similarly Secured (calculated on a Fiscal Year basis as of the date the last series of Bonds Similarly Secured that are Outstanding were delivered). As of the date hereof, the amount in the Reserve Fund is \$_____ (the "Current Reserve"), which is satisfied in its entirety by cash; following the delivery of the Notes the new Required Reserve is calculated to be \$_____. Subject to the acquisition of a surety bond policy or the provisions described below, if any, beginning on or before the 10th day of the month next following the month the Notes are delivered to the Purchaser and on or before the 10th day of each following month until the Required Reserve has been fully accumulated, there shall be deposited into the Reserve Fund from the Net Revenues of the System an amount equal to at least 1/60th of the difference between the Required Reserve and the Current Reserve. After the Required Reserve has been accumulated, monthly deposits to such Fund may be terminated; provided, however, should a deficiency thereafter exist (other than as a result of the issuance of Additional Parity Obligations) in the Required Reserve, the District shall resume monthly deposits to the Reserve Fund calculated to cure the deficiency within 60 months from the date the deficiency occurred. See "APPENDIX E – Selected Provisions of the Order".

Springing Reserve Fund Covenant. The Order provides that, to the extent permitted by law and upon earlier to occur the Series 2006 Obligations being no longer Outstanding, the order authorizing the Series 2006 Obligations is properly amended, or the District expressly reserve the right at any time to effectuate a "springing covenant" and thereafter the following provisions will apply to the District's obligation to fund the Reserve Fund in the amount of the Required Reserve:

The District's obligation to fund the Reserve Fund in the amount of the Required Reserve amount shall be suspended for such time as the Net Revenues for each Fiscal Year are equal to at least 110% of the Average Annual Debt Service requirements. In the event that the Net Revenues for any two consecutive Fiscal Years are less than 110% (unless such percentage is below 100% in any Fiscal Year, in which case the hereinafter-specified requirements will commence after such Fiscal Year) of the Average Annual Debt Service requirements, the District will be required to commence making the deposits to the Reserve Fund, as provided above, and to continue making such deposits until the earlier of (i) such time as the Reserve Fund contains the Required Reserve amount or (ii) the Net Revenues for a Fiscal Year have been equal to not less than 110% of the Average Annual Debt Service requirements. For the avoidance of doubt, and though not effective initially, this provision shall become effective upon the occurrence of one of the events specified above and, at such time, will apply to the Parity Obligations while the same remain Outstanding.

Upon the effectiveness of this aforementioned "springing" covenant, the District may, at its option (and assuming compliance at such time with the terms that will allow a suspension of the obligation to fund the Reserve Fund), withdraw any cash then on deposit in the Reserve Fund and use such funds for any lawful purpose.

Rate Covenant

Pursuant to the Order, the District has agreed that it will maintain rates and charges for water service furnished, provided and supplied by the System to customers which shall be reasonable and non-discriminatory and which will produce income and revenues sufficient to pay (i) all necessary and reasonable Maintenance and Operating Expenses or required by statute to be a first charge on and claim against the Gross Revenues thereof; (ii) the interest on and principal of the Bonds Similarly Secured as

and when the same shall become due, and provide for the establishment and maintenance of the funds and accounts created for the payment and security of the Bonds Similarly Secured; (iii) the interest on and principal of the Junior Lien Obligations as and when the same shall become due, and provide for the establishment and maintenance of the funds and accounts created for the payment and security of the Junior Lien Obligations; (iv) the interest on and principal of the Subordinate Lien Obligations as and when the same shall become due, and provide for the establishment and maintenance of the funds and accounts created for the payment and security of the Subordinate Lien Obligations; and (v) any legal debt or obligation of the System as and when the same shall become due.

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

The District reserves the right to issue “Additional Parity Obligations” on a parity with the Parity Obligations in that (i) the District is not then in default as to any covenant, condition or obligation prescribed by the orders or resolutions authorizing the issuance of the Bonds Similarly Secured, (ii) each of the funds created solely for the payment of principal of and interest on the Bonds Similarly Secured contains the amounts of money then required to be on deposit therein and (iii) the District obtains a certificate or opinion from a Certified Public Accountant to the effect that, according to the books and records of the District, the Net Revenues of the System, for the preceding Fiscal Year or for any 12 consecutive months out of the 15 immediately preceding the month the order authorizing the Additional Parity Obligations is adopted, are at least equal to one and one-fourth (1.25) time the Average Annual Debt Service Requirements for the payment of principal of and interest on all outstanding Bonds Similarly Secured after giving effect to the issuance of the Additional Parity Obligations. (See “APPENDIX E - Selected Provisions Of The Order” herein).

Additional Springing Covenants

In the Order, various other “springing covenants” to effectuate prospective changes to the Order, included changes applicable to (1) the defeasance section of the Order by revising the definition of “Government Securities” as defeasance obligations to effectuate changes in Texas law, (2) the person or entity that can provide the “coverage” certification for the issuance of Additional Parity Obligations, (3) revising the definition of “Debt Service Requirements” to recognize certain changes in Texas law, and/or (4) adding definitions for “Credit Provider,” “Credit Agreement,” and “Credit Facility” to recognize certain changes in Texas law. See “APPENDIX E – Selected Provisions of the Order”.

Redemption Provisions of the Notes

The District reserves the right to redeem the Notes maturing on and after February 1, 2033, in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof, on February 1, 2032, or any date thereafter, at a price of par plus accrued interest to the date fixed for redemption.

The Purchaser may group two or more serial maturities of Notes into term Notes (the “Term Notes”). Term Notes will also be subject to mandatory sinking fund redemption.

Selection of Notes to be Redeemed

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

Notice of Redemption of the Notes

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

All notices of redemption shall (i) specify the date of redemption for the Notes, (ii) identify the Notes to be redeemed and, in the

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

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

Legality

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

Defeasance

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

Upon such deposit as described above, such Notes will no longer be regarded to be outstanding obligations for purposes of applying any limitation on indebtedness or for purposes of taxation. After firm banking and financial arrangements for the discharge and final payment of the Notes have been made as described above, all rights of the District to initiate proceedings to call the Notes for redemption or take any other action amending the terms of the Notes are extinguished; provided, however, that, the District's right to redeem Notes defeased to stated maturity is not extinguished if the District has reserved the option, to be exercised at the time of the defeasance of the Notes, to call for redemption, at an earlier date, those Notes which have been defeased to their stated maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Notes for redemption; (ii) gives notice of the reservation of that right to the owners of the Notes immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Default and Remedies

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

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Order, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking association or corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and registered as a transfer agent with the United States Securities and Exchange Commission (the "SEC"). Upon a change in the Paying Agent/Registrar for the Notes, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Notes affected by the change by United States mail, first-class, postage prepaid.

Record Date

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

Special Record Date for Interest Payment

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

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

Future Registration

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

Limitation on Transfer of Notes

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

Replacement Notes

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Notes upon surrender of the mutilated Notes to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Notes is to be transferred and how the principal of, premium, if any, and interest on the Notes are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Notes are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC

for use in disclosure documents such as this Official Statement. The District, the Financial Advisor, and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("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 Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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 Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Notes 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 Notes unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District

as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to Issuer or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical certificates representing each Note stated maturity are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical certificates representing each Note stated maturity will be printed and delivered.

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

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Notes 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 Notes, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, payment or notices that are to be given to registered owners under the Order will be given only to DTC.

THE DISTRICT AND THE SYSTEM

The District was created by Revised Civil Statute Article 7622 by order of the Commissioner's Court of Nueces County, Texas on September 30, 1920 under the authorities of Section 59 of Article XVI of the Constitution of the State of Texas and Chapters 49 and 51, as amended, Texas Water Code. The District is empowered to, among others, purchase, construct, operate, and maintain all works, improvements, facilities and plants necessary for the supply of water and the control and diversion of storm water. The District provides potable water and raw water within its jurisdiction, which includes the City of Robstown, Texas and portions of the City of Corpus Christi, Texas, among others. The District is a political subdivision of the State of Texas. Policy making and supervisory functions are the responsibility of, and are vested in, a five member Board of Directors. The District Manager is the District's chief administrative officer. Support services are provided by independent consultants and advisors.

The District has seventy-five (75) miles of water lines with two (2) half million gallon elevated water storage tanks and 1 million gallon ground storage tank.

Over the last decade, the District's service area has experienced [dramatic] growth. The District has expanded its System to meet the projected demands of its wholesale customers. The District's service area currently encompasses approximately 10,300 acres.

ENVIRONMENTAL REGULATION

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

1. Requiring permits for construction and operation of water supply wells and wastewater treatment facilities;
2. Restricting the manner in which wastes are released into the air, water, or soils;

3. Restricting or regulating the use of wetlands or other property;
4. Requiring remedial action to prevent or mitigate pollution; and
5. Imposing substantial liabilities for pollution resulting from facility operations.

Compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Sanctions against a water district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements, and issuance of injunctions as to future compliance of and the ability to operate the District's water supply, wastewater treatment, and drainage facilities. Environmental laws and regulations can also impact an area's ability to grow and develop. The following is a discussion of certain environmental concerns that relate to the District. It should be noted that changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

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

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

Municipal utilities and special districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. It has a 5-year permit term and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility and special district must comply may have an impact on a municipal utility or special district's ability to obtain and maintain compliance with TPDES permits.

BOND INSURANCE

The District has made application to municipal bond insurance companies (the "Insurer") to have the payment of the principal of and interest on the Notes insured by a municipal bond insurance policy (the "Policy"). The decision to purchase a municipal bond insurance policy may be at the sole discretion of the Purchaser in connection with the Purchaser's winning bid for the purchase of the Notes. If the Purchaser elects to have the Notes guaranteed by a municipal bond insurance policy, the Purchaser shall be responsible for the payment of the premium for such policy. If the District obtains a commitment from the Insurer to provide the Policy, the final Official Statement shall disclose, to the extent necessary, any relevant information relating to the Policy.

BOND INSURANCE GENERAL RISKS

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

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

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

obligated to make payments with respect to the Notes, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Notes.

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

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

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

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS

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

INVESTMENT POLICIES

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

Legal Investments

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

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

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

Investment Policies

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

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

Current Investments ⁽¹⁾

TABLE 1

As of January 31, 2023

<u>Investment Type</u>	<u>Amount</u>	<u>Percentage</u>
Money Markets	\$900,339.33	33.91%
Other Investments	<u>\$1,754,430.05</u>	<u>66.09%</u>
Total	<u>\$ 2,654,769.38</u>	<u>100.00%</u>

⁽¹⁾ Unaudited.

TAX MATTERS

Tax Exemption

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

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the Issuer made in a certificate of even date with the initial delivery of the Notes pertaining to the use, expenditure, and investment of the proceeds of the Notes and will assume continuing compliance with the provisions of the Order by the Issuer subsequent to the issuance of the Notes. The Order contains covenants by the Issuer with respect to, among other matters, the use of the proceeds of the Notes and the facilities financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Notes are to be invested, if required, the calculation and payment to the United States Treasury of any arbitrage "profits" and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Notes to be includable in the gross income of the owners thereof from the date of the issuance of the Notes.

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

Tax Changes

Existing law may change to reduce or eliminate the benefit to Note holders of the exclusion of interest on the Notes from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value

and marketability of the Notes. Prospective purchasers of the Notes should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Ancillary Tax Consequences

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

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Notes. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Notes.

Tax Accounting Treatment of Discount Notes

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

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

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

Tax Accounting Treatment of Premium Notes

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

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

Qualified Tax-Exempt Obligations

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for financial institutions, stating that such disallowance does not apply to interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are properly designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain current refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000.

The District will designate the Notes as "qualified tax-exempt obligations" and will certify its expectation that the above-described \$10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Notes will not be subject to the 100% disallowance of interest expense allocable to interest on the Notes under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Notes will be reduced by 20% pursuant to section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The offering of the Notes 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 have more than \$10,000,000 in aggregate amount of outstanding debt offered pursuant to SEC Rule 15c2-12 (the "Rule") and no person is committed by contract or other arrangement with respect to payment of the Notes. Pursuant to the exemption, the District in the Order has made the following agreement for the benefit of the holder and beneficial owners of the Notes.

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 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 (12) months after the end of each fiscal year ending in and after 2023. The District will provide the updated information to the MSRB in electronic format, which will be available to the public free of charge via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

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 Website or filed with the United States Securities and Exchange Commission (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 by the required time and will provide audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix A or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

The District's current fiscal year end is January 31. Accordingly, audited financial statements must be provided by September 30 of each year (or unaudited financial statements if audited financial statements are not available), 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 also provide timely notices of certain events to the MSRB. The District will provide notice of any of the following events with respect to the Notes to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes, as the case may be; (7) modifications to rights of holders of the Notes, if material; (8) Note calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Notes, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrars or the change of name of a paying agent/registrars, if material; (15) incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such Financial Obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such Financial Obligation of the District, any of which reflect financial difficulties. In the Order, the District will adopt policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "Annual Reports." Neither the Notes nor the Order make provision for credit enhancement (although the District has applied for a municipal insurance policy on the Notes), or liquidity enhancement.

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

Availability of Information

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if the agreement, as amended, would have permitted an underwriter to purchase or sell Notes in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Notes consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders or beneficial owners of the Notes. If the District amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent any Purchaser from lawfully purchasing or selling Notes, respectively, in the primary offering of the Notes.

Compliance with Prior Undertakings

During the past five years, the District has not been subject to a continuing disclosure agreement made in accordance with the Rule.

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

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

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

Litigation

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

Legal Investments and Eligibility to Secure Public Funds in Texas

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

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

FORWARD LOOKING STATEMENTS

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

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

OTHER PERTINENT INFORMATION

Registration and Qualification of Notes for Sale

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

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

Ratings

Municipal bond rating application for the Notes has been made to S&P. The outcome of the results will be made available as soon as possible. An explanation of the significance of such a rating may be obtained from S&P. The rating of the Notes by S&P reflects only the view of S&P at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Notes. The municipal bond rating is not a recommendation to buy, sell, or hold the Notes. The rating fees of S&P will be paid by the District.

Authenticity of Financial Information

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

Financial Advisor

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

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APPENDIX A

**FINANCIAL INFORMATION RELATING TO
NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3**

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FINANCIAL INFORMATION OF THE ISSUER

REVENUE BOND DEBT DATA

TABLE 1

Revenue Bond Debt Principal Outstanding (As of March 1, 2023):

Revenue Refunding Bonds, Series 2006	\$ 1,965,000
Revenue Notes, Series 2023 (the "Notes")	<u>4,000,000</u> *
	\$ 5,965,000

* Preliminary, subject to change.

