OFFICIAL STATEMENT
DATED AUGUST 29, 2023

NEW ISSUE - Book-Entry-Only

RATINGS:
Moody's:"Aa2"
S&P: "AA-"
(SEE "OTHER INFORMATION – Ratings" herein.)

In the opinion of Orrick, Herrington & Sutcliffe LLP and the Perez Law Firm, PLLC, Co-Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Co-Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement Income of certain corporations is not excluded from the federal corporate alternative minimum tax. In the further opinion of Co-Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

$59,205,000
HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
(a political subdivision of the State of Texas located within Hidalgo County)
UNLIMITED TAX IMPROVEMENT BONDS, SERIES 2023

Dated: September 1, 2023 **Due: September 1, as shown on inside cover page**
Interest Accrues: Date of Initial Delivery

PAYMENT TERMS . . . Interest on the $59,205,000 Hidalgo County Drainage District No. 1 (the "District") Unlimited Tax Improvement Bonds, Series 2023 (the "Bonds") will accrue from their date of initial delivery and will be payable on March 1 and September 1 of each year, commencing March 1, 2024, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds are initially issuable only to Cede and Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the purchasers thereof**. Principal of and interest on the Bonds will be payable by U.S. Bank Trust Company, National Association, Houston, Texas, the initial Paying Agent/Registrar, to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System" herein).

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including, particularly, Texas Water Code, Chapter 56, as amended, Chapters 1201 and 1371, Texas Government Code, as amended ("Chapter 1201" and "Chapter 1371" respectively), an election held within the District on May 6, 2023 (the "Election"), and an order (the "Bond Order") adopted by the Commissioners Court of Hidalgo County (the "Commissioners Court"), serving as the governing body of the District, on August 22, 2023. In the Bond Order, as permitted by certain provisions of Chapter 1371, the Commissioners Court delegated to certain authorized officials of the County the authority to establish the final sale terms of the Bonds pursuant to a pricing certificate (the "Bond Pricing Certificate", and together with the Bond Order, the "Order") executed by such officials. The Bonds are direct obligations of the District, payable from a continuing ad valorem tax levied on all taxable property within the District, without limit as to rate or amount (see "THE BONDS - Authority for Issuance").

See Maturity Schedules on the pages ii and iii

PURPOSE . . . Proceeds from the sale of the Bonds will be used (i) to pay for the construction and equipment for drainage improvement projects in the District and the acquisitions of rights of way therefor, and (ii) to pay costs of issuance of the Bonds.

LEGALITY . . . The Bonds are offered for delivery when, as, and if issued and received by the initial purchasers listed below (the "Underwriters") and subject to the approving opinions of the Attorney General of Texas and the legal opinions of Orrick, Herrington & Sutcliffe LLP, Houston, Texas, and Perez Law Firm, PLLC, McAllen, Texas, Co-Bond Counsel. See Appendix C – "Form of Co-Bond Counsel Opinion" herein. Certain legal matters will be passed upon for the Underwriters by their counsel, Cantu Harden Montoya LLP, San Antonio, Texas.

DELIVERY . . . It is expected that the Bonds will be tendered for delivery to the Underwriters through the services of DTC on or about September 27, 2023.

SAMCO CAPITAL MARKETS, INC. **SWBC INVESTMENT SERVICES, LLC**

FROST BANK **HILLTOPSECURITIES**

$59,205,000
HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
UNLIMITED TAX IMPROVEMENT BONDS, SERIES 2023

CUSIP[1] Prefix: 429335

MATURITY SCHEDULE

$35,895,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Yield [2]	CUSIP[1] Suffix	Maturity (September 1)	Principal Amount	Interest Rate	Initial Yield [2]	CUSIP[1] Suffix
2024	$ 1,000,000	5.000%	3.650%	NG3	2032	$ 1,480,000	5.000%	3.580%	MP4
2025	13,230,000	5.000%	3.550%	MG4	2033	1,555,000	5.000%	3.620%	MQ2
2026	1,105,000	5.000%	3.500%	MH2	2034	1,635,000	5.000%	3.700% [3]	MR0
2027	1,160,000	5.000%	3.430%	MJ8	2035	1,715,000	5.000%	3.780% [3]	MS8
2028	1,220,000	5.000%	3.420%	MK5	2036	1,800,000	5.000%	3.890% [3]	MT6
2029	1,280,000	5.000%	3.460%	ML3	2037	1,890,000	5.000%	3.980% [3]	MU3
2030	1,345,000	5.000%	3.490%	MM1	2038	1,985,000	5.000%	4.080% [3]	MV1
2031	1,410,000	5.000%	3.530%	MN9	2039	2,085,000	4.125%	4.350%	MW9

(Interest to accrue from date of initial delivery)

$23,310,000 Term Bonds

$4,435,000, 4.250% Term Bond Due September 1, 2041 Priced to Yield 4.450% [2] CUSIP Suffix[1] MY5

$7,395,000, 4.375% Term Bond Due September 1, 2044 Priced to Yield 4.580% [2] CUSIP Suffix[1] NB4

$11,480,000, 4.500% Term Bond Due September 1, 2048 Priced to Yield 4.690% [2] CUSIP Suffix[1] NF5

(Interest to accrue from date of initial delivery)

OPTIONAL AND MANDATORY SINKING FUND REDEMPTION . . . The District reserves the right, at its option, to redeem the Bonds having stated maturities on and after September 1, 2034, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on September 1, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see "THE BONDS – Optional Redemption"). The Term Bonds are also subject to mandatory sinking fund redemption as described herein (see "THE BONDS – Mandatory Sinking Fund Redemption").

[1] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein provided by CUSIP Global Services ("CGS"), managed by Fact Set Research Systems Inc., on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District, the Financial Advisor, nor the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.
[2] Initial yield represents offering yield to the public which has been established by the Underwriters for the offers to the public by the Underwriters as their sole responsibility which may be subsequently changed.
[3] Yield calculated based upon the assumption that the Bonds will be redeemed on September 1, 2033, the first optional redemption call date for the Bonds, at a redemption price of par plus accrued interest to the redemption date.

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

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriters after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

The yields at which the Bonds are offered to the public may vary from the initial reoffering yields on page ii of this Official Statement.

The information and expressions of opinion contained 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 affairs of the District or other matters described.

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

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF. THE BONDS WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

None of the District, the Financial Advisor, or the Underwriters makes any representation or warranty with respect to the information contained in this Official Statement regarding DTC or its Book-Entry-Only System, as such information was furnished by DTC.

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor or the Underwriters. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information and this Official Statement is not to be construed as a promise or guarantee of the Underwriters.

The agreements of the District and others related to the Bonds are contained solely in the documents described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds are to be construed as an agreement with the Underwriters. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

The information contained in this Official Statement has been furnished by the District, DTC and other sources that are believed to be reliable. No dealer, broker, salesperson, or other person has been authorized by the District or the Underwriters to give any information or to make any representations other than those made herein. Any such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this offering document.

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT .... Hidalgo County Drainage District No. 1 (the "District") is a political subdivision located within the boundaries of Hidalgo County, Texas, initially created under the provisions of Article III, Section 52, of the Texas Constitution, pursuant to an election held within the territory affected, on April 9, 1908. The District was subsequently converted to be operated under the provisions of Article XVI, Section 59 thereof, which authorizes the District to issue debt payable from an unlimited tax as to rate or amount approved at an election in the District by registered voters of the District (See "GENERAL INFORMATION).

THE BONDS............................. The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including, particularly, Texas Water Code, Chapter 56, as amended, Chapters 1201 and 1371, Texas Government Code, as amended ("Chapter 1201" and "Chapter 1371"), an election held within the District on May 6, 2023 (the "Election"), and an order (the "Bond Order") adopted by the Commissioners Court of Hidalgo County (the "Commissioners Court"), serving as the governing body of the District, on August 22, 2023. In the Bond Order, as permitted by certain provisions of Chapter 1371, the Commissioners Court delegated to certain authorized officials of the County the authority to establish the final sale terms of the Bonds pursuant to a pricing certificate (the "Bond Pricing Certificate", and together with the Bond Order, the "Order") executed by such officials.

PAYMENT OF INTEREST .... Interest on the Bonds will accrue from their date of initial delivery, and is payable on March 1, 2024, and each September 1 and March 1 thereafter until maturity or prior redemption (see "THE BONDS – Description of the Bonds").

SECURITY FOR THE BONDS .... The Bonds are payable from annual ad valorem taxes levied against all taxable property in the District, without legal limit as to rate, in an amount sufficient to provide for the payment of principal of and interest on the Bonds (see "THE BONDS – Security for the Bonds").

OPTIONAL REDEMPTION OF THE BONDS .... The District reserves the right, at its option, to redeem the Bonds having stated maturities on and after September 1, 2034, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on September 1, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – Optional Redemption").

MANDATORY SINKING FUND REDEMPTION OF THE BONDS.................................... The Term Bonds (herein after defined) are also subject to mandatory sinking fund redemption as described herein (see "THE BONDS – Mandatory Sinking Fund Redemption).

TAX MATTERS......................... In the opinion of Orrick, Herrington & Sutcliffe LLP and the Perez Law Firm, PLLC, Co-Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Co-Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement Income of certain corporations is not excluded from the federal corporate alternative minimum tax. In the further opinion of Co-Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Co-Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" and Appendix C – "Form of Co-Bond Counsel Opinion" herein.