STATEMENT OF REVENUES AND EXPENDITURES

TABLE 2

	Fiscal Year Ended January 31				
	<u>2023</u> (Unaudited)	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenues					
Water Sales	\$ 4,386,772	\$ 4,235,229	\$ 3,984,531	\$ 4,018,592	\$ 3,900,983
Raw water surcharge	284,210	277,866	283,932	293,901	282,235
Other Revenues	<u>865,839</u>	<u>1,123,660</u>	<u>420,203</u>	<u>330,112</u>	<u>319,689</u>
Total	\$ 5,536,821	\$ 5,636,755	\$ 4,688,666	\$ 4,642,605	\$ 4,502,907
Operating Expenses					
Water system operations	\$ 2,876,889	\$ 2,818,337	\$ 2,478,072	\$ 2,334,616	\$ 2,344,099
General operations	521,703	549,220	463,155	541,773	497,234
Office operations	702,783	692,670	743,509	589,859	550,061
River plant operations	162,330	48,742	170,194	111,407	60,467
Equipment and relift operations	29,758	24,182	9,930	30,483	41,828
Canal operations	66,059	18,772	4,156	61,941	14,110
Raws	20,120	2,706	12,347	-	-
Depreciation/amortization	<u>-</u>	<u>694,568</u>	<u>651,784</u>	<u>621,147</u>	<u>669,596</u>
Total	\$ 4,379,642	\$ 4,849,197	\$ 4,533,147	\$ 4,291,226	\$ 4,177,395
Net Operating Income (Loss)	\$ 1,157,179	\$ 787,558	\$ 155,519	\$ 351,379	\$ 325,512
Non-operating Revenues (Expenses)					
Interest earned on investments	\$ 48,065	\$ 9,331	\$ 28,792	\$ 88,136	\$ 78,617
Interest expense	(166,915)	(196,123)	(231,012)	(253,018)	(285,465)
Gain on sale of assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,398</u>
Net Non-Operating Revenues (Expenses)	\$ (118,850)	\$ (186,792)	\$ (202,220)	\$ (164,882)	\$ (194,450)
Net Income	\$ 1,038,329	\$ 600,766	\$ (46,701)	\$ 186,497	\$ 131,062
Net Revenues Available for					
Debt Service ⁽¹⁾	<u>\$ 1,205,244</u>	<u>\$ 1,491,457</u>	<u>\$ 836,095</u>	<u>\$ 1,060,663</u>	<u>\$ 1,086,123</u>
Annual Debt Service					
Requirements	\$ 942,276	\$ 945,906	\$ 943,377	\$ 945,363	\$ 946,287
Coverage per Rate Covenant	1.28X	1.58X	0.89X	1.12X	1.15X

⁽¹⁾ Net Revenues available for debt service excludes depreciation and capital outlay.

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

OTHER OBLIGATIONS**TABLE 3**

As of January 31, 2023

CoBank Note (2014)	\$ 1,445,449.00
--------------------	-----------------

FUND BALANCES*(As of January 31, 2023)*

Maintenance & Operations Fund*	\$ 100,717
TexPool Interest and Sinking Fund	6,382
TexPool Bond Reserve Fund	699,686
TexStar Undesignated Reserves	269,787
Construction Fund	253,692
Wells Fargo MM Account	276,265
First State Bank of Odem	634,074
Wells Fargo System Connect Fund	42,583
Total	\$ 2,283,186

* Upon closing on the Notes, The District intends to reimburse itself from Note proceeds \$1,419,430 for the prior construction of a booster pump station. The District Board approved a Reimbursement Resolution in September 2021 in anticipation of this action.

Source: The Issuer

UTILITY SYSTEM REVENUE DEBT**TABLE 4**

Fiscal Year 31-Jan	Current Total Debt	The Notes*			Combined
	Service ⁽¹⁾	Principal	Interest ⁽²⁾	Total	Debt Service*
2023	\$ 942,276	\$ -	\$ -	\$ -	\$ 942,276
2024	942,710	40,000	259,025	299,025	1,241,735
2025	946,851	90,000	190,856	280,856	1,227,707
2026	945,134	95,000	186,347	281,347	1,226,481
2027	247,956	100,000	181,594	281,594	529,550
2028	248,050	105,000	176,597	281,597	529,647
2029	169,808	110,000	171,356	281,356	451,164
2030	-	115,000	165,872	280,872	280,872
2031	-	120,000	160,144	280,144	280,144
2032	-	125,000	154,172	279,172	279,172
2033	-	130,000	147,956	277,956	277,956
2034	-	140,000	141,375	281,375	281,375
2035	-	145,000	134,428	279,428	279,428
2036	-	150,000	127,238	277,238	277,238
2037	-	160,000	119,681	279,681	279,681
2038	-	165,000	111,759	276,759	276,759
2039	-	175,000	103,472	278,472	278,472
2040	-	185,000	94,697	279,697	279,697
2041	-	195,000	85,434	280,434	280,434
2042	-	205,000	75,684	280,684	280,684
2043	-	215,000	65,447	280,447	280,447
2044	-	225,000	54,722	279,722	279,722
2045	-	235,000	43,509	278,509	278,509
2046	-	245,000	31,809	276,809	276,809
2047	-	260,000	19,500	279,500	279,500
2048	-	270,000	6,581	276,581	276,581
	\$ 4,442,785	\$ 4,000,000	\$ 3,009,256	\$ 7,009,256	\$ 11,452,041

* Preliminary; subject to change.

⁽¹⁾ Includes the District's Revenue Refunding Bonds, Series 2006 and CoBank Note (2014)⁽²⁾ Interest calculated at an assumed rate for purpose of illustration.

PRINCIPAL REPAYMENT SCHEDULE

TABLE 5

Fiscal Year Ending 12/31	Principal Repayment Schedule			Bonds Unpaid at End of Year*	Percent of Principal Retired (%)*
	Outstanding Bonds	The Notes*	Total*		
2024	\$ 183,871	\$ 40,000	\$ 223,871	\$ 7,151,548	3.04%
2025	821,627	90,000	911,627	6,239,921	15.40%
2026	854,563	95,000	949,563	5,290,358	28.27%
2027	888,128	100,000	988,128	4,302,230	41.67%
2028	216,907	105,000	321,907	3,980,323	46.03%
2029	234,470	110,000	344,470	3,635,852	50.70%
2030	175,852	115,000	290,852	3,345,000	54.65%
2031	-	120,000	120,000	3,225,000	56.27%
2032	-	125,000	125,000	3,100,000	57.97%
2033	-	130,000	130,000	2,970,000	59.73%
2034	-	140,000	140,000	2,830,000	61.63%
2035	-	145,000	145,000	2,685,000	63.60%
2036	-	150,000	150,000	2,535,000	65.63%
2037	-	160,000	160,000	2,375,000	67.80%
2038	-	165,000	165,000	2,210,000	70.04%
2039	-	175,000	175,000	2,035,000	72.41%
2040	-	185,000	185,000	1,850,000	74.92%
2041	-	195,000	195,000	1,655,000	77.56%
2042	-	205,000	205,000	1,450,000	80.34%
2043	-	215,000	215,000	1,235,000	83.26%
2044	-	225,000	225,000	1,010,000	86.31%
2045	-	235,000	235,000	775,000	89.49%
2046	-	245,000	245,000	530,000	92.81%
2047	-	260,000	260,000	270,000	96.34%
2048	-	270,000	270,000	(0)	100.00%
	<u>\$ 3,375,419</u>	<u>\$ 4,000,000</u>	<u>\$ 7,375,419</u>		

* Preliminary; subject to change.

CAPITAL ASSETS

TABLE 6

(As of January 31, 2022)

Land	\$ 100,659
Construction in Progress	-
Canal and Drainage System	2,548,964
Water System	19,106,717
Automobiles and Trucks	454,509
Equipment	822,219
Furniture and Fixtures	176,188
Office Building	427,284
Total Capital Assets	<u>\$ 23,636,540</u>
Less: Accumulated Depreciation	<u>(12,150,765)</u>
Net Capital Assets	<u>\$ 11,485,775</u>

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

HISTORICAL PRODUCTION AND CONSUMPTION DATA

	<u>2023 Unaudited</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Production:					
Gallons pumped into System	699,628,000	706,004,000	720,175,000	597,746,000	699,350,000
Usage:					
Water Meter Count	<u>4,388</u>	<u>4,356</u>	<u>4,381</u>	<u>4,333</u>	<u>4,331</u>
Total Gallons Billed	655,010,000	618,426,000	650,493,000	467,158,000	465,799,000
Average Monthly Usage Per User (Gallons)	13,287	13,506	13,699	11,496	13,456
Percentage Water Loss in System	6.38%	12.40%	9.68%	21.85%	33.40%

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

WATER RATES**TABLE 7**

[Based on Monthly Billing]

(Effective June 15, 2022)

Base Charge (include 2,000 gallons)		
1 inch	\$	50.40
2 inch		67.85
3 inch		103.64
4 inch		139.43
6 inch		186.68
Volumetric Rates (per 1,000 gallons)		
2,000 - 6,000 gal	\$	4.58
6,000 + gal		6.01
Raw Water Surcharge		0.75

Source: The Issuers website.

RAW WATER RATES**TABLE 8**

[Based on Monthly Billing]

(Effective June 15, 2022)

All Accounts - Standard	0.00075 per gallon
All Accounts - Stage 1 DC	0.00150 per gallon
All Accounts - Stage 2 DC	0.00225 per gallon
All Accounts - Stage 3 DC	0.00300 per gallon
All Accounts - Stage 4 DC	Water Use Prohibited

Source: The Issuers website.

TOP 10 CUSTOMERS**TABLE 9**

<u>Account Name</u>	<u>Revenue</u>	<u>Consumption</u>
River Acres Water Supply	\$ 317,808.88	116,193,010
FlatIron/Dragados, LLC	50,975.76	7,267,000
Regency HIS of Robstown	34,796.38	4,817,400
Robstown Housing Authority	31,069.41	4,331,904
American GI Forum	26,173.68	3,588,000
Robstown Housing Authority	25,879.08	3,482,770
River Ridge Nursing & Rehab	23,405.36	3,245,236
Rancho De Luna Apts	29,775.84	3,150,892
Figueroa Apaements	22,819.58	3,140,800
Robstown ISD	18,636.93	2,424,602
	<u>\$ 581,340.90</u>	<u>151,641,614</u>

Top 10 customers represent 10.5% of total revenues of the Utility and 23.5% of total usage

EMPLOYEE'S PENSION PLAN**TABLE 10**

Information regarding the District's pension plan can be found within their audit "NOTE 7 - Employee Retirement Plan".

APPENDIX B

**GENERAL INFORMATION REGARDING THE
NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
AND NUECES COUNTY, TEXAS**

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NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3

The Nueces County Water Control and Improvement District No. 3 (“NCWCID”) provides water for about 14,607 people living in the Robstown area, Nueces County, Texas. Established in 1921, the Nueces County NCWCID draws its water from the Nueces River and Robstown Reservoir.

CITY OF ROBSTOWN, TEXAS

The City of Robstown was founded in Nueces County in 1907. Robstown is a western suburb of Corpus Christi and is located at the center of a strategically located transportation infrastructure that includes access to rail, highway and a water shipping port to move products internationally. The North-South Union Pacific Rail Road (previously the Missouri-Pacific RR) crosses the Kansas City Southern (previously the Texas-Mexican Rail Road). This makes possible the transportation of products to and from Canada to Mexico and other parts of the world via the Port of Corpus Christi.

NUECES COUNTY, TEXAS

Nueces County is a public corporation and political subdivision of the State of Texas. The county seat is the City of Corpus Christi, the eighth largest city in the State. The County has a varied manufacturing and industrial base. Major industries located within the County include industrial, petrochemical, health care, meat processing, banking and financial services.

HISTORICAL POPULATIONS

2012	342,815
2013	344,111
2014	345,407
2015	346,703
2016	347,999
2017	349,295
2018	350,591
2019	351,887
2020	353,178
2021	354,474
2022	355,770

Source: World Population Review website.

LABOR FORCE AVERAGE ANNUAL STATISTICS

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Civilian Labor Force	164,147	163,825	163,342
Total Employed	155,784	152,485	148,793
Total Unemployed	8,363	11,340	14,549
Unemployment Rate	5.1%	6.9%	8.9%
% U.S. Unemployment	3.6%	5.3%	8.1%
Texas Unemployment	4.6%	5.7%	7.7%

Source: Texas Workforce Commission.

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APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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May 3, 2023

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DRAFT

IN REGARD to the authorization and issuance of the “Nueces County Water Control and Improvement District No. 3 Revenue Notes, Series 2023” (the *Notes*), dated _____, 2023, in the aggregate principal amount of \$_____, we have reviewed the legality and validity of the issuance thereof by the Board of Directors of the Nueces County Water Control and Improvement District No. 3 (the *Issuer*). The Notes are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Notes have Stated Maturities of February 1 in each of the years 20__ through 20__, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Notes. Interest on the Notes accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the Notes. Capitalized terms used herein without definition shall have the respective meanings ascribed thereto in the Order.

WE HAVE SERVED AS BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Notes under the laws of the State of Texas and with respect to the exclusion of the interest on the Notes from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer or the Issuer’s combined utility system (the *System*). We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Notes. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Notes. Our role in connection with the Issuer’s Official Statement prepared for use in connection with the sale of the Notes has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Board of Directors of the Issuer in connection with the issuance of the Notes, including the Order; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Notes and certain other funds of the Issuer and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Bond executed and delivered initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and

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Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas in connection with the authorization and issuance of NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3 REVENUE NOTES, SERIES 2023

information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Notes have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Notes are valid and legally binding special obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Notes are payable from and equally and ratably secured solely, together with the currently outstanding Previously Issued Parity Bonds, by a first and prior lien on and pledge of the Net Revenues derived from the operation of the System. In the Order, the Issuer retains the right to issue Additional Parity Obligations, Junior Lien Obligations, and Subordinate Lien Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. The Notes do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the Issuer, except with respect to the Net Revenues. The holder of the Notes shall never have the right to demand payment of the Notes out of any funds raised or to be raised by taxation. The pledge of Net Revenues is subject to the right of a city, under existing Texas law, to annex all of the territory within the Issuer; to take over all properties and assets of the Issuer; to assume all debts, liabilities, and obligations of the Issuer, including the Notes; and to abolish the Issuer.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Order and in reliance upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Notes, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Notes will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the Code), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, (2) interest on the Notes will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals and (3) the Notes are not "private activity bonds" within the meaning of section 141 of the Code.