USE OF PROCEEDS.................. Proceeds from the sale of the Bonds will be used (i) to pay for the construction of and equipment for drainage improvement projects in the District and the acquisitions of rights of way therefor, and (ii) to pay costs of issuance of the Bonds (see "THE BONDS – Purpose of the Bonds").

RATINGS .... The Bonds have been rated "Aa2" by Moody's Investor Service, Inc. ("Moody's") and "AA-" by S&P Global Ratings ("S&P"). The presently outstanding tax-supported debt of the District has an underlying rating of "Aa2" by Moody's and "AA-" by S&P (see "OTHER INFORMATION – Ratings").

BOOK-ENTRY-ONLY SYSTEM .... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the owners thereof. Principal of and interest on the Bonds will be payable by the paying agent/registrar, initially U.S. Bank Trust Company, National Association, Houston, Texas (the "Paying Agent/Registrar") to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System").

PAYMENT RECORD .... The District has never defaulted in payment of its general obligation tax debt.

DELIVERY .... Delivery of the Bonds is anticipated on or about September 27, 2023.

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

DISTRICT ADMINISTRATION

ELECTED OFFICIALS

Commissioners Court*	Length of Service	Term Expires
Richard Cortez County Judge	4 Years	12/31/2026
David L. Fuentes Commissioner Pct. #1	6 Years	12/31/2024
Eduardo “Eddie” Cantu Commissioner Pct. #2	8 Years	12/31/2026
Everardo “Ever” Villarreal Commissioner Pct. #3	2 Years	12/31/2024
Ellie Torres Commissioner Pct. #4	4 Years	12/31/2026

* The Commissioners Court of Hidalgo County serves as the District’s governing board.

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service to District
Raul E. Sesin, PE, CFM	General Manager	8 Years
Lora Briones	Financial Officer	19 Years

CONSULTANTS AND ADVISORS

Co-Bond Counsel .... Orrick, Herrington & Sutcliffe LLP, Houston, Texas,
Perez Law Firm, PLLC, McAllen, Texas

Independent Auditors .... Burton McCumber & Longoria, L.L.P.
McAllen, Texas

Financial Advisor .... Estrada Hinojosa & Company, Inc.
Dallas, Texas

For additional information regarding the District, please contact:

Lora Briones
Chief Financial Officer
Hidalgo County Drainage District #1
902 N. Doolittle
Edinburg, Texas 78542
(956) 292-7080 - Phone

Noe Hinojosa, Jr.
Estrada Hinojosa & Company, Inc.
600 N. Pearl Street, Suite 2100
South Tower
Dallas, Texas 75201
(214) 658-1670 - Phone

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OFFICIAL STATEMENT
RELATING TO

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1

$59,205,000
UNLIMITED TAX IMPROVEMENT BONDS, SERIES 2023

INTRODUCTION

This Official Statement of Hidalgo County Drainage District No. 1 (the "District") is provided to furnish certain information in connection with the sale of the District's $59,205,000 Unlimited Tax Improvement Bonds, Series 2023 (the "Bonds"). Capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Order (herein after defined) authorizing the issuance of the Bonds, except as otherwise provided herein.

This Official Statement contains descriptions of the Bonds and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District at 902 N. Doolittle, Edinburg, Texas 78542 and, during the offering period, from the District's Financial Advisor, Estrada Hinojosa & Company, Inc., 600 N. Pearl Street, Suite 2100, South Tower, Dallas, Texas 75201, upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. Copies of the final Official Statement pertaining to the Bonds will be deposited with the Municipal Securities Rulemaking Board, through its Electronic Markets Access System ("EMMA") at www.emma.msrb.org. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

THE BONDS

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including, particularly, Texas Water Code, Chapter 56, as amended, Chapters 1201 and 1371, Texas Government Code, as amended ("Chapter 1201" and "Chapter 1371" respectively), an election held within the District on May 6, 2023 (the "Election"), and an order (the "Bond Order") adopted by the Commissioners Court of Hidalgo County (the "Commissioners Court"), serving as the governing body of the District, on August 22, 2023. In the Bond Order, as permitted by certain provisions of Chapter 1371, the Commissioners Court delegated to certain authorized officials of the County the authority to establish the final sale terms of the Bonds pursuant to the pricing certificate (the "Bond Pricing Certificate", and together with the Bond Order, the "Order") executed by such officials.

SECURITY FOR THE BONDS . . . The Bonds are payable from annual ad valorem taxes levied against all taxable property in the District, without legal limit as to rate or amount, sufficient to provide for the payment of principal of and interest on the Bonds.

PURPOSE OF THE BONDS . . . Proceeds from the sale of the Bonds will be used (i) to pay for the construction of and equipment for drainage improvement projects in the District and the acquisitions of rights of way therefor, and (ii) to pay costs of issuance of the Bonds.

DESCRIPTION OF THE BONDS . . . The Bonds are dated September 1, 2023, and mature on September 1 in each of the years and in the amounts shown on page ii hereof. Interest accrues from the date of initial delivery to the underwriters listed on the cover page hereof (the "Underwriters") and will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on March 1 and September 1 of each year, commencing March 1, 2024. The Bonds will be issued only in fully registered form in any integral multiple of $5,000 of principal for any one maturity and series and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof**. Principal of, premium, if any, and interest on the Bonds will be payable by the paying agent/registrar, initially U.S. Bank Trust Company, National Association, Houston, Texas (the "Paying Agent/Registrar") to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - BOOK-ENTRY-ONLY SYSTEM" herein.

OPTIONAL REDEMPTION . . .The District reserves the right, at its option, to redeem the Bonds having stated maturities on and after September 1, 2034, in whole or in part in principal amounts of $5,000, or integral multiples thereof, on September 1, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

MANDATORY SINKING FUND REDEMPTION. . . The Bonds maturing on September 1 in years 2041, 2044 and 2046 (the "Term Bonds") are subject to mandatory sinking fund redemption prior to maturity in the amounts and on the dates set forth below, and at a price of par plus accrued interest to the redemption date, with the particular Bonds, or portions thereof to be redeemed to be selected and designated by the District in its sole discretion in authorized denominations.

Term Bonds					
Stated to Mature on September 1, 2041		Stated to Mature on September 1, 2044		Stated to Mature on September 1, 2048	
Redemption Date (September 1)	Principal Amount ($)	Redemption Date (September 1)	Principal Amount ($)	Redemption Date (September 1)	Principal Amount ($)
2040	$ 2,170,000	2042	$ 2,360,000	2045	$ 2,685,000
2041 (maturity)	2,265,000	2043	2,465,000	2046	2,805,000
		2044 (maturity)	2,570,000	2047	2,930,000
				2048 (maturity)	3,060,000

The principal amount of the Bonds required to be redeemed on any date pursuant to the operation of the mandatory sinking fund redemption provisions is required to be reduced, at the option of the District, by the principal amount of any the Bonds, as applicable, of the maturity scheduled for redemption on such redemption date, which, at least 45 days prior to the applicable mandatory sinking fund redemption date, (1) has been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) has been acquired and canceled by the Paying Agent/Registrar at the direction of the District at a price not exceeding the principal amount of such the Bonds plus accrued interest to the date of acquisition thereof, or (3) has been redeemed pursuant to the optional redemption provisions and not previously credited to a scheduled mandatory sinking fund redemption.

If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) will determine by lot which Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) will have been called for redemption, and notice of such redemption will have been given, such Bond (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 . . . Not less than 30 days prior to a redemption date for the Bonds, the District will cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of a Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED WILL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION WILL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BONDS OR PORTION THEREOF CALLED FOR REDEMPTION HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BONDS OR PORTION THEREOF WILL CEASE TO ACCRUE.

In the Order, the District reserves the right, in the case of an optional redemption, to give notice of its election or direction to redeem the Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the District retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the District delivers a certificate of the District to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected owners of Bonds. Any obligation subject to conditional redemption and such redemption has been rescinded shall remain outstanding, and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the District to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendments to the Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Order and will not be conducted by the District or the Paying Agent/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 payment on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. See "Book-Entry-Only System" herein.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Bonds are to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by the DTC, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official*

Statement. The District, the District's 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 Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 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 its 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 Standard & Poor's rating of AA+. The DTC Rules applicable to its participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of the Bonds ("Beneficial Owner") is in turn to be recorded on the Direct or 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 interest in the Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds are discontinued.

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

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

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

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

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or 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 securities depository with respect to the Bonds at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

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

Use of Certain Terms in Other Sections of this Official Statement . . . In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Direct or Indirect Participant acquires an interest in the Bonds, but (1) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (2) except as described above, notices that are to be given to registered owners under the Bond Order will be given only to DTC.

Termination of Book-Entry-Only System . . . In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, physical Bond certificates will be issued to the respective holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under the caption "TRANSFER, EXCHANGE AND REGISTRATION" below.

Payment . . . Principal of the Bonds will be payable at maturity (or prior redemption) to the registered owners as shown by the registration books maintained by the Paying Agent/Registrar upon presentation and surrender of the Bonds to the Paying Agent/Registrar at the Designated Payment/Transfer Office (hereinafter defined). Interest on the Bonds will be payable by check or draft, dated as of the applicable interest payment date, sent by the Paying Agent/Registrar by United States mail, first class, postage prepaid, to the registered owners at their respective addresses shown on such records, or by such other method acceptable to the Paying Agent/Registrar and requested owner at the risk and expense of the registered owner. If the date for the payment of the principal of or interest on the Bonds will be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Designated Payment/Transfer Office (hereinafter defined) of the Paying Agent/Registrar is located are required or authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which banking institutions are required or authorized to close, and payments on such date will for all purposes be deemed to have been made on the original date payment was due.

Transfer, Exchange and Registration . . . In the event the Book-Entry-Only System is discontinued, the Bonds may be transferred and re-registered on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar at the Designated Payment/Transfer Office. A Bond also may be exchanged for a Bond of like series, maturity and interest and having a like aggregate principal amount, upon presentation and surrender at the Designated/Payment Transfer Office. All Bonds surrendered for transfer or exchange must be endorsed for assignment by the execution by the registered owner or his duly authorized agent of an assignment form on the Bonds or other instruction of transfer acceptable to the Paying Agent/Registrar. Transfer and exchange of Bonds will 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 transfer or exchange. A new Bond or Bonds, in lieu of the Bond or Bonds being transferred or exchanged, will be delivered by the Paying Agent/Registrar to the registered owner, at the Designated Payment/Transfer Office of the Paying Agent/Registrar or by United States mail, first class, postage prepaid. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner not more than three business days after the receipt of the Bonds to be canceled in the exchange or transfer in the denominations of $5,000 or any integral multiple thereof.

Replacement of Bonds . . . If any Bond is mutilated, the Paying Agent/Registrar will provide a replacement Bond in exchange. If any Bond is destroyed, lost or stolen, the Paying Agent/Registrar will provide a replacement Bond upon (1) filing by the registered owner with the Paying Agent/Registrar of evidence satisfactory to the Paying/Agent Registrar of the destruction, loss or theft of the Bond and the authenticity of the registered owner's ownership and (2) the furnishing to the Paying Agent/Registrar security or indemnity as may be required to hold the Paying Agent/Registrar harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Bond must be borne by the registered owner. The provisions of the Order relating to the replacement Bond are exclusive and, to the extent lawful, preclude all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds.

Defeasance . . . The Order provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar, or other authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Securities to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The 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 of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. The District has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid and will cease to be outstanding obligations secured by the Order or treated as debt of the District for purposes of taxation or applying any limitation on the District's ability to issue debt or for any other purpose. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

AMENDMENTS . . . The District may amend the Order without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Order; except that, without the consent of the registered owners of all of the Bonds affected, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of, maturity, or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, maturity, or the rate of interest thereon, change the place or places at or the coin or currency in which any Bond or interest thereon is payable, or in any other way modify the terms of payment of the principal of, maturity value, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required for consent to any amendment, addition, or waiver.

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

RECORD DATE . . . The record date ("Record Date") for determining the person to whom the interest is payable on the Bonds on any interest payment date means the fifteenth day of the month next preceding the date that each interest payment is due.

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 District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which must be 15 days after the Special Record Date) will be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

DEFAULTS AND REMEDIES . . . The Order does not establish specific events of default with respect to the Bonds. If the District defaults in the payment of principal, interest or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Order, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Order and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by obligations set forth in equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the holders of the Bonds 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 April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the State. The Texas Supreme Court reviewed Wasson again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Under its current authority, the District does not perform proprietary functions. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, holders of the Bonds may not be able to bring such a suit against the District for breach of the covenants set forth in the Bonds or the Order. Chapter 1371, which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing its obligations. While the District has relied upon Chapter 1371 in connection with the issuance of Bonds, the District has not waived sovereign immunity. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds.

Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Bonds of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it.

The opinion of Co-Bond Counsel will note that all opinions relative to the enforceability of the Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

SOURCES AND USES OF FUNDS FOR THE BONDS . . . The proceeds of the Bonds will be applied approximately as follows:

Sources of Funds:	
Principal Amount of the Bonds	$ 59,205,000.00
Net Premium	1,403,163.75
Total Sources of Funds	$ 60,608,163.75
Uses of Funds:	
Deposit to Project Fund	$ 60,000,000.00
Costs of Issuance	281,401.04
Underwriters' Discount	326,762.71
Total Uses of Funds	$ 60,608,163.75

GENERAL INFORMATION

Hidalgo County Drainage District No. 1 is a political subdivision created within the boundaries of Hidalgo County, Texas. Initially created under the provisions of Article III, Section 52, of the Texas Constitution, pursuant to an election held within the territory affected, on April 9, 1908, the District was subsequently converted to be operated under the provisions of Article XVI, Section 59 thereof, which authorizes the District to issue debt payable from an ad valorem tax unlimited as to rate or amount. The initial territory of the District contained approximately 508 square miles.

The District increased its size in 1975 as a result of the annexation of 203 square miles contained in Hidalgo County Drainage District No. 2 approved by voters on September 15, 1975.

The District currently consists of approximately 80 percent of the land area constituting Hidalgo County and includes all of the urbanized area of the County. Only the westernmost portion of the County, which is primarily rural and includes the City of La Joya, is not included in the District.

The functions, power, rights, and duties exercised by relating to the governing board of the District were transferred to the Commissioners Court of Hidalgo County (the "Commissioners Court") by virtue of a resolution adopted by the Commissioners Court on May 17, 1939. On that same day, the Commissioners Court adopted the provisions of Article 8176A, Revised Civil Statutes of Texas, which authorized all Article XVI, Section 59 districts to sell refunding bonds to the Reconstruction Finance Corporation and pledge an unlimited tax toward payment of the refunding bonds. Previously, the District's governing board was appointed by the Commissioners Court.

As authorized under State law and pursuant to a resolution of the Commissioners Court, the Commissioners Court serves as the District's governing body.

On November 15, 1975, District voters authorized issuance of $26 million of bonds in order to construct the District's "interim drainage plan" which was precipitated by the devastating flood waters resulting from Hurricane Beulah in 1967. During the project, the first regional drainage system was built for the District and diverted flood waters to the Laguna Madre in Cameron County. When finally completed, the system included excavation of over 200 miles of drainage ditches and related structures, 120 bridges and crossings, plus an additional 65 bridges constructed by the Department of Transportation. In all, the project cost totaled $68 million.

The District's drainage system consists of numerous unlined ditches that gather storm drainage water from the urbanized areas and agricultural areas and convey these to one of several regional ditches that eventually empty into the Laguna Madre. The Laguna Madre is the lagoon between the mainland in Willacy and Cameron Counties and South Padre Island. In addition, the regional drainage system includes a levee system that begins along the Arroyo Colorado, south of the City of Mission and terminates in Cameron County. The Arroyo Colorado is also a point of discharge for many of the Rio Grande Valley's municipal sewer systems. The Commissioners Court controls and supervises the construction and maintenance of canals, drains and levees, and other improvements of the District and the in repair thereof.

As a result of the District's conversion to an Article XVI, Section 59 district, the debt and tax limitations of Article III, Section 52, of the Texas Constitution are not applicable to the District. For instance, an Article III, Section 52 district may not issue bonds in an amount greater than one-fourth of the assessed valuation of the real property of the district and may not tax in an amount greater than one-half of one percent of the total assessed valuation of the district for that year. Hence, once District voters approve a bond, the District is authorized to issue bonds in the authorized amount payable with an unlimited debt tax and is not subject to the limitations of Article III, Section 52 regarding the amount of bonds that may be issued, except the authorized amount.

An Article XVI, Section 59 district, like the District, may levy taxes on the "benefit" basis, which means the levy of a tax on an equal or uniform basis or rate on each acre of land in the district, as opposed to a value-based tax. The District has not taken action to apply the benefit basis tax and currently has no plans to do so.

At an election held on November 6, 2012, District voters approved propositions for an aggregate of $184,000,000. While the voters expressly authorized the sum of $184,000,000 in bonds, only $84,000,000 were authorized for immediate sale for use in connection with the District's Master Plan Update Project. The Master Plan Update Project involves regional drainage facilities in Hidalgo County. The balance of $100,000,000 was authorized for the Raymondville Drain Project for improvements to the outfall line which transports the District's water to the Laguna Madre. Bonds for the Raymondville Drain Project may not be legally issued unless prior to their sale and delivery, the District has confirmed that the District has received an official, legally-enforceable commitment from an agency of the United States Government under one or more programs, including the Water Resources Development Act (subject to is terms and conditions), to reimburse the District for a specified portion of the actual cost of expenditures to install the Raymondville Drain Project for which bond proceeds and/or other local resources are to be expended, and qualified legal counsel issues an opinion that those conditions have been satisfied. See "AD VALOREM TAX INFORMATION – Authorized but Unissued Bonds".

At an election on May 6, 2023, District voters approved the authorization of up to $195,000,000 in bonds to undertake drainage improvements by a vote of 8,877 to 4,524. The District was authorized to issue the bonds in one or more series. The Bonds will constitute $60,000,000 of the bonds authorized on May 6, 2023 leaving a remaining balance of $135,000,000 authorized but unissued bonds from the election.

Bond proceeds are required to be deposited into the construction and maintenance fund of the District. Any bonds which remain unsold and which are not required to complete improvements, may be sold and the proceeds thereof placed in the construction and maintenance fund for use in accomplishing certain permitted purposes, including construction and maintenance and operation expenses of the District.