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

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or

Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas in connection with the authorization and issuance of NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3 REVENUE NOTES, SERIES 2023

supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Norton Rose Fulbright US LLP

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APPENDIX D

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED January 31, 2022

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

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**Nueces County Water Control and
Improvement District No. 3**

**Annual Financial Report
For the Year Ended January 31, 2022**

**ERNEST R. GARZA & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS**

**Authorized Contact:
Ernest R. Garza, C.P.A.
361-241-2452 Office
800-241-1272 Office**

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NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JANUARY 31, 2022

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ANNUAL FILING AFFIDAVIT

STATE OF TEXAS }

COUNTY OF NUECES }

I, Ronnie Salinas of the (Name of Duly Authorized District Representative) Nueces County Water Control and Improvement District No. 3 hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 18th day of October, 2022 its annual audit report for the fiscal year ended January 31, 2022 and that copies of the annual audit report have been filed in the district office located at 501 East Main Street, Robstown, Texas 78380.

The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Commission.

Date: October 18, 2022

By: *Ronnie Salinas*
(Signature of District Representative)

Ronnie Salinas, President
(Typed Name & Title of above District Representative)

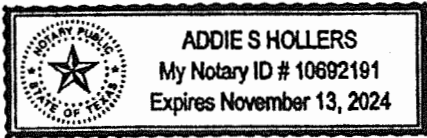
Sworn to and subscribed to before me this 16th day of June 2022.

Addie S Hollers
(Signature of Notary)

Notary Public in and for the State of Texas

Commission Expires on: 11/13/2024

(Seal)



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FINANCIAL SECTION

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AND COMPANY, P.C.**
Certified Public Accountants

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MEMBER
American Institute of Certified Public Accountants
Texas Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Nueces County Water Control and Improvement District No. 3

Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the Nueces County Water Control and Improvement District No. 3 as of and for the year ended January 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Nueces County Water Control and Improvement District No. 3 as of January 31, 2022 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis and budgetary comparison information* on pages 9 through 13 and pages 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting 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 Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Nueces County Water Control and Improvement District No.3's basic financial statements. The Other Supplemental Information and the Texas Supplementary Information ("TSI") such as the TSI Schedules 1 thru 8 are presented for purposes additional analysis and are required by the Texas Commission on Environmental Quality ("TCEQ") and are not a required part of the basic financial statements.

The Other Supplementary Information and the Texas Commission on Environmental Quality supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information and the Texas Commission on Environmental Quality supplementary information listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Ernest R. Garza & Company, P.C.
Corpus Christi, Texas
October 14, 2022

A large, stylized handwritten signature in black ink, likely belonging to Ernest R. Garza, is positioned to the right of the typed name and date.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
Management's Discussion and Analysis
Fiscal Year ended January 31, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Nueces County Water Control and Improvement District No. 3 (District), we offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities for the year ended January 31, 2022.

Overview of the Financial Statements

The intention of this discussion and analysis is to serve as an introduction to the District's basic financial statements.

The District operates a single enterprise fund. The enterprise fund has the characteristics of business-type (proprietary) activities. Like a private enterprise, the District charges a user fee at a level designed to recover all costs. The District may decide how to spend their revenue and resources to provide the service in the most efficient and effective way. Since the resources usually are not restricted to specified uses, there is no need to segregate the resources and their expenditures into funds for financial reporting purposes. Accounting for this type of activity focuses on measuring all costs of the activity, including, for example, depreciation and costs related to long-term commitments. It also focuses on reporting net operating income to determine the necessary level of user fees.

Statement of Net Position: This statement presents information on all of the District's assets, deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Statement of Revenue, Expenses and Changes in Net Position: This statement presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Statement of Cash Flows: This statement presents cash receipts, cash payments, and net changes in cash resulting from operating activities, capital and related financial activities, and investing activities for the year presented.

Notes to the Financial Statements: The notes provide additional information that is essential to the full understanding of the data provided in the financial statements.

Other Information: This report also contains other supplementary information as required by the Texas Commission on Environmental Quality and the Operational Budgetary Comparison Statement.

In this section of the Annual Financial and Compliance Report, we, the managers of Nueces County Water Control and Improvement District No. 3, discuss and analyze the District's financial performance for the fiscal year ended January 31, 2022. Please read it in conjunction with the independent auditors' report on pages 7 thru 8, and the District's Basic Financial Statements which begin on page 16.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
Management's Discussion and Analysis
Fiscal Year ended January 31, 2022

Financial Highlights

- Total assets and deferred outflows of resources for fiscal year ending January 31, 2022 were \$18,762,746.
- Total liabilities and deferred inflows of resources for fiscal year ending January 31, 2022 were \$6,281,878.
- The net position of the District increased by 5.06% or \$600,766 from fiscal year ending January 31, 2021, this was mainly from the pension liability being decreased.
- The District's charges for services increased by 20.96% to \$5,636,755 from fiscal year ending January 31, 2021, this was mainly from a result of a decrease of the pension liability and other revenue was recognized to adjust the reduction in pension liability.
- The District's expenses increased by 6.97% to \$4,849,197 from fiscal year ending January 31, 2021 excluding non-operating expenses.

Financial Analysis of the Water District as a Whole

The District's net position at the end of the fiscal year was \$12,480,869. This is a \$600,766 increase over last year's net position. The following table provides a summary of the District's net position as of January 31, 2022.

Nueces County Water Control and Improvement District No. 3				
The District's Net Position				
	<u>1/31/2022</u>	<u>1/31/2021</u>	Variance Increase/ Decrease	Percent Change
ASSETS				
Current and Other Assets	6,827,811	6,515,917	311,894	4.79%
Capital and Non-current Assets	11,532,364	11,086,847	445,517	4.02%
Total Assets	<u>18,360,175</u>	<u>17,602,764</u>	<u>757,411</u>	<u>4.30%</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflow Related to TRS	402,571	415,923	(13,352)	-3.21%
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>402,571</u>	<u>415,923</u>	<u>(13,352)</u>	<u>-3.21%</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>18,762,746</u>	<u>18,018,687</u>	<u>744,059</u>	<u>4.13%</u>
LIABILITIES				
Current Liabilities	1,639,934	1,472,822	167,112	11.35%
Long-term Liabilities	3,426,662	4,367,097	(940,435)	-21.53%
Total Liabilities	<u>5,066,596</u>	<u>5,839,919</u>	<u>(773,323)</u>	<u>-13.24%</u>
DEFERRED INFLOW OF RESOURCES				
Deferred Inflow Related to TRS	1,215,281	298,666	916,615	306.90%
Total Deferred Inflows of Resources	<u>1,215,281</u>	<u>298,666</u>	<u>916,615</u>	<u>306.90%</u>
NET POSITION				
Invested in Capital Assets	7,322,475	6,125,529	1,196,946	19.54%
Restricted	1,132,192	1,382,998	(250,806)	-18.13%
Unrestricted	4,026,202	4,371,575	(345,373)	-7.90%
Total Net Position	<u>12,480,869</u>	<u>11,880,102</u>	<u>600,767</u>	<u>5.06%</u>

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
Management's Discussion and Analysis
Fiscal Year ended January 31, 2022

At the end of fiscal year ending January 31, 2022, the District had gross assets totaling \$23,535,882, after accumulated depreciation of \$12,150,766, results in a net of \$11,485,775 for a 4.03% increase. These assets include such things as land, water treatment facilities, raw water facilities, etc. These assets are required to provide services to the District customers and therefore are not available for liquidation or for future spending. An increase of 5.05% in the District's net position indicates that the District improved its financial position during fiscal year end January 31, 2022.

Nueces County Water Control and Improvement District No. 3				
Summary of Changes in Net Position				
	1/31/2022	1/31/2021	Variance Increase/ Decrease	Percent Change
Revenues:				
Program Revenues:				
Charges for Services	\$ 5,636,755	\$ 4,525,028	\$ 1,111,727	24.57%
Expenses:				
Operating Expenses	4,849,197	4,764,159	85,038	1.78%
Operating Revenue over Expenses	787,558	(239,131)	1,026,689	-429.34%
Non-operating Revenue				
Investment Income	9,331	28,792	(19,461)	-67.59%
Interest Expense	(196,123)	134,846	(330,969)	-245.44%
Total Non-operating Revenue	(186,792)	163,638	(350,430)	-214.15%
Change in Net Position	600,766	(75,493)	676,259	-895.79%
Net position at beginning of year	11,880,102	11,955,595	(75,493)	-0.63%
Net position at end of year	<u>\$ 12,480,868</u>	<u>\$ 11,880,102</u>	<u>\$ 600,766</u>	<u>5.06%</u>

Total charges for services for the District increased by 6.29% or \$250,697, other income increase of \$705,777 for pension reductions was noted. Total expenses increased by 6.97% or \$316,049 from fiscal year ending January 31, 2021. The increase in revenue is primarily related to an increase in other income for a pension reduction, an increase in water sold was also noted in fiscal year ending January 31, 2022 as compared to fiscal year ending January 31, 2021.

Analysis of Changes in Capital Assets and Long-Term Debt (or Capital Asset Administration)
Capital Asset

The District's net capital assets as of January 31, 2022 were \$11,485,775 (net of accumulated depreciation). These capital assets include land and land improvements, reservoir facilities, water treatment and transmission facilities, water treatment and transmission facilities, buildings, other equipment and water rights. The total increase in the District's capital assets for the current year was 4.03%.

The District had additions in capital assets in the amount of \$1,130,141, capital asset deletions in the amount of \$0 and a net increase in accumulated depreciation in the amount of \$684,814. This results in a net increase in capital assets from January 31, 2021 in the amount of \$445,327.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
Management's Discussion and Analysis
Fiscal Year ended January 31, 2022

Nueces County Water Control and Improvement District No. 3 Capital Assets Net of Accumulated Depreciation
--

	1/31/2022	1/31/2021	Variance Increase/ Decrease	Percent Change
Capital Assets Net of Accumulated Depreciation				
Canal System	\$ 2,188,476	\$ 2,247,565	\$ (59,089)	-2.63%
Drainage System	13,436	13,436	0	0.00%
Land/Reservoir Plant	56,055	56,055	-	0.00%
Land Water Towers	44,604	44,604	-	0.00%
City Water System	1,468,034	676,614	791,420	116.97%
Filter Plant	6,808,977	7,100,407	(291,430)	-4.10%
Water Towers	207,930	237,124	(29,194)	-12.31%
River Plant	1,919	7,905	(5,986)	-75.72%
Vehicles	106,723	128,199	(21,476)	-16.75%
Equipment	263,540	175,144	88,396	50.47%
Office Furniture/Fixtures	19,625	24,193	(4,568)	-18.88%
Warehouse	15,455	12,860	2,595	20.18%
Office Building	291,001	316,342	(25,341)	-8.01%
Construction in Progress	-	-	-	0.00%
Totals	\$ 11,485,775	\$ 11,040,448	445,327	4.03%

Long-Term Debt

During fiscal year January 31, 2022, the District did not have new additions to debt obligations. At the end of the fiscal year, the District had total outstanding debt of \$4,209,889. Outstanding long term debt included a Refunding Bond of \$2,565,000 and a note with CoBank in the amount of \$1,644,889. Short term debt at the end of fiscal year January 31, 2022 consisted of \$183,227 with CoBank. A summary of the District's debt is summarized in the following chart.

Nueces County Water Control and Improvement District No. 3 Outstanding Debt
--

	1/31/2022	1/31/2021	Variance Increase/ Decrease	Percent Change
Series 2006 Refunding Bond	\$ 2,565,000	\$ 3,140,000	\$ (575,000)	-18.31%
CoBank Note	1,644,889	1,821,318	(176,429)	-9.69%
Totals	\$ 4,209,889	\$ 4,961,318	(751,429)	-15.15%

Capital Asset Management

The District does not use the modified approach to assess the condition of its capital assets for the balance sheet presentation.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
Management's Discussion and Analysis
Fiscal Year ended January 31, 2022

The Budget, Economic Environment, and Rates

The annual budget outlines the District's plans to continue to provide high quality, cost-effective service to its customers. Moving into the fiscal year ending January 31, 2022, the District foresees a small increase in its customer base which may lead to an increase in revenue. The District remains committed to looking for ways to improve its daily production and maintenance practices in order to remain as efficient as possible. With the implementation of the raw water surcharge the District has enacted, some of the debt service costs have been absorbed. The District will evaluate these practices on a continuing basis to see if future rate changes will be necessary.

The fiscal year ending January 31, 2022 will include the continuation of projects that should improve the services provided. These projects include the continuation of installing new radio read meters and the start of installing new membrane modules for the treatment plant. The District strives to provide quality water and customer service to all customers, both large and small, and intends to continue to grow into something everyone can be proud of.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Nueces County Water Control and Improvement District No. 3.

As management of Nueces County Water Control and Improvement District No. 3 we offer this narrative overview and analysis of the financial activities of the District for the fiscal year ending January 31, 2022. The information presented here should be considered in conjunction with the District's financial statements.

This discussion and analysis is designed to provide general overview of the District's finances. Questions concerning this or other financial information should be directed to the District Manager at Nueces County Water Control and Improvement District No. 3, 501 E. Main Street, Robstown, Texas.

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FINANCIAL STATEMENTS

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
 STATEMENT OF NET POSITION
 JANUARY 31, 2022

Exhibit G-1
 Page 1 of 2

	<u>2022</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	2,147,825
Investments	1,886,085
Receivables	
Water sales, net	449,745
Accrued interest and other receivables	101,030
Pension Asset	1,029,686
Prepaid Items	81,249
Restricted cash and cash equivalents	<u>1,132,192</u>
Total Current Assets	<u>6,827,811</u>
Non-current assets	
Land	100,659
Property, plant and equipment, at cost, net of accumulated depreciation	11,385,116
Other assets	<u>46,589</u>
Total non-current assets	<u>11,532,364</u>
 Total assets	 <u>18,360,175</u>
Deferred outflows of resources	
Deferred outflows of resources	<u>402,571</u>
Total deferred outflows of resources	<u>402,571</u>
 Total assets and deferred outflows of resources	 <u>18,762,746</u>

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
 STATEMENT OF NET POSITION
 JANUARY 31, 2022

Exhibit G-1
 Page 2 of 2

	<u>2022</u>
LIABILITIES	
Current Liabilities	
Customers' service deposits	602,695
Accrued expenses and accounts payable	254,012
Current portion of long-term debt	<u>783,227</u>
Total Current Liabilities	<u>1,639,934</u>
Noncurrent liabilities	
Long-term, net of current portion	3,426,662
Net Pension Liability	-
Total noncurrent liabilities	<u>3,426,662</u>
Total Liabilities	<u>5,066,597</u>
Deferred inflows of resources	
Deferred amounts related to pensions	<u>1,215,281</u>
Total deferred inflows of resources	<u>1,215,281</u>
Total liabilities and deferred inflows of resources	<u>6,281,878</u>
NET POSITION	
Invested in Capital Assets	7,322,475
Restricted for:	
Revenue Bond Retirement	1,132,192
Unrestricted	<u>4,026,202</u>
Net Position	<u>12,480,868</u>
Total liabilities, deferred inflows of resources and net position	<u>18,762,746</u>

-

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
YEAR ENDED JANUARY 31, 2022

Exhibit G-2

	<u>2022</u>
OPERATING REVENUES	
Water Sales	4,235,229
Raw water surcharge	277,866
Service charges	134,895
Raw water metered	110,342
Service connection fee	17,600
Other untreated water sales	300
Tapping fees	19,900
Other income	840,623
Total Operating Revenues	<u>5,636,755</u>
OPERATING EXPENSES	
Water system operations	2,818,337
General operations	549,220
Office operations	692,670
River plant operations	48,742
Equipment and relift operations	24,182
Canal operations	18,772
Raws	2,706
Depreciation/amortization	694,568
Total Operating Expenses	<u>4,849,197</u>
Net Operating Income	<u>787,559</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest earned on investments	9,331
Interest expense	(196,123)
Gain on sale of assets	0
Net Non-Operating Revenues (Expenses)	<u>(186,792)</u>
Change in Net Position	<u>600,766</u>
Prior Period Adjustment	0
NET POSITION BEGINNING OF YEAR	<u>11,880,102</u>
NET POSITION END OF YEAR	<u><u>12,480,868</u></u>

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
 STATEMENT OF CASH FLOWS
 YEAR ENDED JANUARY 31, 2022

Exhibit I-3

	<u>2022</u>
Cash flow from operating activities:	
Cash received from customers	4,404,767
Cash payments to suppliers for goods and services	(1,994,935)
Cash payments to employees for services	<u>(1,262,759)</u>
Net cash provided by operating activities	<u>1,147,073</u>
Investing activities	
Proceeds from sale of assets	(702)
Interest received	-
Purchases of depreciable assets	<u>(1,297,292)</u>
Net Cash used in investing activities	<u>(1,297,993)</u>
Capital and related financing	
Principal payments on long-term debt	<u>(783,227)</u>
Net cash used in financing activities	<u>(783,227)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(934,147)
Cash and Cash Equivalents at Beginning of Year	<u>4,214,164</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>3,280,017</u></u>
Reconciliation of Operating Income to Net Cash Provided by	
Operating Activities	
Change in net position	600,766
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Gain on sale of capital assets	0
Depreciation/Amortization	694,568
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable (Net)	(188,841)
(Increase) Decrease in Prepaid Items	(26,813)
(Increase) Decrease in net pension asset	(1,029,686)
(Increase) Decrease in deferred outflows	13,352
(Increase) Decrease in customer deposits	61,781
Increase (Decrease) in Accounts Payable	73,534
Increase (Decrease) in Deferred inflows	916,615
Increase (Decrease) in Current liabilities	<u>31,798</u>
Net Cash Provided by Operating Activities	<u><u>1,147,073</u></u>
Supplemental information	
Cash paid during the year for interest	<u>196,123</u>

The accompanying notes to financial statements are an integral part of this statement.

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NOTES TO FINANCIAL STATEMENTS

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JANUARY 31, 2022

NOTE 1: ORGANIZATION AND NATURE OF OPERATIONS

Nature of Operations

Nueces County Water Control and Improvement District No. 3 was created by Revised Civil Statute Article 7622 by order of the Commissioner's Court of Nueces County on September 30, 1920 under the authorities of Section 59 of Article 16 of the Constitution of the state of Texas and Chapters 49 and 51 of the Texas Water code to be governed by and operated under the provisions of Chapter 3A, Title 128, revised Civil Statutes of Texas, 1925. The Board of Directors held its first meeting on October 8, 1920, and the first bonds were approved for sale on November 19, 1921.

The District is an autonomous political sub-division of the state and its principal function is the sale and distribution of water to the community of Robstown, Texas. The District exercises no control over any other governmental agency or authority and its governing body is a Board of Directors who are elected by the users of the District services. The management of the District is the responsibility of the district manager, who is appointed by the governing Board. The District is subject to the rules and regulations administered by the Texas Commission on Environmental Quality.

Approximately 4,372 customers are served by the District.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The District is Self-supporting from business-type activities and does not employ fund accounting in its financing reporting. The District's resources are not restricted to specified uses and it does not segregate the resources and expenditures into funds for financial reporting purposes. The financial activities of the District are reported as proprietary/enterprise activities and are reported using the economic resources measurement focus, which uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of when the related cash flows take place. Proprietary funds account for operations that are organized to be self-supporting through user charges.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for water sales. Operating expenses for the District include the cost of sales, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District applies Government Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board pronouncements, unless those pronouncements conflict with or contradict GASB pronouncements. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. GAAP.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JANUARY 31, 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are started at cost, less accumulated depreciation. Depreciation is computed on a Straight-line basis over the useful lives of the respective assets. Major outlays for capital assets and Improvements are capitalized as projects are constructed and depreciated once placed in service. The capitalization threshold established by the District is \$3,000.

Assets Class	Estimated Useful Lives
Buildings	30
Utility system and improvements	20-40
Autos and equipment	5-20

Deferred Outflows/inflows of Resources

In addition to assets and liabilities, the statement of net assets will sometimes report a separate Section for deferred outflows of resources or deferred inflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption or acquisition of net position that applies to a future periods(s) and so will *not* be recognized as an outflow of resources (expense) or inflow of resources (revenue) until that time.

The District has one item that qualifies for deferred outflows of resources reporting. *Deferred Outflow of resources for pension items* – This deferred outflow results primarily from pension plan contributions made after the measurement date of the net pension liability and the results of differences between projected and actual earnings on pension plan investments. The deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over a closed five year period.

The District has one item that qualifies for deferred inflows of resources reporting. *Deferred inflows of resources for pension items* – This deferred inflow results from differences between expected and actual actuarial experiences. This amount will be amortized over a closed five year period.

Budgetary Controls

Budgetary accounting is employed as a management tool for internal planning and control since the District activities are “business-type” and are fully self-supporting from user fees. Annual operating budgets are adopted each fiscal year through passage of an annual budget and the same basis of accounting is used to reflect actual revenues and expenses recognized on a generally accepted accounting principles basis. The adopted budget is not a spending limitation under law. The District does not utilize an encumbrance method of allocating funds.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JANUARY 31, 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investments in capital assets consists of capital assets net of accumulated depreciation and the outstanding balances of any borrowing spent for the acquisition, construction or improvements of those assets. Net position is reported as restricted when limitations are imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors or laws or regulations of other governments.

Compensated Absences

All full-time employees are entitled to certain compensated absences based on their length of employment. Compensated absences for vacation, sick leave, and personal time off are combined into one paid-time off bank. Compensated absences have a vesting portion based on hours accumulated times the current rate of pay to be paid upon retirement. An employee may sell up to 40 hours of banked time to the District at the end of the year and/or may carryover a maximum of 40 hours to the following year. The amount of paid-time off that can be banked is capped at a maximum of 30 days, or 240 hours. Any unused paid time off above the capped 240 hours expires by December 31st of each year. An estimated liability for this amount is reflected in the financial statements in the amount of \$89,716 as of January 31, 2022.

Pensions

The District participates in an agent multiple-employer defined benefit pension plan. The fiduciary net position of the Texas County and District Retirement System (TCDRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCDRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amount reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JANUARY 31, 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Systems

Occasionally, developers may install new water service taps and donate them to the District. These donated water taps have not been reported as revenues and capital assets of the District.

NOTE 3: CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all demand deposit accounts, money market accounts, and cash on hand. In addition, the District maintains restricted cash in interest bearing government investment pools to meet bond and loan covenants. All certificates of deposit have been classified as investments.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. Funds on deposit with each bank were insured by FDIC up to \$250,000. Funds on deposit with the District's primary banks were also collateralized with securities held by the various entities or by its agent in the entity's name. There were no funds held in other banks in excess of FDIC insurance that were uncollateralized with securities as of January 31, 2022.

Investments that are represented by specific identifiable investment securities are classified as to credit risk by the categories described below:

- Category 1: Insured or registered securities held by the District or its agent in the District's name.
- Category 2: Uninsured and unregistered, with securities held by the counterparty, or by its Trust Department or agent in the District's name.
- Category 3: Uninsured and unregistered, with securities held by the counterparty, or by its Trust Department or agent but not in the District's name.

In accordance with GASB Statement No. 3 – *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, which is required to provide financial statement users assess the risk an entity takes in investing public funds, the District's readily available government pooled investments in TexPool and TexSTAR are not categorized in the three risk categories provided above because these investments are in a pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JANUARY 31, 2022

NOTE 3: CASH AND CASH EQUIVALENTS (continued)

Public Funds Investment Pools

In accordance with GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool’s authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of January 31, 2022, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the District’s access to 100 percent of their account value in either external investment pool.

TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (Trust Company) to provide a safe environment for the placement of local government funds in authorized short-term, fully-collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies, federally insured certificates of deposit issued by Texas banks or savings and loans, and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer.

The Trust Company was incorporated by the State Treasury by authority of the Texas Legislature as a special purpose trust company with direct access to the services of the Federal Reserve Bank to manage, disburse, transfer, safekeep, and invest public funds and securities more efficiently and economically. The State Comptroller of Public Accounts exercise oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters.

Texas Short Term Asset Reserve Program (TexSTAR) has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of Public funds investment pools (including TexSTAR) and authorize eligible government entities (Participants) to invest their public funds and funds under their control through the investment pools.

For purposes of the Statement of Net Position, the District considers its investment in public funds investment pools to be cash equivalents.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of January 31, 2022, the government investment pool in TexPool and TexSTAR are carried at amortized cost, which generally approximates the market value of securities, to value the whole portfolio in accordance to GASB 79 – *Certain External Investment Pools and Pool Participants*.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JANUARY 31, 2022

NOTE 3: CASH AND CASH EQUIVALENTS (continued)

As of January 31, 2022, the District held \$2,608,503 in TexPool, an investment service offered to local governments by the State Treasury government investment pool. The primary objective to TexPool is to provide a safe environment for the placement of public funds in short-term, fully collateralized investments that have the full faith and credit of the U.S. Government. Of the funds on deposit with TexPool, the Reserve Fund (January 31, 2022 balance of \$697,194) is restricted according to the requirements of the Series 2006 Refunding Notes. As of January 31, 2022, the District also held \$264,774 in TexSTAR, an investment service created by local governments for local governments. TexSTAR is a local government investment pool that provides security, liquidity and efficiency for the Management to public funds. The funds on deposit with TexSTAR are restricted in accordance with the requirements of the CoBank note.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the District’s investment policy and the Texas Public Fund Investment Act and the actual rating as of year-end for each investment.

Description	Minimum Legal Rating	Amount	Rating	Percentage
TexPool	AAAm	\$ 2,608,503	AAAm	91.52%
TexSTAR	AAAm	\$ 264,774	AAAm	8.48%
		\$ 2,873,277		100%

NOTE 4: INVESTMENTS

Investments consist of a certificate of deposit held with Texas Champion Bank in the amount of \$145,000 with a maturity date of November 8, 2021. The certificate of deposit is automatically renewable and the next maturity date is November 8, 2022.

The District also has an investment with CoBank, a cooperative which offers a broad range of competitively priced, flexible loan programs, leasing services and other financial services. This investment is a result of a loan taken out with CoBank, which allocates to the District their portion of equity dividends based on CoBank’s profit each year. The aggregate carrying amount of the CoBank investment is \$46,584 at January 31, 2022. This investment has not been evaluated for impairment because CoBank did not identify any events or changes in circumstances that might have an adverse effect on fair value.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JANUARY 31, 2022

NOTE 5: CAPITAL ASSETS

The following is a summary of capital asset activity for the year ending January 31, 2022:

	January 31, 2021	Additions	Retirements	January 31 2022
Non depreciable assets				
Land	\$ 100,659	\$ -	\$ -	\$ 100,659
Construction in Progress	-	-	-	-
Total nNon depreciable assets	<u>100,659</u>	<u>-</u>	<u>-</u>	<u>100,659</u>
Depreciable assets				
Canal & drainage system	2,548,964	-	-	2,548,964
Water system	18,139,844	966,873	-	19,106,717
Automobiles & trucks	409,947	44,562	-	454,509
Equipment	703,513	118,706	-	822,219
Furniture & fixtures	176,188	-	-	176,188
Office building	427,284	-	-	427,284
Total depreciable assets	<u>22,405,740</u>	<u>1,130,141</u>	<u>-</u>	<u>23,535,881</u>
Less accumulated depreciation	<u>(11,465,951)</u>	<u>(684,814)</u>	<u>-</u>	<u>(12,150,765)</u>
Total net depreciable assets	<u>10,939,789</u>	<u>445,327</u>	<u>-</u>	<u>11,385,116</u>
Capital assets, net	<u>\$ 11,040,448</u>	<u>\$ 445,327</u>	<u>\$ -</u>	<u>\$ 11,485,775</u>
Adjustments made to beginning balances				

NOTE 6: LONG-TERM DEBT

Long-term debt outstanding as of January 31, 2022 is as follows:

<i>As of January 31, 2022</i>	\$
Series 2006 refunding notes	3,695,000
CoBank note	1,821,318
Total	5,516,318
Less prepaid insurance costs	(27,874)
Less current portion of long-term debt	(731,429)
Total long-term debt, net of current portion	<u>4,757,015</u>

Originally, the District issued Revenue Notes in 2001. Proceeds were used for permanent Improvements to the System including building, constructing, enlarging, repairing and expanding the System, and for materials, supplies, and machinery for the System.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JANUARY 31, 2022

In 2006, the District issued Series 2006 Refunding Notes in the amount of \$7,785,000 as a result of refinancing the bonds originally issued in 2001. This Series carries a coupon rate of 4.20% with a repayment period of 21 years. The net proceeds of the issue (\$7,555,996) were deposited in an irrevocable trust with an escrow agent to provide for future debt payments on the Series 2001 Revenue Notes. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the District’s financial statements. The refunding bond issuance costs of \$134,056 have been expensed in accordance with GASB No. 65. Principal payments are due annually of each year until maturity on February 15, 2027. Interest payments are due semi-annually of each year at an interest rate of 4.2%.