The District levies a tax for operations and maintenance purposes. Under the provisions of Chapter 49 of the Texas Water Code, drainage districts, created since 1995, may levy and collect an operations and maintenance tax if approved by District voters. Though the District is governed by Chapter 49 of the Texas Water Code, it was created prior to 1995 and has continually operated since creation. The District has not conducted an operations and maintenance tax election, but Texas case law indicates that certain districts, such as the District, are "grandfathered" from this requirement because of historical practice (see discussion under MAINTENANCE TAX RATE LIMITATIONS – Operations and Maintenance Tax" herein).

ADMINISTRATION OF THE DISTRICT . . . Those officials having responsibility for oversight of the District are the County Judge and four County Commissioners together constituting the Commissioner Court, as well as the County Tax Assessor-Collector, and the County Treasurer, all of whom are elected officials. Financial administration and day to day operations are managed by the District's Manager and Financial Officer. The Financial Officer is responsible for substantially all District finance and accounting control functions. The Financial Officer responsibilities include those for auditing, accounting system design, financial planning, financial relations, insurance administration, and payroll. She is employed by the District.

The Tax Assessor-Collector is responsible for collecting the District's ad valorem taxes. The Treasurer's duties include depositing money received by the District in the depository selected by the Commissioners Court and co-signing all of the District's checks.

PROPERTY TAXES

CONSTITUTIONAL TAX LIMITATIONS . . . As a result of the District conversion to an Article XVI, Section 59 district, the District is not subject to the debt and tax limitations of Article III, Section 52 of the Texas Constitution, and may issue bonds payable from an ad valorem tax levied without limit as to rate or amount to pay the principal and interest on the bonds.

PROPERTY TAX CODE AND COUNTY-WIDE APPRAISAL DISTRICT . . . The Texas Property Tax Code ("Property Tax Code") specifies the taxing procedures of all political subdivisions of the State, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Hidalgo County Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units within Hidalgo County, including the District. Such appraisal values are subject to review and change by the Hidalgo Appraisal Review Board (the "Appraisal Review Board").

PROPERTY SUBJECT TO TAXATION BY THE DISTRICT . . . Except for certain exemptions provided by State law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax status in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of taxable valuation depending upon the disability rating of the veteran, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. Effective January 1, 2014, a partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption equal to the percentage of the veteran’s disability, if the residence was donated at no cost to the veteran by a charitable organization. Also, the surviving spouse of a member of the armed forced who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s resident homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 20% of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by April 30. The District has never granted a general residential homestead exemption.

Freeport and Goods-in-Transit Exemptions: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit properly before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property, but may choose to exempt same in the future by further official action. The District has not exercised its option to tax goods-in-transit personal property but may choose to do so in the future.

REINVESTMENT ZONES/TAX ABATEMENT AGREEMENTS . . . Hidalgo County or a city within Hidalgo County may designate part of the area within the District as a reinvestment zone in order to undertake infrastructural improvements to promote the viability of existing businesses and to attract new commercial enterprises to the area. The cost of improvements in the zone is repaid by the contribution of future tax revenues by each cooperating taxing unit that levies taxes against the property. The statutes governing tax increment financing are located in Chapter 311 of the Texas Tax Code. The District has the discretion to join an agreement with one or more cities and Hidalgo County under which the District will dedicate all, a portion of, or none of the tax revenue that is attributable to the increase in property values due to the improvements within the reinvestment zone. In addition, the District may enter tax abatement agreements with individual taxpayers. The District has made no agreements to contribute its future tax revenues to a tax increment zone or to abate taxes.

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

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10% annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation, or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

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

DISTRICT AND TAXPAYER REMEDIES . . . Under certain circumstances taxpayers and taxing units (such as the District) may appeal the resolutions of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

LEVY AND COLLECTION OF TAXES . . . The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. However, a person who is 65 years of age or older or disabled is entitled by law to pay current taxes on his residential homestead in installments or to receive a deferred or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 1% for each additional month or portion of a month the tax remains unpaid prior to July l of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of 12% regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to 20% if imposed by the District. The delinquent tax also accrues interest at a rate of 1% for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. The District has elected this option and presently uses outside legal counsel to collect delinquent taxes, and impose an additional penalty of 15%.

DISTRICT'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the District are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The tax lien on real property has priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest. At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District may join other taxing units that have claims for delinquent taxes against all or part of the same property. The ability of the District to collect delinquent taxes by foreclosure may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt. Also, provisions of the Texas Tax Code require the abatement of any foreclosure or collection suit for delinquent taxes against any individual who is 65 years of age or older, owns and occupies as a residential homestead the property on which the taxes are delinquent, and requests the abatement in writing at the appropriate time.

MAINTENANCE TAX RATE LIMITATIONS

OPERATIONS AND MAINTENANCE TAX . . . Section 49.107, as amended, Texas Water Code, allows a district, such as the District, to levy and collect a tax for operation and maintenance purposes, including funds for planning, constructing, acquiring, maintaining, repairing, and operating all necessary land, plants, works, facilities, improvements, appliances, and equipment of the district and for paying costs of proper services, engineering and legal fees, and organization and administrative expenses, if this tax is approved by a majority of the electors voting at an election held for that purpose.

Although a search of the historical records of the District failed to produce any record of a public vote authorizing an operations and maintenance tax, the District has continuously levied an operations and maintenance tax for the payment of maintenance costs in the District.

District staff contends that for districts, such as the District, which were organized at the turn of the twentieth century, Texas case law recognizes an inherent power therein to levy an operations and maintenance tax even without voter approval. This "inherent power" is recognized in the Texas case of *Matagorda County Drainage District No. I , et al., vs. The Commissioners Court of Matagorda County, Texas*, 278 S.W. 2d 539 (1955) Galveston App., in which a similar issue was addressed by the Texas Court of Appeals. The Commissioners Court of Matagorda County had annually levied and collected an operations and maintenance tax for the maintenance of three drainage districts in that county, created respectively in 1907, 1911 and 1912 under the authority of Section 52 of Article III of the Texas Constitution. While the operations and maintenance tax had been levied and collected throughout the existence of the districts, none of the districts, nor that county, had ever held an election to authorize the operations and maintenance tax.

Upon request of Matagorda County, the Attorney General of Texas opined that the operations and maintenance tax levied by Matagorda County on behalf of the three districts was without legal authority. The initial ground for that opinion was the interpretation of a statute (R.C.S. Art. 8138) to the effect that once all bonded indebtedness of a district was paid off, there was no legal authority to continue levying and collecting a maintenance tax for the operations and maintenance of the districts.

The drainage districts sued seeking declaratory judgment adjudicating the power and duty of the Matagorda County Commissioners Court to levy taxes annually for the purpose of maintaining drainage district improvements. The Matagorda County Commissioners Court and the Matagorda County Tax Collector defended the lawsuit contending that "no elections had been held in the districts to authorize a maintenance tax as provided for in Section 59 of Article XVI of the Constitution and that Section 52, Article III of the Constitution contained no provision for the levy of such tax."

On appeal from the district court, the Galveston Court of Appeals held that various general laws of the State of Texas, including Article 8138, had historically authorized the districts to levy maintenance taxes. Further, this Court held that these drainage districts, regardless of not holding an operations and maintenance tax election, had the inherent power to continue to levy a maintenance tax: "the loss of the power to levy maintenance taxes would consign the drainage improvements to uselessness, making a complete loss to the district of the value thereof:"

The District believes, as in the Matagorda County case, that the District has inherent authority to levy its operations and maintenance tax in amounts sufficient to maintain District improvements. That power and authority, however, has never been legally challenged and therefore there is no assurance that the District will be able to continue to levy and collect an operations and maintenance tax.

The District has issued and currently has outstanding unlimited ad valorem tax-supported bonds (an unlimited tax that is legally separate and distinct from an operations and maintenance tax and which unlimited ad valorem tax secures the repayment of the Bonds), all of which have been approved by the Texas Attorney General as valid and binding District obligations secured by and payable from this unlimited ad valorem tax pledge. The District's ability to levy and collect an unlimited ad valorem tax to repay its indebtedness secured thereby (including the Bonds) is not implicated by this recitation of law and fact concerning the District's operations and maintenance tax authority.

The District may also issue negotiable notes payable from the maintenance tax to meet the financial obligations of the District. The notes, which may not exceed $3 million at any one time, are payable over a period not to exceed five years from the date of issuance. Currently, the District does not have any outstanding notes.

The maximum debt service on all notes payable from maintenance tax may not exceed in any fiscal year of the District an amount that could be paid from the proceeds of one-fourth of the maximum tax maintenance the District is authorized by law to levy on the date any notes are issued.

TAX ROLLBACK . . . Under current tax law, the District must annually calculate and publicize its "effective tax rate" and "rollback tax rate". The Board may not adopt a District maintenance tax rate that exceeds the lower of the rollback rate or the effective tax rate until it has held two public hearings on the proposed increase following notice to the taxpayers and otherwise complied with the Texas Tax Code. If the adopted tax rate exceeds the rollback tax rate, the qualified voters of the District, by petition, may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the tax rate.

"Effective tax rate" means the rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by l .035 plus a rate that will produce this year's debt service from this year's values (adjusted) divided by the anticipated tax collection rate.

S.B. 2, passed by the 86th Texas Legislature during its 2019 legislative session, took effect on January 1, 2020 and amended the so-called tax rollback provisions which apply to the District’s maintenance and operations tax rate by effectively reducing the maintenance tax rate ceiling which a taxing entity, such as the District, may levy without voter approval.