The 2006 Refunding Bond has a cost of insurance prepaid in the amount of \$91,226, which is reported as a direct deduction from the carrying amount of the debt and is included in “notes payable – noncurrent portion” in the accompanying statement of net assets. The amount is being amortized through operations over the term of the Refunding Notes (21 years) and reported net of accumulated amortization. The balance of the debt issuance costs, net of accumulated amortization, as of January 31, 2022 was \$20,643.

According to the terms of the Series 2006 Refunding Notes, the District is required to establish a Reserve Fund for the purpose of maintaining a reserve equal to the Average Annual Debt Service Requirements on the Notes. The TexPool Reserve Fund is maintained to satisfy this condition and had a balance of \$697,194 as of January 31, 2022.

The funding requirements for the Refunding Notes Series 2006 are summarized in the table below:

Year Ending January 31	<u>Principal Due</u>	<u>Interest Due</u>	<u>Reserve Fund Due</u>	<u>Total Funds Required</u>
2023	-	53,865	-	53,865
2024	600,000	95,130	-	695,130
2025	630,000	69,300	-	699,300
2026	655,000	42,315	-	697,315
2027	680,000	14,280	-	694,280
Thereafter	-	-	-	-
Totals	<u>\$ 2,565,000</u>	<u>\$ 274,890</u>	<u>\$ -</u>	<u>\$ 2,839,890</u>

During 2014, the District secured a loan from CoBank in the amount of \$2,772,500. Proceeds from this note are being used to finance expenses related to the improvement of the raw water system. During the construction phase, interest associated with this note was expensed as incurred. This note carries a fixed interest rate of 4.082% and matures October 20, 2029. The terms of the CoBank note require the District to maintain a debt service reserve account in the amount of \$250,000. The funds held with TexSTAR are maintained to satisfy this condition and had a balance of \$264,774 as of January 31, 2022.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JANUARY 31, 2022

NOTE 6: LONG-TERM DEBT (continued)

The funding requirements for the CoBank note are summarized in the table below:

Year Ending January 31	Principal Due	Interest Due	Reserve Fund Due	Total Funds Required
2023	183,871	63,600	-	247,471
2024	191,627	55,953	-	247,580
2025	199,563	47,988	-	247,551
2026	208,128	39,691	-	247,819
2027	216,907	31,049	-	247,956
Thereafter	644,793	37,839	(264,774)	417,858
Totals	<u>\$ 1,644,889</u>	<u>\$ 276,120</u>	<u>\$ (264,774)</u>	<u>\$ 1,656,235</u>

NOTE 7: EMPLOYEE RETIREMENT PLAN

Plan Description

The District and its employees participate in the Texas County and District Retirement System (TCDRS) which was established by the Texas Legislature. The board of trustees of TCERS is responsible for the administration of the statewide agent multiple-employers public employee retirement system consisting of approximately 700 nontraditional defined benefit pension plans.

The plan provisions are adopted by the governing body of the District, within the options available in the Texas state statutes governing TCERS. The plan covers substantially all of the District's employees and requires equal matching contribution by employees and the District. Members are eligible to retire at age 60 and above with ten or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more.

Employees Covered by Benefit Terms

At the December 31, 2021 and 2020 valuation and measurement date, the following employees were covered by the benefit terms:

	2020	2021
Inactive employees or beneficiaries currently receiving benefits	12	12
Inactive employees entitled to but not yet receiving benefits	9	10
Active employees	<u>27</u>	<u>30</u>
Total	<u>48</u>	<u>52</u>

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JANUARY 31, 2022

NOTE 7: EMPLOYEE RETIREMENT PLAN (continued)

Contributions

The employee contribution rates are set by the District and are currently 7%. The District monthly contributions to the plan will be at a rate that equals or exceeds the required rate as annually determined on an actuarial basis. The rate consists of a normal cost contribution rate plus the rate required, as a level percent of payroll, to amortize the unfunded actuarial liability over the plan's 15-year amortization period or to amortize the overfunded actuarial accrued liability over the plan's 30-year amortization period. Both the employees and the District make contributions monthly. The District made contributions of \$110,342 and \$97,375 during the fiscal year ended January 31, 2022 and 2021 respectfully.

Actuarial Assumptions

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Valuation Timing	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	19.0 years (based on contribution rate calculated in 12/31/2021 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 RP-2014 Healthy Annuitant Mortality Table for males and 120% of the RP-2014 Healthy annuitant Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JANUARY 31, 2022

NOTE 7: EMPLOYEE RETIREMENT PLAN (continued)

Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions 2015: New inflation, mortality and other assumptions were reflected.
2017: New mortality assumptions were reflected.

2019: New inflation, mortality and other assumptions were reflected.

Changes in Plan Provisions Reflected in the Schedule of Employer Contributions 2015: No changes in plan provision were reflected in the Schedule.
2016: No changes in plan provision were reflected in the Schedule.

2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.

2018: No changes in plan provisions were reflected in the schedule.

2019: No changes in plan provisions were reflected in the schedule.

2020: No changes in plan provisions were reflected in the schedule.

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2022 information for a 10-year time horizon.

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

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JANUARY 31, 2022

NOTE 7: EMPLOYEE RETIREMENT PLAN (continued)

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (expected Inflation) (2)
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	3.80%
Global Equities	MSCI World (net) Index	2.50%	4.10%
International Equities - Developed	MSCI World Ex USA (net) Index	5.00%	3.80%
International Equities – Emerging	MSCI EM Standard (net) Index	6.00%	4.30%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.85%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	1.77%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.25%
Distressed Debt	Cambridge Associates Distressed Securities Index (4)	4.00%	4.50%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.10%
Master Limited Partnerships	Alerian MLP Index	2.00%	3.85%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (5)	6.00%	5.10%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (5)	25.00%	6.80%
Hedge Funds	Hedge Fund Research, Inc. (“HFRI”) Fund of	6.00%	1.55%
Cash Equivalents	90-Day U.S. Treasury	2.00%	-1.05%

(1) Target assets allocation adopted at the March 2022 TCDRS Board meeting

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.6%, per Cliffwater’s 2022 capital market assumptions.

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

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

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

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JANUARY 31, 2022

NOTE 7: EMPLOYEE RETIREMENT PLAN (continued)

Discount Rate

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in the year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JANUARY 31, 2022

NOTE 7: EMPLOYEE RETIREMENT PLAN (continued)

4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes.

Therefore, we have used a discount rate of 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

As additional documentation for auditing purposes, we have shown the projection of the Fiduciary Net Position in the following exhibit (“Projection of Fiduciary Net Position”).

Sensitivity Analysis

The following presents the net pension liability of the District, calculated using the discount rate of 7.60%, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	\$ 10,216,305	\$ 9,219,862	\$ 8,352,641
Fiduciary net position	10,249,548	10,249,548	10,249,548
Net pension liability / (asset)	\$ (33,243)	\$ (1,029,686)	\$ (1,896,907)

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JANUARY 31, 2022

NOTE 7: EMPLOYEE RETIREMENT PLAN (continued)

Change in the Net Pension Liability (Asset)

<i>Changes in the Net Pension Liability</i>	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balance at 12/31/2020	\$ 8,695,912	\$ 8,538,704	\$ 157,208
Changes for the year:			
Service cost	188,092	-	188,092
Interest on total pension liability	660,488	-	660,488
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	118,447	-	118,447
Effect of assumptions changes or inputs	(49,108)	-	(49,108)
Refund of contributions	-	-	-
Benefit payments	(393,969)	(393,969)	-
Administrative expenses	-	(5,545)	5,545
Member contributions	-	129,690	(129,690)
Net investment income	-	1,859,297	(1,859,297)
Employer contributions	-	123,021	(123,021)
Other Changes	-	(1,650)	1,650
Net change	523,950	1,710,844	(1,186,894)
Balance at 12/31/2021	\$ 9,219,862	\$ 10,249,548	\$ (1,029,686)

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JANUARY 31, 2022

NOTE 7: EMPLOYEE RETIREMENT PLAN (continued)

Breakdown of Pension Expense/(Income)

<i>For the Calendar year ended 2021</i>	Pension Expense 1/1/2021 to 12/31/2021
Service cost	\$ 188,092
Interest on total pension liability	660,488
Effect of plan changes	0
Administrative expenses	5,545
Member contributions	(129,690)
Expected investment return net of investment expenses	(643,404)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	41,815
Recognition of assumption changes or inputs	80,796
Recognition of investment gains or losses	(335,819)
Other Changes	1,650
Pension expense	\$ (130,527)

Deferred Inflows/Outflows of Resources

As of December 31, 2021, the deferred inflows and outflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$131,514	\$5,493
Changes in actuarial assumptions	\$259,309	\$39,286
Difference between projected and actual investment earnings	\$0	\$1,170,502
Contributions subsequent to the measurement date	\$11,748	\$0
Total	\$402,571	\$1,215,281

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JANUARY 31, 2022

\$8,368 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 January 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31:	
2022	\$(140,957)
2023	\$(281,547)
2024	\$(172,647)
2025	\$(229,307)
2026	\$0
Thereafter	\$0

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

NOTE 8: WATER SERVICE RATES

The following water service rates were in effect during fiscal year ended January 31, 2022:

First 2,000 gallons – minimum bill	\$ 44.00
Next 4,000 gallons	\$ 4.00 per 1,000 gallons
Over 6,000 gallons	\$ 5.25 per 1,000 gallons

NOTE 9: PRIOR PERIOD ADJUSTMENT

None

NOTE 10: SUBSEQUENT EVENTS

The System has evaluated subsequent events through October 14, 2022, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
OPERATIONAL BUDGETARY AND ACTUAL
YEAR ENDED JANUARY 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
OPERATING REVENUES				
	\$			
Water Sales	4,453,303	4,615,403	4,235,229	(380,174)
Raw water surcharge	295,100	295,100	277,866	(17,234)
Service charges	160,000	160,000	134,895	(25,105)
Raw water metered	124,000	105,000	110,342	5,342
Service connection fee	31,000	25,000	17,600	(7,400)
Other untreated water sales	300	3,000	300	(2,700)
Tapping fees	9,000	7,000	19,900	12,900
Other income	225,000	25,000	840,623	815,623
Total Operating Revenues	<u>5,297,703</u>	<u>5,235,503</u>	<u>5,636,755</u>	<u>401,252</u>
OPERATING EXPENSES				
Water system operations	3,908,700	3,692,891	3,384,908	307,983
General operations	546,203	598,306	554,629	43,677
Office operations	671,300	794,640	722,579	72,061
River plant operations	69,600	43,400	54,728	(11,328)
Equipment and relift operations	11,000	94,413	54,492	39,921
Canal operations	100,500	107,000	77,861	29,139
Total Operating Expenses	<u>5,307,303</u>	<u>5,330,650</u>	<u>4,849,197</u>	<u>481,453</u>
Net Operating Income	<u>(9,600)</u>	<u>(95,147)</u>	<u>787,559</u>	<u>(80,201)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest earned on investments	20,600	82,800	9,331	(73,469)
Interest expense	(250,000)	(267,000)	(196,123)	70,877
Gain on sale of assets	0	0	0	0
Net Non-Operating Revenues (Expenses)	<u>(229,400)</u>	<u>(184,200)</u>	<u>(186,792)</u>	<u>(2,592)</u>
Change in Net Position	<u>(239,000)</u>	<u>(279,347)</u>	<u>600,766</u>	<u>(82,793)</u>
Prior Period Adjustment	0	0	0	0
NET POSITION BEGINNING OF YEAR	<u>11,880,102</u>	<u>11,880,102</u>	<u>11,880,102</u>	<u>0</u>
NET POSITION END OF YEAR	<u>11,641,102</u>	<u>11,600,755</u>	<u>12,480,868</u>	<u>(82,793)</u>

See accompanying notes to financial statements.

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 3
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JANUARY 31, 2022

	2021	2020
Total Pension Liability		
Service cost	\$ 188,092	\$ 147,856
Interest (on the total pension liability)	660,488	629,838
Changes of benefit terms	-	-
Difference between expected and actual experience	118,447	31,274
Change of assumptions	(49,108)	432,183
Benefit payments, including refunds of employee contributions	(393,969)	(339,700)
Net Change in Total Pension Liability	<u>523,950</u>	<u>901,451</u>
Total Pension Liability - Beginning	8,695,912	8,265,041
Total Pension Liability - Ending (a)	<u><u>\$ 9,219,862</u></u>	<u><u>\$ 9,166,492</u></u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 123,021	\$ 106,080
Contributions - employee	129,690	113,889
Net investment income	1,859,297	811,344
Benefit payments, including refunds of employee contributions	(393,969)	(339,700)
Refunds	-	-
Administrative expense	(5,545)	(6,248)
Other	(1,650)	(2,764)
Net Change in Plan Fiduciary Net Position	<u>1,710,844</u>	<u>682,601</u>
Plan Fiduciary Net Position - Beginning	8,538,704	7,539,289
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 10,249,548</u></u>	<u><u>\$ 8,221,890</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ (1,029,686)</u></u>	<u><u>\$ 944,602</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	111.17%	98.19%
Covered Payroll	\$ 1,852,719	\$ 1,626,991
Net Pension Liability as a Percentage of Covered Payroll	-55.58%	9.66%

Plan Year Ended December 31,

	2019	2018	2017	2016
\$	160,483	\$ 136,031	\$ 133,782	\$ 135,653
	597,024	558,123	522,737	488,104
	-	-	-	-
	(13,731)	53,980	28,096	(18,722)
	(40,379)	-	20,897	-
	<u>(272,526)</u>	<u>(272,526)</u>	<u>(269,350)</u>	<u>(221,077)</u>
	430,871	475,608	436,162	383,958
	7,363,590	6,887,982	6,451,819	6,067,861
\$	<u>7,794,461</u>	<u>\$ 7,363,590</u>	<u>\$ 6,887,981</u>	<u>\$ 6,451,819</u>
\$	92,171	\$ 88,915	\$ 81,622	\$ 86,617
	102,950	97,403	87,631	84,919
	1,126,125	(132,921)	914,327	433,985
	<u>(272,526)</u>	<u>(272,526)</u>	<u>(269,350)</u>	<u>(221,077)</u>
	(40,379)	-	-	-
	(5,987)	(5,507)	(4,711)	(4,713)
	<u>(2,938)</u>	<u>(1,856)</u>	<u>(1,386)</u>	<u>29,468</u>
	999,416	(226,492)	808,133	409,199
	6,856,688	7,083,180	6,275,046	5,865,847
\$	<u>7,856,104</u>	<u>\$ 6,856,688</u>	<u>\$ 7,083,179</u>	<u>\$ 6,275,046</u>
\$	<u>(61,643)</u>	<u>\$ 506,902</u>	<u>\$ (195,198)</u>	<u>N/A</u>
	100.79%	93.12%	185.28%	106.57%
\$	1,470,718	\$ 1,391,478	\$ 1,251,867	\$ 1,213,127
	-4.19%	36.43%	-29.71%	-2.08%

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 3
 SCHEDULE OF CONTRIBUTIONS
 FOR THE YEAR ENDED JANUARY 31, 2022

	Fiscal Year Ended January 31,		
	2022	2021	2020
Actuarially determined contribution	\$ 119,846	\$ 123,021	\$ 106,080
Contributions in relation to actuarially determined contribution	<u>(119,846)</u>	<u>(123,021)</u>	<u>(106,080)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,804,906	\$ 1,852,719	\$ 1,626,991
Contributions as a percentage of covered payroll	6.64%	6.64%	6.52%

<u>2019</u>	<u>2018</u>	<u>2017</u>
\$ 92,067	\$ 88,915	\$ 81,622
<u>(92,067)</u>	<u>(88,915)</u>	<u>(81,622)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,470,718	\$ 1,391,478	\$ 1,251,867
6.26%	6.39%	6.52%

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 3
NOTES TO SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JANUARY 31, 2022

Valuation Date: Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	19.0 years
Asset Valuation Method	5-yr smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.6% average over career including inflation.
Investment Rate of Return	7.50%, net of 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 RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

Other Information: There were no benefit changes during the year.

OTHER TEXAS SUPPLEMENTARY INFORMATION (TSI)

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
TSI-1 SERVICES AND RATES
YEAR ENDED JANUARY 31, 2022

1. Services Provided by the District

- | | | |
|---|---|--|
| <input checked="" type="checkbox"/> Retail Water | <input checked="" type="checkbox"/> Wholesale Water | <input type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input checked="" type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Security |
| <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Roads |
| <input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | |
| <input type="checkbox"/> Other (specify): _____ | | |

2. Retail Rates Based on 5/8" Meter (or equivalent):

Most prevalent type of meter (if not a 5/8"): <=1"

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum Use	Usage Levels
WATER:					
Res.	\$ 44.00	2,000	N	\$4.00/4.40 \$5.25 /5.78	2,001 to 6,000 6,001 & UP

WASTEWATER:

Res. N/A

SURCHARGE: \$0.75/1000 gallons - - - -

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water: \$89.16 Wastewater: \$ _____

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	5	5	x 1.0	5
≤ 3/4"	4,171	4,171	x 1.0	4,171
1"	26	26	x 2.5	65
1 1/2"	8	8	x 5.0	40
2"	124	124	x 8.0	992
3"	8	8	x 15.0	120
4"	13	13	x 25.0	325
6"	1	1	x 50.0	50
8"	N/A	N/A	x 80.0	0
10"	N/A	N/A	x 115.0	0
Total Water	4,356	4,356	-	57
Total Wastewater	N/A	N/A	x 1.0	5,768

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
TSI-1 SERVICES AND RATES
YEAR ENDED JANUARY 31, 2022

3. Total Water Consumption during the Fiscal Year (rounded to the nearest thousand):

Gallons pumped into system: <u>706,004,000</u>	Water Accountability Ratio:
Gallons billed to customers: <u>618,426,000</u>	(Gallons billed/Gallons pumped)
	<u>87.5952544%</u>

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes ___ No X

If yes, Date of the most recent Commission Order: _____ N/A

Does the District have Operation and Maintenance standby fees? Yes No X

If yes, Date of the most recent Commission Order: _____ N/A

5. Location of District:

County(ies) in which district is located. Nueces

Is the District located entirely within one county? Yes

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

City(ies) in which district is located. Robstown, Texas

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

ETJ's in which district is located. Robstown, Texas

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

If Yes, by whom? N/A

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
TSI- 2 DISTRICT EXPENDITURES
YEAR ENDED JANUARY 31, 2022

Personnel (including benefits)	\$	2,188,195
Professional Fees:		
Auditing		35,000
Legal		50,109
Engineering		15,711
Contracted Services		2,433
General manager		
Utilities		219,809
Repairs and maintenance		504,360
Administrative Expenditures:		
Director's Fee		11,707
Office Supplies		31,782
Insurance		74,547
Other expenses		<u>1,715,543</u>
Total expenses		<u><u>4,849,197</u></u>

Number of persons employed by the District	<u>29</u>	full-time
	<u>5</u>	part-time

See accompanying notes to financial statements.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
TSI - 3 SCHEDULE OF TEMPORARY INVESTMENTS
YEAR ENDED JANUARY 31, 2022

<u>District</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
Cooperative equity:					
CoBank - 1				\$ 46,584	0
TexPool	19-1783600002, 4, 5	0.0579%		2,608,503	0
TexStar	9999888	0.0583%		264,774	0
Certificate of Deposit:					
Texas Champion Bank	65115747	0.50%	11/08/2022	145,000	0
TOTAL				<u>\$ 3,064,860</u>	<u>0</u>

1 - Investment with CoBank consisting of a profit sharing percent of patronage during the year

Financial Officer Training:

The financial officers of the District have fulfilled the training requirements for compliance of the Public Funds Investment Act.

See accompanying notes to financial statements.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
TSI -4 TAXES LEVIED AND RECEIVABLE
YEAR END JANUARY 31, 2022

No applicable, no taxes levied or receivables noted

See accompanying notes to financial statements.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
TSI - 5 GENERAL LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS
YEAR ENDED JANUARY 31, 2022

Refunding Notes - Series 2006

Notes due February 1		Interest payments due		Total	Principal Balance
Year Ending	Principal			Annual	Outstanding
<u>1/31</u>	<u>Amount</u>	<u>Feb 1</u>	<u>Aug 1</u>	<u>Requirements</u>	<u>End of Year</u>
2022					2,565,000
2023	-	-	53,865	53,865	2,565,000
2024	600,000	53,865	41,265	695,130	1,965,000
2025	630,000	41,265	28,035	699,300	1,335,000
2026	655,000	28,035	14,280	697,315	680,000
2027	680,000	14,280	-	694,280	-
	2,565,000	137,445	137,445	2,839,890	

Subordinate Lien Revenue Note- CoBank

Notes due February 1			Total	Principal Balance
Year Ending	Principal		Annual	Outstanding
<u>1/31</u>	<u>Amount</u>	<u>Interest</u>	<u>Requirements</u>	<u>End of Year</u>
2022			-	1,644,889
2023	183,871	63,600	247,471	1,461,018
2024	191,627	55,953	247,580	1,269,391
2025	199,563	47,988	247,551	1,069,828
2026	208,128	39,691	247,819	861,700
2027	216,907	31,049	247,956	644,793
2028	226,056	22,048	248,104	418,737
2029	235,544	12,673	248,217	183,193
2030	183,193	3,118	186,311	-
	1,644,889	276,120	1,921,009	

See accompanying notes to financial statements.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
TSI-6: CHANGES IN LONG-TERM BONDED DEBT
YEAR ENDED JANUARY 31, 2022

		<u>Series 2006</u>
Interest Rate		4.20%
Date Interest Payable		8/1 & 2/1
Maturity Dates		2-1-2026
Beginning Bonds Outstanding	\$	3,140,000
Add:		
Bonds Sold During the Fiscal Year		-
Less:		
Bonds Refunded During the Fiscal Year		-
Balance Per Schedule		<u>3,140,000</u>
2/1/22 Principal Payment Made in FYE 1/31/22		<u>(575,000)</u>
Ending Bonds Outstanding	\$	<u><u>2,565,000</u></u>
Interest Paid During the Fiscal Year	\$	143,535
Paying Agen'ts Name and City: Bank of America/NA Dallas, Texas:		
Debt Service Fund and Reserve Fund combined balance as of January 31, 2022:	\$	<u>722,418</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	\$	<u>528,989</u>
Amortization of cost of issuing notes: (FYE 1/31/2022):	\$	<u>4,344</u>

See accompanying notes to financial statements.

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NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3

TSI -7A COMPARATIVE SCHEDULE - REVENUES AND EXPENSES

GENERAL FUND -FIVE YEARS ENDED

YEAR ENDED JANUARY 31, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
	<u>AMOUNT</u>	<u>AMOUNT</u>	<u>AMOUNT</u>	<u>AMOUNT</u>
OPERATING REVENUES				
Water Sales	\$ 4,235,229	3,984,531	4,018,592	3,900,983
Raw water surcharge	277,866	283,932	293,901	282,235
Service charges	134,895	94,965	158,630	156,895
Raw water metered	110,342	122,099	104,843	86,309
Service connection fee	17,600	30,600	21,200	29,300
Other untreated water sales	300	300	2,800	6,315
Tapping fees	19,900	8,600	6,500	13,800
Sundry income, etc.	840,623	134,846	36,139	27,070
Interest on investments	9,331	28,792	88,136	78,617
Gain on sale of assets	0	0	0	12,398
Total Operating Revenues	<u>5,646,086</u>	<u>4,688,666</u>	<u>4,730,741</u>	<u>4,593,922</u>
OPERATING EXPENSES				
Water system operations	3,017,166	2,721,431	2,587,634	2,629,564
General operations	549,220	463,155	541,772	497,234
Office operations	692,670	743,509	589,859	550,061
River plant operations	48,742	170,194	111,407	60,467
Equipment and relift operations	24,182	9,930	30,483	41,828
Canal operations	18,772	4,156	61,942	14,110
Total Expenses	<u>4,350,752</u>	<u>4,112,375</u>	<u>3,923,097</u>	<u>3,793,264</u>
Net before non-cash expenses	<u>1,295,334</u>	<u>576,291</u>	<u>807,644</u>	<u>800,658</u>
Depreciation and Amortization				
City water operations	526,261	518,870	493,913	542,653
Equipment and relift operations	126,739	26,655	33,315	41,245
Canal operations	0	59,089	61,021	59,089
River plant operations	0	10,472	10,937	10,937
Office operations	1,905	26,945	12,208	10,263
Amortization of water rights	9,753	9,753	9,753	5,409
Total Depreciation and Amortization	<u>\$ 664,659</u>	<u>651,784</u>	<u>621,147</u>	<u>669,596</u>
Net Income	<u>630,675</u>	<u>(75,493)</u>	<u>186,497</u>	<u>131,062</u>

See accompanying notes to financial statements

<u>2018</u>	<u>2017</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>AMOUNT</u>	<u>AMOUNT</u>	<u>PERCENT</u>	<u>PERCENT</u>	<u>PERCENT</u>	<u>PERCENT</u>
3,973,280	4,106,330	85.0%	84.9%	84.9%	84.9%
277,731	287,281	6.1%	6.2%	6.1%	5.9%
149,410	166,810	2.0%	3.4%	3.4%	3.2%
100,883	50,898	2.6%	2.2%	1.9%	2.2%
52,125	31,800	0.7%	0.4%	0.6%	1.1%
6,390	9,890	0.0%	0.1%	0.1%	0.1%
12,600	4,400	0.2%	0.1%	0.3%	0.3%
50,501	100,596	2.9%	0.8%	0.6%	1.1%
55,290	14,404	0.6%	1.9%	1.7%	1.2%
-	-	0.0%	0.0%	0.3%	0.0%
<u>4,678,210</u>	<u>4,772,409</u>	<u>99.4%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
2,352,084	2,249,877	58.0%	54.7%	57.2%	50.3%
416,919	462,027	9.9%	11.5%	10.8%	8.9%
458,369	388,939	15.9%	12.5%	12.0%	9.8%
97,303	157,173	3.6%	2.4%	1.3%	2.1%
34,679	28,107	0.2%	0.6%	0.9%	0.7%
12,944	16,182	0.1%	1.3%	0.3%	0.3%
<u>3,372,298</u>	<u>3,302,305</u>	<u>87.7%</u>	<u>82.9%</u>	<u>82.6%</u>	<u>72.1%</u>
<u>1,305,912</u>	<u>1,470,104</u>	<u>11.7%</u>	<u>17.1%</u>	<u>17.4%</u>	<u>27.9%</u>
588,194	580,710	12.6%	10.4%	11.8%	12.6%
45,902	36,815	0.6%	0.7%	0.9%	1.0%
59,088	29,544	1.4%	1.3%	1.3%	1.3%
12,574	15,842	0.3%	0.2%	0.2%	0.3%
10,167	9,383	0.7%	0.3%	0.2%	0.2%
5,409	5,409	0.2%	0.2%	0.1%	0.1%
<u>721,334</u>	<u>677,703</u>	<u>15.8%</u>	<u>13.1%</u>	<u>14.6%</u>	<u>21.4%</u>
<u>584,578</u>	<u>792,401</u>	<u>27.5%</u>	<u>3.9%</u>	<u>2.9%</u>	<u>12.5%</u>

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
YEAR ENDED JANUARY 31, 2022

Complete District Mailing Address: 501 E. Main Street
 Robstown, Texas 78380
 District Business Telephone No. 361-387-4549

Limit on Fees of Office that a Director may received during a fiscal year: See by Board Resolution - TWC Section 36.054, 49.054) \$ 2,162
 Submission Date of the most recent District Register 6/15/2020

Name and Address	Title	Expiration of Term	Fees	Expense Reimbursement	Resident of District	Relationships With Major Land Owners, Engineer/ Attorney and Tax Assessor
Ronnie Salinas 204 E. Ave I Robstown, Texas 78380	President	5/7/2022 Elected	\$ 2,162	-	Yes	None
Richard Villarreal 609 W. Ligustrum Robstown, Texas 78380	Vice-President	5/7/2024 Elected	\$ 2,162	-	Yes	None
Ramiro Alejandro 1203 Baker St. Robstown, Texas 78380	Secretary	5/7/2022 Elected	\$ 2,162	-	Yes	None
Rene M Vela Jr 117 Mesa Dr Robstown, Texas 78380	Director	5/7/2022 Elected	\$ 2,162	-	Yes	None
Jose Angel Rodriguez 523 Marie Robstown, Texas 78380	Director	5/2/2024 Elected	\$ 2,162	-	Yes	None

Note: No director is disqualified from serving on this board under the Texas Water Code.