S.B. 2 renamed the terms “effective tax rate” and “rollback tax rate,” respectively, to “no-new-revenue tax rate” and “voter-approval tax rate.” Under current law, the “rollback tax rate” and thus the tax ceiling rate means the rate that will produce the entity’s previous year’s maintenance and operations tax (“no-new-maintenance tax rate” under the new nomenclature) levy from the current year’s tax values multiplied by 1.08. Currently, a rate exceeding that ceiling requires voter approval. S.B. 2 reduced that ceiling multiplier from 1.08 to 1.035 and adopted a de minimis rate that replaced the voter-approval rate.

The de minimis rate is the rate equal to the sum of a taxing unit’s no-new-revenue maintenance and operations rate; the rate that, when applied to a taxing unit’s current total assessed property value, would impose an amount of tax equal to $500,000; and the taxing unit’s debt tax rate. A rate levied in excess of the de minimis rate will require voter approval.

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

The qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total District tax bill on the average residence homestead increases by more than 3.5 percent. If a rollback election is called and passes, the effective tax rate is the District's current year's debt service and contract rates plus 1.08 times the previous year's operation and maintenance tax rate. The District's debt service tax rate cannot be changed by a rollback election.

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AD VALOREM TAX INFORMATION

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

Tax Year 2023 Market Valuation Established by Hidalgo County Appraisal District		$ 67,345,207,642 (1)
Less Exemptions/Reductions at 100% Market Value:		
Community Housing Development Organizations	$ 35,338,434	
Disaster Damage Exemption	59,550	
Disabled Veterans Exemptions	653,930,010	
Exempt Property	6,265,319,027	
Freeport	575,291,914	
First Responder Surviving Spouse	3,732,558	
Pollution Control	35,866,197	
Productivity Loss	3,666,599,117	
Homestead Cap	2,945,332,778	
Solar	2,429,942	$ 14,183,899,527
Tax Year 2023 Net Taxable Assessed Valuation		$ 53,161,308,115
General Obligation Debt Payable from Ad Valorem Taxes (as of September 27, 2022)		
Unlimited Tax Improvement Bonds, Series 2013	$ 41,415,000	
Unlimited Tax Refunding Bonds, Series 2014	7,665,000	
Unlimited Tax Refunding Bonds, Series 2016	23,265,000	
Unlimited Tax Improvement Bonds, Series 2019	64,355,000	
Unlimited Tax Improvement Refunding Bonds, Taxable Series 2021	21,343,000	
Unlimited Tax Improvement Refunding Bonds, Taxable Series 2021A	31,055,000	
Unlimited Tax Improvement Bonds, Series 2021	28,075,000	
The Bonds	59,205,000	
Total Debt Payable From Ad Valorem Taxes		$ 276,378,000 (2)
Interest and Sinking Fund (as of 12/31/2022)		$ 4,243,166
Ratio Funded Debt to Taxable Assessed Valuation		0.52%
2022 Estimated Population -	903,984	
Per Capita Taxable Assessed Valuation -	$ 58,808	
Per Capita Funded Debt -	$ 306	

(1) Source: Hidalgo County Appraisal District. Certified values are subject to change throughout the year as contested values are resolved and the Hidalgo County Appraisal District updates its records.
(2) Includes the Bonds.

TABLE 2 - TAXABLE ASSESSED VALUATION BY CATEGORY

Taxable Appraised Value for the Fiscal Year Ending December 31,

Category	2024 Amount	2024 Percent of Total	2023 Amount	2023 Percent of Total	2022 Amount	2022 Percent of Total
Real, Residential, Single-Family	$ 33,935,822,268	57.07%	$ 29,377,409,864	49.41%	$ 25,065,890,141	45.81%
Real, Residential, Multi-Family	3,415,371,528	5.74%	2,780,325,311	4.68%	2,328,671,575	4.26%
Real, Vacant Lots/Tracts	1,974,484,872	3.32%	1,599,468,080	2.69%	1,601,896,805	2.93%
Real, Acreage (Land Only)	3,773,075,129	6.35%	3,420,529,634	5.75%	4,430,371,286	8.10%
Real, Farm and Ranch Improvements	1,480,106,605	2.49%	1,284,394,244	2.16%	1,217,176,447	2.22%
Real, Commercial/Industrial	10,164,970,351	17.10%	9,766,790,686	16.43%	8,936,362,052	16.33%
Real, Oil and Gas	38,496,151	0.06%	32,534,592	0.05%	141,929,127	0.26%
Real and Intangible Personal, Utilities	1,228,578,362	2.07%	879,435,764	1.48%	948,704,107	1.73%
Tangible Personal, Commercial/Industrial	4,187,608,725	7.04%	3,710,198,540	6.24%	3,319,472,738	6.07%
Tangible Personal, Mobile Homes	432,200,135	0.73%	348,455,248	0.59%	341,457,780	0.62%
Real Property, Inventory	85,003,204	0.14%	56,782,570	0.10%	71,645,777	0.13%
Exempt Property	6,301,020,011	10.60%	5,908,470,515	9.94%	6,087,072,980	11.12%
Special Inventory	328,470,301	0.55%	293,935,688	0.49%	225,298,273	0.41%
Total Appraised Value Before Exemptions	$ 67,345,207,642	113.26%	$ 59,458,730,736	100.00%	$ 54,715,949,088	100.00%
Less: Total Exemptions/Reductions	(14,183,899,527)		(12,143,638,828)		(12,881,763,439)	
Net Taxable Assessed Valuation	$ 53,161,308,115		$ 47,315,091,908		$ 41,834,185,649	

Category	2021 Amount	2021 Percent of Total	2020 Amount	2020 Percent of Total
Real, Residential, Single-Family	$ 21,340,369,238	44.22%	$ 19,641,585,276	42.64%
Real, Residential, Multi-Family	2,082,372,921	4.31%	1,944,079,353	4.22%
Real, Vacant Lots/Tracts	1,398,031,868	2.90%	1,429,434,534	3.10%
Real, Acreage (Land Only)	3,297,306,507	6.83%	3,346,966,457	7.27%
Real, Farm and Ranch Improvements	931,302,709	1.93%	832,510,623	1.81%
Real, Commercial/Industrial	8,998,776,675	18.65%	8,807,548,497	19.12%
Real, Oil and Gas	28,213,387	0.06%	48,684,846	0.11%
Real and Tangible Personal, Utilities	754,534,758	1.56%	814,816,901	1.77%
Tangible Personal, Commercial/Industrial	3,256,909,194	6.75%	3,167,710,418	6.88%
Tangible Personal, Mobile Homes	280,074,997	0.58%	$272,752,773	0.59%
Tangible Personal, Other	5,000	0.00%	-	0.00%
Real Property, Inventory	127,447,527	0.26%	121,310,099	0.26%
Special Inventory	5,554,742,296	11.51%	5,432,201,242	11.79%
Exempt Property	211,573,652	0.44%	208,174,099	0.45%
Total Appraised Value Before Exemptions	$ 48,261,660,729	100.00%	$ 46,067,775,118	100.00%
Less: Total Exemptions/Reductions	(9,922,083,194)		(9,313,525,105)	
Net Taxable Assessed Valuation	$ 38,339,577,535		$ 36,754,250,013	

Note: Valuations shown are certified taxable assessed values reported by the Hidalgo County Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Hidalgo County Appraisal District updates its records.

TABLE 3 - VALUATION AND FUNDED DEBT HISTORY

Fiscal Year Ended 12/31	Estimated Population	Certified Taxable Assessed Valuation (1)(2)	Taxable Assessed Valuation Per Capita	Tax Debt Outstanding at End of Year	Ratio of Tax Debt to Net Taxable Assessed Valuation	Tax Debt Per Capita
2014	831,073	27,301,836,212	32,851	157,700,000	0.58%	190
2015	842,304	28,325,686,228	33,629	145,305,000	0.51%	173
2016	849,843	29,894,876,294	35,177	137,910,000	0.46%	162
2017	860,661	31,757,653,440	36,899	129,300,000	0.41%	150
2018	865,939	33,025,123,406	38,138	119,805,000	0.36%	138
2019	868,707	34,732,762,896	39,982	183,725,000	0.53%	211
2020	875,200	36,754,250,013	41,995	172,350,000	0.47%	197
2021	880,356	38,339,577,585	43,550	160,990,000	0.42%	183
2022	903,984	41,834,185,649	46,278	263,339,000	0.63%	291
2023	903,984	47,315,091,908	52,341	276,378,000 (3)	0.58%	306

(1) Source: County of Hidalgo.
(2) The valuations shown are the certified Taxable Assessed Valuations reported annually in September to the Property Tax Board. The District's Certified Taxable Assessed Value for Tax Year 2023 is reported at $53,161,308,115 . The valuations are subject to change during the ensuing year due to the settlement of contested valuation, etc.
(3) Includes the Bonds.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 12/31	Tax Rate	Distribution: General Fund	Distribution: Interest and Sinking Fund	Tax Levy (1)	% Current Collections	% Total Collections
2014	0.09570	0.04490	0.05080	26,042,303	95.95%	98.71%
2015	0.09570	0.04660	0.04910	26,981,324	96.21%	98.41%
2016	0.09510	0.04810	0.04700	28,558,268	96.13%	97.71%
2017	0.09510	0.04960	0.04550	30,123,784	96.12%	97.75%
2018	0.09510	0.05020	0.04490	31,437,136	96.86%	100.22%
2019	0.09510	0.05210	0.04300	33,062,978	96.28%	99.47%
2020	0.10510	0.05240	0.05270	38,628,717	96.86%	99.32%
2021	0.10260	0.05450	0.04810	40,061,569	98.38%	101.71%
2022	0.12640	0.05280	0.07360	53,562,014	98.51%	101.86%
2023	0.11790	0.05000	0.06790	52,458,891	95.38% (2)	96.99% (2)

Source: The District's Comprehensive Annual Financial Report.
(1) Current year levy is calculated using assessed valuation from Table 1. All others are calculated using the adjusted levy from the District's Annual Comprehensive Financial Report.
(2) Partial collections through June 30, 2023. Unaudited.