The accompanying notes are an intergral part of this statement.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
YEAR ENDED JANUARY 31, 2022

Complete District Mailing Address: 501 E. Main Street
 Robstown, Texas 78380
 District Business Telephone No. 361-387-4549

Limit on Fees of Office that a Director may received during a fiscal year: See by Board Resolution - TWC Section 49.060) \$ 2,162 Relationships With Major Land Owners, Engineer/ Attorney and Tax Assessor

Name and Address	Title	Expiration of Term	Fees	Resident of District	Attorney and Tax Assessor
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Key Administrative Personnel

Marcos Alaniz 3681 Co Rd. 50 Robstown, Texas 78380	District Manager	12/23/26	\$111,240	Yes	None
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Addie Salinas-Hollers P. O. Box 1147 Robstown, Texas 78380	Manager of Finance and Administrative	9/15/2022	\$103,131	No	None
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District Engineer

Ardurra Group 801 Navigation Blvd #300 Corpus Christi, Texas 78408	Engineer		195,030	No	None
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District Legal Council:

Armando B Gonzalez, Jr. 924 Leopard Street Corpus Christi, Texas 78401	Attorney		50,000	No	None
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Ernest R. Garza & Company, P.C. CPA'S 10201 Leopard #A Corpus Christi, Texas 78410	Independent Auditor	6/2023	30,000	No	None
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The accompanying notes are an intergral part of this statement.

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APPENDIX E

SELECTED PROVISIONS OF THE ORDER

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APPENDIX E

Selected Provisions from the Order

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

SECTION 9: Definitions. For all purposes of this Order (as defined below), except as otherwise expressly provided or unless the context otherwise requires: (i) the terms defined in this Section have the meanings assigned to them in this Section, and certain terms used in Sections 30 and 47 of this Order have the meanings assigned to them in such Sections, and all such terms include the plural as well as the singular; (ii) all references in this Order to designated “Sections” and other subdivisions are to the designated Sections and other subdivisions of this Order as originally adopted; and (iii) the words “herein”, “hereof”, and “hereunder” and other words of similar import refer to this Order as a whole and not to any particular Section or other subdivision.

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

B. The term *Authorized Officials* shall mean the President of the Board, the Secretary of the Board, the District Manager, or the Director of Finance and Administrative Services.

C. The term *Average Annual Debt Service Requirements* shall mean that average amount which, at the time of computation, will be required to pay the Debt Service Requirements of obligations when due and derived by dividing the total of such Debt Service Requirements by the number of years then remaining before final Stated Maturity. Capitalized interest payments provided from bond proceeds shall be excluded in making the aforementioned computation.

D. The term *Bonds Similarly Secured* shall mean the Parity Obligations, the Notes, and any Additional Parity Obligations hereafter issued by the District or bonds issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured by a first and prior lien on and pledge of the Net Revenues.

E. The term *Closing Date* shall mean the date of physical delivery of the Initial Notes in exchange for the payment in full by the Purchasers.

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

G. The term *Credit Facility* shall mean (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations under and pursuant to Texas law, or (ii) a letter or line of credit issued by any financial institution authorized under applicable Texas law to deliver such types of financial instrument.

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

I. The term *District* shall mean the Nueces County Water Control and Improvement District No. 3, located in the County of Nueces, Texas and, where appropriate, the Board of Directors of the District.

J. The term *Debt Service Requirements* shall mean as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the District as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest calculated by assuming (i) that the interest rate for every 12-month period on such bonds is equal to the rate of interest reported in the most recently published edition of The Bond Buyer (or its successor) at the time of calculation as the "Revenue Bond Index" or, if such Revenue Bond Index is no longer being maintained by The Bond Buyer (or its successor) at the time of calculation, such interest rate shall be assumed to be 80% of the rate of interest then being paid on United States Treasury obligations of like maturity and (ii) that, in the case of bonds not subject to fixed scheduled mandatory sinking fund redemptions, that the principal of such bonds is amortized such that annual debt service is substantially level over the remaining stated life of such bonds or in the manner permitted under Section 1371.057(c), as amended, Texas Government Code as the same relates to interim or non-permanent indebtedness, and further assuming in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity according to a fixed schedule, the principal amounts thereof will be redeemed prior to Stated Maturity in accordance with the mandatory redemption provisions applicable thereto (in each case notwithstanding any contingent obligation to redeem bonds more rapidly). For the term of any Credit Agreement in the form of an interest rate hedge agreement entered into in connection with any such obligations, Debt Service Requirements shall be computed by netting the amounts payable to the District under such hedge agreement from the amounts payable by the District under such hedge agreement and such obligations. For the avoidance of doubt, and though not effective initially, this provision shall become effective upon the occurrence of one of the events specified in Section 15 and, at such time, will apply to the Parity Obligations while the same remain Outstanding.

K. The term *Depository* shall mean an official depository bank of the District.

L. The term *District* shall mean Nueces County Water Control and Improvement District No. 3, located in Nueces County, Texas, and any other public agency succeeding to the powers, rights, privileges and functions of the District and, when appropriate, the Board of Directors of the District.

M. The term *Fiscal Year* shall mean the twelve month accounting period used by the District in connection with the operation of the System which may be any twelve consecutive month period established by the District, which period presently commences on February 1 of each year and ends on the following January 31.

N. The term *Government Securities*, as used herein, shall mean (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by, the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; or (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; provided, however, when the Series 2006 Obligations are no longer outstanding, the bond documents are properly amended, or the purchaser of those obligations consents, the term *Government Securities* shall mean (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by, the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent; (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent; or (iv) any additional securities and obligations hereafter authorized by the laws of the State of Texas as eligible for use to accomplish the discharge of obligations such as the Notes. For the avoidance of doubt, and though not effective initially, this provision shall become effective upon the occurrence of one of the events specified in Section 15 and, at such time, will apply to the Parity Obligations while the same remain Outstanding.

O. The term *Gross Revenues* shall mean, for any defined period, all income, receipts, revenues, and increment which may be received or derived from the ownership and/or operation of the System as it is purchased, constructed or otherwise acquired from time to time, but shall not mean the income and increment derived from a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities which under the

terms of the authorizing resolution(s) or order(s) that may be pledged for the requirements of the District's Special Facilities Bonds issued particularly to finance the water facilities needed in performing any such contract or contracts.

P. The term *Holder* or *Holder*s shall mean the registered owner, whose name appears in the Security Register, for any Note.

Q. The term *Insurer* shall mean _____, as the provider of a municipal bond insurance policy for the Notes.

R. The term *Interest Payment Date* shall mean the date semiannual interest is payable on the Notes, being February 1 and August 1 of each year, commencing [February 1, 2024], while any of the Notes remain Outstanding.

S. The term *Junior Lien Obligations* shall mean (i) bonds, notes, warrants, or other obligations hereafter issued by the District payable and equally and ratably secured wholly or in part from a pledge of and lien on, in whole or in part, Net Revenues of the System which is junior and inferior to the lien on and pledge of Net Revenues securing the payment of the then-outstanding Parity Obligations, but superior to the lien on and pledge of Net Revenues of the System that are or will be pledged to the payment of any Subordinate Lien Obligations hereinafter issued by the District, and (ii) any obligations issued to refund the foregoing payable and equally and ratably secured from a junior and inferior lien on and pledge of the Net Revenues as determined by the Board in accordance with any applicable law.

T. The term *Maintenance and Operating Expenses* shall mean costs of operation, maintenance and necessary replacements to the System, the cost of insurance, the cost of supplies, costs incurred in providing water, and the payment of salaries and all other expenses properly incurred in operating and maintaining the System and keeping the same in good repair and operating condition; provided, however, when the Series 2006 Obligations are no longer outstanding, the bond documents are properly amended, or the purchaser of those obligations consents, the term *Maintenance and Operation Expenses* shall never include any allowance for depreciation, property retirement, depletion, obsolescence, and other items not requiring an outlay of cash and any interest on the Parity Obligations or any other debt.

U. The term *Net Revenues* shall mean Gross Revenues of the System for any period after the deduction of Maintenance and Operating Expenses.

V. The term *Note Fund* shall mean the special Fund created and established by the provisions of Section 13 of this Order.

W. The term *Notes* shall mean the \$_____,____ "NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3 REVENUE NOTES, SERIES 2023" authorized by this Order.

X. The term *Order* shall mean this order adopted by the Board of Directors of the District on April 11, 2023.

Y. The term *Outstanding* when used in this Order with respect to Notes shall mean, as of the date of determination, all Notes issued and delivered under this Order, except:

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

(2) those Notes for which payment has been duly provided by the District in accordance with the provisions of Section 32 of this Order; and

(3) those Notes that have been mutilated, destroyed, lost, or stolen and replacement Notes have been registered and delivered in lieu thereof as provided in Section 28 of this Order.

Z. The term *Parity Obligations* shall mean shall mean (i) the outstanding and unpaid obligations of the District that are payable solely from and equally and ratably secured by a prior and first lien on and pledge of the Net Revenues of the System, identified as follows:

(1) "Nueces County Water Control and Improvement District No. 3, Revenue Refunding Bonds, Series 2006", dated March 15, 2006, in the original principal amount of \$7,785,000 (the *Series 2006 Obligations*);

(2) Upon issuance, the Notes; and

(ii) obligations hereafter issued to refund any of the foregoing if issued in a manner so as to be payable from and equally and ratably secured by a first and prior lien on and pledge of the Net Revenues of the System as determined by the Board of Directors in accordance with any applicable law.

AA. The term *Pledged Revenues* means (1) the Net Revenues that remain after payment of all amounts, and funding of all funds, relating to any Parity Obligations as well as any Additional Parity Obligations and any Junior Lien Obligations hereafter issued by the District, plus (2) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations, or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter are pledged by the District to the payment of the Notes, and excluding those revenues excluded from Gross Revenues.

BB. The term *Purchasers* shall mean the initial purchasers of the Notes named in Section 29 of this Order.

CC. The term *Required Reserve Amount* shall mean the amount required to be deposited and maintained in the Reserve Fund under the provisions of Section 15 of this Order.

DD. The term *Required Reserve Fund Deposits* shall mean the monthly deposited required to be deposited and maintained in the Reserve Fund under the provisions of Section 15 of this Order.

EE. The term *Stated Maturity* shall mean the annual principal payments of the Notes payable on February 1 of each year, as set forth in Section 2 of this Order.

FF. The term *Subordinate Lien Obligations* shall mean (i) the Notes and any other outstanding and unpaid obligations that are payable wholly or in part from and equally and ratably secured by a lien on and pledge of the Pledged Revenues of the System, which lien on and pledge of Pledged Revenues includes a subordinate and inferior lien on and pledge of the Net Revenues that are or will be pledged to the payment of the Parity Obligations and any Additional Parity Obligations and any Junior Lien Obligations hereafter issued by the District and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a lien on and pledge of the Pledged Revenues as determined by the Board in accordance with any applicable law.

GG. The term *System* shall mean all properties, facilities, and plants currently owned, operated, and maintained by the District for the supply, treatment and transmission of treated potable water, together with all future extensions, improvements, replacements and additions thereto; provided, however, that notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term System shall not mean to include facilities of any kind which are declared not to be a part of the System and which are acquired or constructed by or on behalf of the District with the proceeds from the issuance of "*Special Facilities Bonds*", which are hereby defined as being special revenue obligations of the District which are payable from and secured by other liens on and pledges of any revenues, sources or payments, not pledged to the payment of the Bonds Similarly Secured including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

SECTION 10: Pledge of Net Revenues. (a) The District hereby covenants and agrees that the Net Revenues of the System are hereby irrevocably pledged to the payment of the Bonds Similarly Secured, including the establishment and maintenance of the special funds created for the payment and security thereof, all as hereinafter provided; and it is hereby ordered that the Bonds Similarly Secured shall constitute a first and prior lien on the Net Revenues of the System and be valid and binding without any physical delivery thereof or further act by the District, and the lien created hereby on the Net Revenues of the System for the payment and security of the Bonds Similarly Secured shall be prior in right and claim as to any other indebtedness, liability or obligation of the District or the System.

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

SECTION 11: Rates and Charges. The District hereby agrees and covenants to the holders of the Bonds Similarly Secured that it will at all times maintain rates and charges for water services furnished, provided, and supplied by the System to customers which shall be reasonable and nondiscriminatory and which will produce income and revenues sufficient to pay:

A. To the payment of all necessary and reasonable Maintenance and Operating Expenses as defined herein or required by statute to be a first charge on and claim against the Gross Revenues thereof.

B. The interest on and principal of the Bonds Similarly Secured as and when the same shall become due, and provide for the establishment and maintenance of the funds and accounts created for the payment and security of the Bonds Similarly Secured.

C. The interest on and principal of any Junior Lien Obligations hereafter issued by the District as and when the same shall become due, and provide for the establishment and maintenance of the funds and accounts created for the payment and security of any Junior Lien Obligations hereafter issued by the District.

D. The interest on and principal of the Subordinate Lien Obligations, if any, as and when the same shall become due, and provide for the establishment and maintenance of the funds and accounts created for the payment and security of the Subordinate Lien Obligations.

E. Any legal debt or obligation of the System as and when the same shall become due.

SECTION 12: Revenue Fund. There has been previously created and established and the District shall maintain a special fund entitled "Nueces County Water Control and Improvement District No. 3 System Revenue Fund" (the *Revenue Fund*) into which all revenues of every nature received from the operation of the System shall be deposited as received.

SECTION 13: Note Fund - Excess Funds. For the sole purpose of paying the principal of and interest on the Notes, there is hereby created and established and there shall be maintained a separate fund entitled "Nueces County Water Control and Improvement District No. 3 Revenue Note Interest and Sinking Fund" (the *Note Fund*).

Accrued interest, if any, received from the Purchasers of the Notes shall be deposited into the Note Fund. In addition, any surplus proceeds from the sale of the Notes, including investment income thereon, not expended for authorized purposes shall be deposited in the Note Fund, and such amounts so deposited shall reduce the sums otherwise required to be deposited in such Fund from the Net Revenues of the System.

SECTION 14: Flow of Funds. The District hereby covenants and agrees that deposits into the Revenue Fund shall be pledged and appropriated to the extent require for the following uses and in the order of priority shown:

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

B. Second: To the payment of the amounts required to be deposited in the Note Fund created and established for the payment of Debt Service Requirements on the Bonds Similarly Secured and the amounts required to be deposited in any reserve or contingency fund or account created for the payment and security of the Bonds Similarly Secured, and any other obligations or evidences of indebtedness issues or incurred that are payable from and secured by a prior and first lien on and pledge of the Net Revenues of the System, as the same becomes due and payable.

C. Third: To the payment of the amounts required to be deposited in the interest and sinking fund created and established for the payment of debt service requirements on the Junior Lien Obligations and the amounts required to be deposited in any reserve or contingency fund or account created for the payment and security of the Junior Lien Obligations, and any other obligations or evidences of indebtedness issues or incurred that are payable from and secured by a junior and inferior lien on and pledge of the Net Revenues of the System, as the same becomes due and payable.

D. Fourth: To the payment of the amounts required to be deposited in the interest and sinking fund created and established for the payment of debt service requirements on the Subordinate Lien Obligations and the amounts required to be deposited in any reserve or contingency fund or account created for the payment and security of the Subordinate Lien Obligations, and any other obligations or evidences of indebtedness issues or incurred that are payable from and secured by a lien on and pledge of the Pledged Revenues, as the same becomes due and payable.

E. 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 hereinafter permitted by law.

SECTION 15: Reserve Fund. To accumulate and maintain a reserve for the payment of the Bonds Similarly Secured (the *Required Reserve Amount*) equal to the Average Annual Debt Service Requirements (calculated on a Fiscal Year basis and determined as of the date of issuance of the Notes or the most recently issued series of Additional Parity Obligations then Outstanding) for the Bonds Similarly Secured, the District has previously created, established, and maintains a separate and special fund or account known as the "Nueces County Water Control and Improvement District No. 3 Revenue Note Reserve Fund (the *Reserve Fund*), which fund or account shall be maintained at the Depository. All funds deposited into the Reserve Fund (excluding earnings and income derived or received from deposits or investments which will be transferred to the Revenue Fund established in Section 12 of this Order during such period as there is on deposit in the Reserve Fund the Required Reserve Amount) shall be used solely for the payment of the principal of and interest on the Bonds Similarly Secured, when and to the extent other funds available for such purposes are insufficient, and, in addition, may be used to retire the last stated maturity or interest on the Bonds Similarly Secured.

In accordance with the provisions of the ordinance authorizing the Parity Obligations, the amount currently on deposit in the Reserve Fund is \$_____ (the *Current Reserve*). By reason of the issuance of the Notes, the Required Reserve Amount shall be \$___, which shall be accumulated, if necessary, in the following manner. Beginning on or before the tenth day of the

month next following the delivery of the Notes to the Purchasers and on or before the tenth day of each following month until the Required Reserve Amount has been accumulated in the Reserve Fund, the District covenants and agrees to deposit to the Reserve Fund from the Net Revenues of the System, or any other lawfully available funds, an amount not less than \$___ being the Required Reserve Fund Deposits.

As and when Additional Parity Obligations are delivered or incurred, the Required Reserve Amount shall be increased, if required, to an amount calculated in the manner provided in the first paragraph of this Section. Subject to the later provisions of this Section 15 that may take effect while the Notes remain Outstanding, any additional amount required to be maintained in the Reserve Fund shall be so accumulated by the deposit of the necessary amount of the proceeds of the issue or other lawfully available funds in the Reserve Fund immediately after the delivery of the then proposed Additional Parity Obligations, or, at the option of the District, by the deposit of monthly installments, made on or before the tenth day of each month following the month of delivery of the then proposed Additional Parity Obligations, of not less than 1/60th of the additional amount to be maintained in the Reserve Fund by reason of the issuance of the Additional Parity Obligations then being issued (or 1/60th of the balance of the additional amount not deposited immediately in cash), thereby ensuring the accumulation of the appropriate Required Reserve Amount.

Subject to the later provisions of this Section 15 that may take effect while the Notes remain Outstanding, when and so long as the cash and investments in the Reserve Fund equal the Required Reserve Amount, no deposits need be made to the credit of the Reserve Fund; but, if and when the Reserve Fund at any time contains less than the Required Reserve Amount (other than as the result of the issuance of Additional Parity Obligations as provided in the preceding paragraph), the District covenants and agrees to cure the deficiency in the Required Reserve Amount by resuming the Required Reserve Fund Deposits to said Fund or account from the Net Revenues of the System, or any other lawfully available funds, such monthly deposits to be in amounts equal to not less than 1/60th of the Required Reserve Amount covenanted by the District to be maintained in the Reserve Fund with any such deficiency payments being made on or before the tenth day of each month until the Required Reserve Amount has been fully restored. The District further covenants and agrees that, subject only to the prior payments to be made to the Note Fund and as required by the order authorizing the issuance of any Additional Parity Obligations hereafter issued by the District, the Net Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve Amount and to cure any deficiency in such amounts as required by the terms of this Order and any other order pertaining to the issuance of any Additional Parity Obligations.

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

To the extent permitted by law and upon earlier to occur the Series 2006 Obligations being no longer Outstanding, the order authorizing the Series 2006 Obligations is properly amended, or the District receives written consent of each holder of such Series 2006 Obligations, the District expressly reserves the right at any time to fund all or any part of the Reserve Fund to be held in the Reserve Fund by entering into a Credit Agreement with or purchasing a Credit

Facility from a Credit Provider that will unconditionally obligate the Credit Provider to pay all, or any part thereof, of the Required Reserve in the event funds on deposit in the Interest and Sinking Fund are not sufficient to pay the debt service requirements on the Parity Obligations. Such Credit Agreement or Credit Facility, authorized pursuant to Chapter 1371 will be submitted to the Attorney General of the State of Texas for review and approval. All orders adopted after the date hereof authorizing the issuance of Additional Parity Obligations shall contain a provision to this effect. For the avoidance of doubt, and though not effective initially, this provision shall become effective upon the occurrence of one of the events specified above and, at such time, will apply to the Parity Obligations while the same remain Outstanding.

In the event a Credit Agreement or Credit Facility issued to satisfy all or part of the District's obligation with respect to the Reserve Fund causes the amount then on deposit in the Reserve Fund to exceed the Required Reserve, the District may transfer such excess amount to any fund or account established for the payment of or security for the Notes (including any escrow established for the final payment of any such obligations pursuant to Chapter 1207, Texas Government Code, as amended) or use such excess amount for any lawful purpose now or hereafter provided by law; provided, however, to the extent that such excess amount represents Parity Obligation proceeds or interest thereon, then such amount must be transferred to the debt service fund for such series of Parity Obligations.

Notwithstanding anything to the contrary contained in this Section, and at such time that the Series 2006 Obligations no longer remain Outstanding, the requirements set forth above to fund the Reserve Fund in the amount of the Required Reserve amount shall be suspended for such time as the Net Revenues for each Fiscal Year are equal to at least 110% of the Average Annual Debt Service requirements. In the event that the Net Revenues for any two consecutive Fiscal Years are less than 110% (unless such percentage is below 100% in any Fiscal Year, in which case the hereinafter-specified requirements will commence after such Fiscal Year) of the Average Annual Debt Service requirements, the District will be required to commence making the deposits to the Reserve Fund, as provided above, and to continue making such deposits until the earlier of (i) such time as the Reserve Fund contains the Required Reserve amount or (ii) the Net Revenues for a Fiscal Year have been equal to not less than 110% of the Average Annual Debt Service requirements. For the avoidance of doubt, and though not effective initially, this provision shall become effective upon the occurrence of one of the events specified above and, at such time, will apply to the Parity Obligations while the same remain Outstanding.

SECTION 16: Deficiencies - Excess Net Revenues.

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

B. Subject to making the required deposits to the Note Fund and the Reserve Fund when and as required by any order authorizing the issuance of any Bonds Similarly Secured, the excess Net Revenues of the System may be used by the District for any lawful purpose.

SECTION 17: Payment of Bonds Similarly Secured. While any of the Bonds Similarly Secured are outstanding, the District Manager of the District or other authorized District official, shall cause to be transferred to the Paying Agent/Registrar therefor, from funds on deposit in the Note Fund, and, if necessary, in the Reserve Fund, amounts sufficient to fully pay and discharge promptly each installment of interest on and principal of the Bonds Similarly Secured as such installment accrues or matures; such transfer of funds must be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Bonds Similarly Secured at the close of the business day next preceding the date a debt service payment is due on the Bonds Similarly Secured.

SECTION 18: Investments. Funds held in any Fund or account created, established, or maintained pursuant to this Order may, at the option of the District, shall be invested as permitted by the provisions of the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code, or any other law, and secured (to the extent not insured by the Federal Deposit Insurance Corporation) by obligations of the type hereinafter described, including investments held in book-entry form, in securities including, but not limited to, direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, or invested in indirect obligations of the United States of America, including, but not limited to, evidences of indebtedness issued, insured, or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, Farmers Home Administration, Federal Home Loan Mortgage Association, or Federal Housing Association; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any Fund or account will be available at the proper time or times. Such investments (except State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value within 45 days of the close of each Fiscal Year and, with respect to investments held for the account of the Reserve Fund, within 30 days of the date of passage of each order authorizing the issuance of any Additional Parity Obligations. All interest and income derived from deposits and investments in the Note Fund immediately shall be credited to, and any losses debited to, the Note Fund. All interest and interest income derived from deposits in and investments of the Reserve Fund shall, subject to the limitations provided in Section 15, be credited to and deposited in the Revenue Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Notes.

SECTION 19: Issuance of Additional Parity Obligations. The District hereby expressly reserves the right, in addition to the right to issue obligations that are payable from and secured, in whole or in part, by a junior and inferior lien on and pledge of the Net Revenues, to issue Additional Parity Obligations payable from a first and prior lien on and pledge of the Net Revenues of the System. When duly authorized and issued in compliance with law and the terms and conditions hereafter stated, such Additional Parity Obligations shall be on a parity with the Notes. The District covenants and agrees, however, it will not issue any Additional Parity Obligations unless:

A. The District is not then in default as to any covenant, condition or obligation prescribed by the orders or resolutions authorizing the issuance of the Bonds Similarly Secured.

B. Each of the funds created solely for the payment of principal of and interest on the Bonds Similarly Secured contains the amounts of money then required to be on deposit therein.

C. The District obtains a certificate or opinion from a Certified Public Accountant to the effect that, according to the books and records of the District, the Net Revenues of the System, for the preceding Fiscal Year or for any 12 consecutive months out of the 15 months immediately preceding the month the order authorizing the Additional Parity Obligations is adopted, are at least equal to one and one-fourth (1.25) times the Average Annual Debt Service Requirements for the payment of principal of and interest on all outstanding Notes after giving effect to the issuance of the Additional Parity Obligations then proposed. In making a determination of the Net Revenues, the Accountant may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective not more than ninety (90) days prior to adoption of the order authorizing the issuance of the Additional Parity Obligations and, for the purposes of satisfying the Net Revenues test, make a pro forma determination of the Net Revenues for the period of time covered by his certification or opinion based on such change in rates and charges being in effect for the entire period covered by the Accountant's certificate or opinion. Provided, however, to the extent permitted by law and upon earlier to occur the Series 2006 Obligations no longer remain Outstanding, the order authorizing the Series 2006 Obligations is properly amended, or the District receives written consent of each holder of such Series 2006 Obligations, the District expressly reserves the right at any time to substitute the person or entity that provides this "coverage" certification such that it may be provided by the District's District Manager or its director of finance.

SECTION 20: Issuance of Junior Lien Obligations and Subordinate Lien Obligations.

A. The District may issue Junior Lien Obligations secured by a lien on and pledge of the Net Revenues of the System junior and inferior to the lien thereon and pledge thereof securing the Bonds Similarly Secured, and senior and superior to the lien there on and pledge thereof securing the repayment of the Subordinate Lien Obligations, on the terms and conditions desired by the District, subject only to the limitations imposed by applicable law and upon satisfying each of the conditions precedent contained in this Order.

B. The District may issue Subordinate Lien Obligations secured by a lien on and pledge of the Net Revenues of the System subordinate and inferior to the lien thereon and pledge thereof securing the Bonds Similarly Secured and any Junior Lien Obligations hereafter issued by the District, on the terms and conditions desired by the District, subject only to the limitations imposed by applicable law and upon satisfying each of the conditions precedent contained in this Order.

SECTION 21: Maintenance of System - Insurance. The District covenants, agrees, and affirms its covenants that while the Bonds Similarly Secured remain outstanding it will maintain and operate the System with all possible efficiency and maintain casualty and other insurance on the properties of the System and its operations of a kind and in such amounts customarily carried by municipal corporations in the State of Texas engaged in a similar type of business (which may

include an adequate program of self insurance); and that it will faithfully and punctually perform all duties with reference to the System required by the laws of the State of Texas. All money received from losses under such insurance policies, other than public liability policies, shall be retained for the benefit of the holders of the Bonds Similarly Secured until and unless the proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, either by replacing the property destroyed or repairing the property damaged, and adequate provision for making good such loss or damage must be made within ninety (90) days after the date of loss. The payment of premiums for all insurance policies required under the provisions hereof shall be considered Maintenance and Operating Expenses. Nothing in this Order shall be construed as requiring the District to expend any funds which are derived from sources other than the operation of the System but nothing herein shall be construed as preventing the District from doing so.

SECTION 22: Records and Accounts - Annual Audit. The District covenants, agrees, and affirms its covenants that so long as any of the Bonds Similarly Secured remain outstanding, it will keep and maintain separate and complete records and accounts pertaining to the operations of the System in which complete and correct entries shall be made of all transactions relating to the System, and that the Holders of the Bonds Similarly Secured or any duly authorized agent or agents of such Holders shall have the right to inspect the System and all properties comprising the same. The District further agrees that following (and in no event later than 180 days) the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of Certified Public Accountants. Copies of each annual audit shall be furnished, without charge, to the (i) Executive Director of the Municipal Advisory Council of Texas at his office in Austin, Texas, or (ii) any subsequent Holder thereof. Expenses incurred in making the annual audit of the operations of the System are to be regarded as Maintenance and Operating Expenses.

SECTION 23: Limited Obligations of the District. The Bonds Similarly Secured are limited, special obligations of the District payable from and equally and ratably secured solely by a first and prior lien on and pledge of the Net Revenues of the System, and the Holders thereof shall never have the right to demand payment of the principal or interest on the Bonds Similarly Secured from any funds raised or to be raised through taxation by the District.

SECTION 24: Security of Funds. All money on deposit in the Funds for which this Order makes provision (except any portion thereof as may be at any time properly invested as provided herein) shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds, and money on deposit in such Funds shall be used only for the purposes permitted by this Order.

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Financial Advisory Services
Provided By:



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

Winning Bidder

After requesting competitive bids for the Notes, the District accepted the bid of _____ (the "Purchaser" or the "Initial Purchaser") to purchase the Notes at the interest rates shown on the page 2 of this Official Statement at a price of par, plus a net original reoffering premium of \$_____, plus accrued interest on the Notes from their Dated Date to their date of initial delivery. The District can give no assurance that any trading market will be developed for the District after their sale by the District to the Purchaser. The District has no control over the price at which the Notes are subsequently sold and the initial yield at which the Notes will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

Certification of the Official Statement

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

Information from External Sources

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

Concluding Statement

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

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

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

The Order authorizing the issuance of the Notes will also approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorize its further use in the re-offering of the Certificates by the Underwriters.

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

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
/s/ _____
President, Board of Directors

ATTEST:
/s/ _____
Secretary, Board of Directors