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Property within the District is assessed as of January 1 of each year (except for business inventory which may, at the option of the taxpayer, be assessed as of September 1); taxes become due January 1 of the following year, and become delinquent on February 1 of the following year. Split payments are not permitted. Discounts are not allowed. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1. Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Penalty	Interest	Total
February	6%	1%	7%
March	7%	2%	9%
April	8%	3%	11%
May	9%	4%	13%
June	10%	5%	15%
July	12%	6%	18%

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 15% attorney's collection fee is added to the total tax penalty and interest charge.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	Tax Year 2022 Taxable Valuation [1]	% of Total Net Assessed Valuation
AEP Texas Central Co	Utility	$ 437,256,460	0.92%
Simon Property Group-McAllen No 2	Retail	155,336,606	0.33%
CPG Mercedes LP	Retail	110,000,000	0.23%
Electric Transmission of Texas	Electric Utility/Power Plant	107,664,650	0.23%
HEB Grocery Co.	Grocery Store	105,233,421	0.22%
Day Surgery at Renaissance LLC	Medical Clinic	104,889,161	0.22%
Big Sky Commercial Property	Storage Units/Warehouses	63,326,929	0.13%
Walmart Real Estate Business TR	Commercial Land	52,108,042	0.11%
La Plaza Mall LLC	Shopping Center/Mall	51,211,149	0.11%
Rio Grande Regional Hospital	Hospital	51,167,987	0.11%
		$1,238,194,405	2.62%

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(1) Source: Hidalgo County Appraisal District.

Note: Valuations shown are certified taxable assessed values reported by the Hidalgo County Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as certified values are resolved and the Hidalgo County Appraisal District updates records.

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TABLE 6 - ASSESSED VALUATIONS, TAX RATES, OUTSTANDING DEBT AND AUTHORIZED BUT UNISSUED BONDS OF OVERLAPPING TAXING JURISDICTIONS [(1)]

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

Governmental Subdivision	2022 Taxable Assessed Valuation [(1)]	Tax Year 2022 Tax Rate [(1)]	Total Tax Supported Debt [(2)]	Estimated % Applicable	Direct and Overlapping Tax Debt as of 9/27/2023 [(2)]	Authorized But Unissued Debt as of 9/27/2023
Hidalgo Co. Drainage District #1	$ 47,315,091,908	$ 0.1179	$ 276,378,000 [(3)]	100.00%	276,378,000 [(3)]	$ 135,000,000
Cities						
Alamo	921,198,985	0.5820	7,600,000	100.00%	7,600,000	-
Alton	717,067,361	0.4370	15,729,000	100.00%	15,729,000	-
Donna	885,543,601	0.7480	51,055,000	100.00%	51,055,000	-
Edcouch	72,156,399	0.8460	1,580,000	100.00%	1,580,000	-
Edinburg	6,301,252,949	0.6400	103,775,000	100.00%	103,775,000	-
Hidalgo	881,490,741	0.3510	3,381,000	100.00%	3,381,000	-
La Joya	220,527,702	0.5900	3,594,000	100.00%		
La Villa	83,923,040	0.7930	4,630,000	100.00%	4,630,000	-
McAllen	12,798,687,485	0.4800	91,080,000	100.00%	91,080,000	-
Mercedes	776,137,343	0.7750	25,445,000	100.00%	25,445,000	-
Mission	5,710,810,086	0.5300	46,315,000	100.00%	46,315,000	-
Palmview	695,764,284	0.5350	6,516,000	100.00%	6,516,000	-
Penitas	311,769,103	0.5560	4,904,000	5.99%	293,750	-
Pharr	4,167,074,809	0.7180	116,002,635	100.00%	116,002,635	-
Progreso	127,555,528	0.7640	1,276,000	100.00%	1,276,000	-
San Juan	1,557,920,922	0.6770	32,150,000	100.00%	32,150,000	-
Weslaco	2,424,971,846	0.6970	89,396,000	100.00%	89,396,000	-
Counties						
Hidalgo County	48,207,300,025	0.5750	367,135,000	96.50%	354,285,275	-
School Districts [(2)]						
Donna ISD	1,932,668,557	1.1200	48,950,000	100.00%	48,950,000	120,000,000
Edcouch-Elsa ISD	448,538,089	1.2180	25,847,640	100.00%	25,847,640	-
Edinburg CISD	8,613,823,011	1.0600	116,520,000	91.47%	106,580,844	-
Hidalgo ISD	699,965,261	1.2320	24,438,000	100.00%	24,438,000	-
La Joya ISD	3,149,978,263	1.2700	182,697,680	74.67%	136,420,357	-
La Villa ISD	123,524,234	1.4480	8,760,000	100.00%	8,760,000	-
Lyford CISD	1,040,773,891	1.2400	21,520,000	0.73%	157,096	3,705,000
McAllen ISD	8,351,046,936	1.0960	78,296,000	100.00%	78,296,000	-
Mercedes ISD	670,541,240	1.3450	43,070,900	100.00%	43,070,900	-
Mission CISD	2,876,061,753	1.1130	96,537,960	100.00%	96,537,960	-
Monte Alto ISD	179,461,943	1.1950	10,085,000	89.74%	9,050,279	-
Pharr - San Juan - Alamo ISD	5,844,698,174	1.1840	247,255,000	100.00%	247,255,000	-
Progreso ISD	218,315,742	1.3300	25,395,000	100.00%	25,395,000	-
Sharyland ISD	3,909,714,511	1.1230	80,225,000	100.00%	80,225,000	-
Valley View ISD	898,337,355	1.2450	32,335,000	100.00%	32,335,000	-
Weslaco ISD	3,025,216,416	0.9590	57,065,485	100.00%	57,065,485	-
Special Districts						
South Texas College District	51,801,329,573	0.1620	112,069,693	90.15%	101,030,828	-
Total Direct and Consolidated Funded Debt					$ 2,348,303,050	
Ratio of Direct and Overlapping Tax Debt to Taxable Assessed Valuation					4.96%	
Per Capita Overlapping Funded Debt					$ 2,598	

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(1) Source: Texas Municipal Reports - Published by the Municipal Advisory Council of Texas.

(2) A large portion of the outstanding tax debt shown for the school districts is being subsidized by the Texas Education Agency under its Existing Debt Allotment and its Instructional Facilities Allotment Programs. The effects of these subsidies are a reduction of the County's Overlapping Tax Debt, a reduction of the ratio of Direct and Overlapping Tax Debt to Taxable Assessed Valuation, and a reduction in the Per Capita Overlapping Funded Debt.

(3) Includes the Bonds.

DEBT INFORMATION

TABLE 7 – AD VALOREM TAX DEBT SERVICE REQUIREMENTS

Fiscal Year Ended	Existing Debt Service			The Bonds			Total General Obligation Debt Service			% of Principal
12/31	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Retired
2023	$ 23,773,000	$ 8,381,998	$ 32,154,998	$ -	$ -	$ -	$ 23,773,000	$ 8,381,998	$ 32,154,998	
2024	25,788,000	7,359,498	33,147,498	1,000,000	2,602,533	3,602,533	26,788,000	9,962,030	36,750,030	
2025	13,768,000	6,619,011	20,387,011	13,230,000	2,755,125	15,985,125	26,998,000	9,374,136	36,372,136	
2026	14,368,000	6,021,992	20,389,992	1,105,000	2,093,625	3,198,625	15,473,000	8,115,617	23,588,617	
2027	14,933,000	5,455,210	20,388,210	1,160,000	2,038,375	3,198,375	16,093,000	7,493,585	23,586,585	
2028	15,533,000	4,847,205	20,380,205	1,220,000	1,980,375	3,200,375	16,753,000	6,827,580	23,580,580	41.9%
2029	10,768,000	4,212,150	14,980,150	1,280,000	1,919,375	3,199,375	12,048,000	6,131,525	18,179,525	
2030	11,147,000	3,827,692	14,974,692	1,345,000	1,855,375	3,200,375	12,492,000	5,683,067	18,175,067	
2031	11,557,000	3,420,406	14,977,406	1,410,000	1,788,125	3,198,125	12,967,000	5,208,531	18,175,531	
2032	11,987,000	2,995,105	14,982,105	1,480,000	1,717,625	3,197,625	13,467,000	4,712,730	18,179,730	
2033	12,417,000	2,561,326	14,978,326	1,555,000	1,643,625	3,198,625	13,972,000	4,204,951	18,176,951	63.6%
2034	7,202,000	2,151,173	9,353,173	1,635,000	1,565,875	3,200,875	8,837,000	3,717,048	12,554,048	
2035	7,447,000	1,907,836	9,354,836	1,715,000	1,484,125	3,199,125	9,162,000	3,391,961	12,553,961	
2036	7,697,000	1,654,165	9,351,165	1,800,000	1,398,375	3,198,375	9,497,000	3,052,540	12,549,540	
2037	7,967,000	1,389,474	9,356,474	1,890,000	1,308,375	3,198,375	9,857,000	2,697,849	12,554,849	
2038	8,237,000	1,113,883	9,350,883	1,985,000	1,213,875	3,198,875	10,222,000	2,327,758	12,549,758	79.4%
2039	8,517,000	839,681	9,356,681	2,085,000	1,114,625	3,199,625	10,602,000	1,954,306	12,556,306	
2040	3,207,000	555,036	3,762,036	2,170,000	1,028,619	3,198,619	5,377,000	1,583,655	6,960,655	
2041	3,277,000	483,537	3,760,537	2,265,000	936,394	3,201,394	5,542,000	1,419,931	6,961,931	
2042	3,347,000	409,995	3,756,995	2,360,000	840,131	3,200,131	5,707,000	1,250,126	6,957,126	
2043	3,427,000	332,831	3,759,831	2,465,000	736,881	3,201,881	5,892,000	1,069,713	6,961,713	90.5%
2044	3,507,000	253,281	3,760,281	2,570,000	629,038	3,199,038	6,077,000	882,318	6,959,318	
2045	3,592,000	171,342	3,763,342	2,685,000	516,600	3,201,600	6,277,000	687,942	6,964,942	
2046	3,672,000	86,865	3,758,865	2,805,000	395,775	3,200,775	6,477,000	482,640	6,959,640	
2047	762,000	-	762,000	2,930,000	269,550	3,199,550	3,692,000	269,550	3,961,550	
2048	762,000	-	762,000	3,060,000	137,700	3,197,700	3,822,000	137,700	3,959,700	99.2%
2049	762,000	-	762,000	-	-	-	762,000	-	762,000	
2050	762,000	-	762,000	-	-	-	762,000	-	762,000	
2051	763,000	-	763,000	-	-	-	763,000	-	763,000	100.0%
	$ 240,946,000	$ 67,050,693	$ 307,996,693	$ 59,205,000	$ 33,970,095	$ 93,175,095	$ 300,151,000	$ 101,020,788	$ 401,171,788	

INTEREST AND SINKING FUND BUDGET PROJECTION

Estimated Debt Service Requirements, Fiscal Year Ended 12-31-23		$ 32,154,998
Interest and Sinking Fund, 12-31-22	$ 4,243,166	
Interest and Sinking Fund Tax Levy @ 98.0% Collection Including	31,484,408	
Delinquent Taxes	950,000	
Investment Income	9,500	
Budgeted Transfers - Estimated	-	36,687,074
Estimated Balance, 12-31-2023		$ 4,532,077

AUTHORIZED BUT UNISSUED BONDS

After the sale of the Bonds the District will have $135,000,000 unissued bonds authorized at the May 6, 2023 election. Along with that amount, the District will have $100,000,000 of voter authorized but unissued bonds approved at an election held in the District on November 6, 2012. However, the remaining $100,000,000 of authorized bonds may not be issued unless the federal government reimburses the District for a certain percentage of the project costs and certain other conditions are met. Depending on the rate of development within the District, changes in assessed valuation, and the amounts, interest rates, maturities and the timing of issuance of any additional bonds, increases in the District's annual ad valorem tax rate may be required to provide for the payment of the principal of and interest on th District's outstanding bonds, the Bonds, and any future bonds.

TABLE 8 - ISSUANCE OF ADDITIONAL INDEBTEDNESS

The District does anticipate the issuance of additional unlimited tax bonds within the next 12 months after the issuance of the Bonds.

TABLE 9 - OTHER OBLIGATIONS

As of December 31, 2022 the District has no other obligations other than general obligation unlimited tax debt outstanding.

RETIREMENT PROGRAM . . . The Texas County and District Retirement System (the "System" or "TCDRS") administers a combined retirement program for eligible employees of the District. For a description of the plan, including District and employee contributions for the most recent fiscal year and the possibility of unfunded liabilities, see "Note I. - Employee Retirement Benefits" in the Excerpts of the District's Annual Financial Report attached hereto as Appendix B. GASB 68 Disclosure Requirements will be included in the 2022 financial statements.

INVESTMENT POLICIES

INVESTMENTS . . . The District invests its funds in investments authorized by Texas law in accordance with investment policies approved by the Commissioners Court. Both State law and the District's investment policies are subject to change.

LEGAL INVESTMENTS . . . Under Texas law (Texas Public Funds Investment Act; Chapter 2256, Texas Government Code, as amended), the District is authorized to invest in the following:

(1) obligations, including letters of credit, 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 directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;

(4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;

(5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent;

(6) bonds issued, assumed or guaranteed by the State of Israel;

(7) certificates of deposit and share certificates, respectively, meeting the requirements of the Texas Public Funds Investment Act (a) that are issued, by or through an institution that has its main office or a branch office in Texas and are guaranteed, respectively, or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) above, or in any other manner and amount provided by law for District deposits; or (b) that are invested by the District

through (i) a broker whose services are legally procured by the District that has its main office or a branch office in this state and is selected from a list of qualified brokers reviewed, revised and adopted at least annually by the District to undertake investment transactions with the entity, or (ii) a depository institution that has its main office or a branch office in the State of Texas and otherwise meets the requirements of the Public Funds Investment Act (Chapter 2256 of the Texas Government Code); and (c) the selected broker or the depository institution selected by the District (i) arranges for the deposit of funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District, (ii) the District appoints (A) a qualified depository, or (B) a qualified custodian which may include: (I) a state or national bank (II) that is designated by the State Comptroller as a state depository; (III) has it main office or a branch office in this state; and (IV) has a capital stock and permanent surplus of $5 million or more; or (is has its main office or a branch office in this state; or (V) the Texas Treasury Safekeeping Trust Company; a Federal Reserve Bank or a branch of a Federal Reserve Bank; or federal home loan bank;

(8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) above which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party custodian selected and approved by the District and are placed through a primary government securities dealer, as defined by the Federal Reserve, or through a financial institution doing business in the State;

(9) bankers' acceptances with the remaining term of 270 days or fewer from the date of issuance, which will be, in accordance with their terms, liquidated in full at maturity; are eligible collateral for borrowing from a Federal Reserve Bank, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency;

(10) commercial paper with the remaining term of 365 days or less from the date of issuance that is rated at least "A-1" or "P-1" or the equivalent by at least (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank;

(11) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that have a dollar weighted average portfolio maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share;

(12) no-load mutual fund registered with the United States Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the preceding clauses and clause, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent; and

(13) public funds investment pools that have an advisory board which includes participants in the pool and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. See "Investments Through An Investment Pool" below.

If specifically authorized in the resolution authorizing the issuance of bonds or other policies, bond proceeds may be invested in guaranteed investment contracts ("GICs") that have a defined termination date and are secured by obligations of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds under such contract, other than as prohibited as described under "Prohibited Investments" below. For GICs to be eligible as an authorized investment, (1) GICs must be specifically authorized by the governing body of the District in the order, ordinance, or resolution authorizing the issuance of bonds; (2) the entity must receive bids from at least three separate providers with no material financial interest in the bonds from which proceeds were received; (3) the entity must purchase the highest yielding guaranteed investment contract for which a qualifying bid is received; (4) the price of the guaranteed investment contract must take into account the reasonably expected drawdown schedule for the bond proceeds to be invested; and (5) the provider must certify the administrative costs reasonably expected to be paid to third parties in connection with the guaranteed investment contract.

The District may enter into securities lending programs if (a) the value of the securities loaned under the program, including the accrued interest thereon, are fully collateralized; a loan made under the program allows for termination at any time; and a loan made under the program is either secured by (i) obligations that are described in clauses (1) through (6) and clause (13) above, (ii) pledged irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent, or (iii) cash invested in obligations described in clauses (1) through (6) and clauses (10), (11) and (12) above, or an authorized investment pool; (b) securities held as collateral under a loan are pledged to the District or a third party designated by the District; (c) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (d) the agreement to lend securities has a term of one year or less.

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

INVESTMENTS THROUGH AN INVESTMENT POOL. . . The District may invest its funds and funds under its control through an eligible investment pool if the board of directors of the District by rule, order or resolution, as appropriate, authorizes investment in the particular pool. To be eligible, an investment pool must invest the funds it receives from the District in authorized investments permitted by the Act, including mutual funds and must furnish to the District's investment officer or other authorized representative of the District an offering circular or other similar disclosure instrument that contains, at a minimum, the following information: the types of investments in which money is allowed to be invested; the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool; the maximum stated maturity date any investment security within the portfolio has; the objectives of the pool; the size of the pool; the names of the members of the advisory board of the pool and the dates their terms expire; the custodian bank that will safe keep the pool's assets; whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation; whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment; the name and address of the independent auditor of the pool; the requirements to be satisfied for a District to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the District to invest funds in and withdraw funds from the pool; and the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios;

In order to maintain eligibility to receive funds from and invest funds on behalf of the District, an investment pool must disclose to the District's investment officer in its offering circular or other disclosure report, and, on its internet site if it operates an internet site, the information required to be disclosed under the previous paragraph hereof; and also furnish to the investment officer or other authorized representative of the District: investment transaction confirmations; and a monthly report that contains, at a minimum, the following information: (A) the types and percentage breakdown of securities in which the pool is invested; (B) the current average dollar-weighted maturity, based on the stated maturity date, of the pool; (C) the current percentage of the pool's portfolio in investments that have stated maturities of more than one year; (D) the book value versus the market value of the pool's portfolio, using amortized cost valuation; (E) the size of the pool; (F) the number of participants in the pool; (G) the custodian bank that is safekeeping the assets of the pool; (H) a listing of daily transaction activity of the District participating in the pool; (I) the yield and expense ratio of the pool (yield, and how yield is calculated, must be reported to pool investors in accordance with regulations of the federal Securities and Exchange Commission applicable to reporting by money market funds); (J) the portfolio managers of the pool; (K) any changes or addenda to the offering circular; (L) an annual audited financial statement of the investment pool in which the District has funds; and (M) if the pool in its advertising offers fee breakpoints based on fund balances invested, to include either all levels of return based on the breakpoints provided or state the lowest possible level of return based on the smallest level of funds invested.

The District may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

A public funds investment pool created to function as a money market mutual fund must: mark its portfolio to market daily, and, to the extent reasonably possible, stabilize at a $1 net asset value. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, portfolio holdings shall be sold as necessary to maintain the ratio between 0.995 and 1.005; and must have an advisory board composed: (A) equally of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for a public funds investment pool managed by a state agency; or (B) of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for other investment pools.

INVESTMENT POLICIES. . . Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment owned by the District and the maximum average dollar-weighted maturity allowed for pooled fund groups and methods to monitor the market price of investments acquired with public funds and the liquidation of such investments consistent with the requirement that investments not retaining a minimum rating do not qualify as an authorized investment and should be liquidated; All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

ADDITIONAL PROVISIONS. . . Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Commissioners Court; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the District's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial

Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no load mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

TABLE 10 – CURRENT INVESTMENTS

The District had the following investments in the General Fund as of August 3, 2023*:

	Fair Value Measurement
General Fund Investments	$ 54,751,690
Texas Class	34,568,623
Texas Range	20,000,000
Texas Daily	183,067
Total Investments	$ 109,503,380

____

*Unaudited.

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FINANCIAL INFORMATION

TABLE 11 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Years Ended December 31,				
	2022[1]	2021	2020	2019	2018
Revenues					
Property Taxes	$ 22,522,655	$ 21,704,872	$ 19,355,454	$ 18,466,159	$ 17,061,776
Charges for services	245,254	100,692	99,380	81,091	60,693
Operating grants and contributions	518,519	-	-	-	-
Intergovenmental	-	671,807	-	90,667	173,566
Interest	527,723	129,958	321,583	773,779	622,391
Other	1,176,356	208,307	196,664	1,145,933	77,450
Total Revenues	$ 24,990,507	$ 22,815,636	$ 19,973,081	$ 20,557,629	$ 17,995,876
Expenditures					
Professional Fees	$ 452,231	$ 296,903	$ 590,773	$ 614,512	$ 665,689
Contracted Services	1,103,062	836,044	778,442	687,398	734,774
Payroll	11,848,969	11,866,577	10,788,741	9,842,618	8,997,828
Utilities	129,423	76,565	52,690	47,786	31,533
Materials and Supplies	241,187	561,337	429,091	225,547	230,513
Repairs and Maintenance	468,974	299,583	260,218	1,557,692	1,380,829
Aid to other governments	-	-	-	-	8,590
Other Expenditures	3,540,220	2,556,264	1,757,426	1,639,410	1,537,818
Capital Outlay	2,812,285	4,035,083	5,293,999	6,170,200	6,293,470
Total Expenditures	$ 20,596,351	$ 20,528,356	$ 19,951,380	$ 20,785,163	$ 19,881,044
Excess (Deficiency) of Revenues Over Expenditures	$ 4,394,156	$ 2,287,280	$ 21,701	$ (227,534)	$ (1,885,168)
Other Financing Sources (Uses)					
Sale of Fixed Assets	$ 295,344	$ 196,484	$ 33,104	$ 139,511	$ 38,304
Capital Lease Financing	-	-	-	-	-
Equipment Purchase Agreement Proceeds	-	-	-	-	-
Interfund Transfers In/Out	2,992	(1,660,000)	(2,044,333)	(250,000)	(1,850,000)
Installment note	-	-	-	3,320,000	-
Total Other Financing Sources (Uses)	$ 298,336	$ (1,463,516)	$ (2,011,229)	$ 3,209,511	$ (1,811,696)
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	$ 4,692,492	$ 823,764	$ (1,989,528)	$ 2,981,977	(3,696,864)
Fund Balances at Beginning of Year	$ 19,744,935	$ 18,921,171	$ 20,910,699	$ 17,928,722	21,625,586
Prior period adjustments					
Fund Balance at End of Year	$ 24,437,427	$ 19,744,935	$ 18,921,171	$ 20,910,699	$ 17,928,722

Source: The District's Comprehensive Annual Financial Report.
[1] Sourced from draft financial statements.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, and the Perez Law Firm, PLLC, co-bond counsel to the District ("Co-Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Co-Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Co-Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Co-Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. A complete copy of the proposed form of opinion of Co-Bond Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Co-Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Co-Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Co-Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Co-Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Co-Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Co-Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Co-Bond Counsel expresses no opinion.

The opinion of Co-Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Co-Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Co-Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Co-Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Co-Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Payments on the Bonds generally will be subject to U.S. information reporting and possibly to "back withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of the Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owners' federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

CONTINUING DISCLOSURE OF INFORMATION

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

ANNUAL REPORTS . . . The District will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables numbered 1 through 5 and 7 through 11 and in Appendix B. The District will update and provide this information within six months after the end of each fiscal year ending in and after 2023, and in a narrative, tabular form consistent with the Rule that the District and its advisors determine to accurately describe the District's position. All financial information, operating data, financial statements, and notices required to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB. Financial information and operating data to be provided hereunder may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement, other offering document, or financial report) available to the public on the MSRB's Internet Web site or filed with the Securities and Exchange Commission (the "SEC") in such format and manner as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

The District's current fiscal year end is December 31. Accordingly, it must provide updated information by the last day of June in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS . . . The District will also provide notices of certain events to the MSRB. The District will provide notice in a timely manner not in excess of ten business days after the occurrence of any of the following events, as required by the Rule: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation of the District or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the Financial Obligation of the District, any of which reflect financial difficulties. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with its agreement described above under "Annual Reports".

For these purposes, 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 Order of a court or governmental authority, or the entry of Order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

The term “Financial Obligation” shall mean, for purposes of the events in clauses (15) and (16), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing, or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The District intends to comply with the events in clauses (15) and (16), and the definition of “Financial Obligation”, with reference to the Rule, any other applicable federal securities laws, and the guidance provided by the Commission in Release No. 34-83885 dated August 20, 2018 (the “2018 Release”), and any further amendments or written guidance provided by the Commission or its staff with respect to the amendments to the Rule effected by the 2018 Release.

AVAILABILITY OF INFORMATION FROM MSRB . . . The District has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

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 the Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders and Beneficial Owners of the Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the District is not aware of any failure by the District to comply in all material respects with its prior continuing disclosure agreements entered into in accordance with the Rule.

INFECTIOUS DISEASE OUTBREAK – COVID-19

On April 10, 2023, the President of the United States signed into law a bill that ended the national emergency declaration resulting from COVID-19, a respiratory disease caused by a strain of coronavirus, and on May 5, 2023, the World Health Organization declared the outbreak of COVID-19 over as a global health emergency. However, COVID-19 continues to affect many parts of the world, including the United States and the State.

The outbreak of COVID-19, characterized as a pandemic by the World Health Organization for over three years, negatively affected travel, commerce, the global supply chain, and financial markets globally, and may negatively affect economic growth and financial markets worldwide in the future. The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

OTHER INFORMATION

RATINGS . . . The Bonds have been rated "Aa2" by Moody's Investor Service, Inc. ("Moody's") and "AA-" by S&P Global Ratings ("S&P"). The presently outstanding ad valorem tax supported debt of the District has underlying ratings of "Aa2" by Moody's and "AA-" by S&P. An explanation of the significance of such ratings may be obtained from the companies furnishing such ratings. Any rating reflects only the view of the rating organization and the District makes no representation as to the appropriateness of any rating. There is no assurance that such ratings will continue for any given period of time or they will not be revised downward or withdrawn entirely by such rating organizations, if in the judgement of such organizations, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

LITIGATION . . . In the opinion of various officials of the District, there is no litigation of any nature which has been filed or is pending to enjoin the issuance and delivery of the Bonds or which would affect the provisions made for the payment or security or in any manner questioning the validity of the Bonds, and the District is not a party to any litigation or other proceeding pending or to its knowledge, threatened, in any court, agency or other administrative body (either State or federal) which, if decided adversely to the District, would have a material adverse effect on the financial condition of the District.

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Section 1201.041, Texas Local Government Code, as amended, provides that obligations, such as the Bonds, are (1) negotiable instruments; (2) investment securities to which Chapter 8, Business & Commerce Code, applies; and (3) legal and authorized investments for an insurance company, a fiduciary or trustee, or a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. Section 271.051, Texas Local Government Code, further provides that the Bonds are legal and authorized investments for (1) banks, savings banks, trust companies, and savings and loan associations; (2) insurance companies; (3) fiduciaries, trustees, and guardians; and (4) sinking funds of municipalities, counties, school districts, or other political corporations or subdivisions of the State of Texas. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, the Bonds may have to be assigned an investment quality of not less than "A" or its equivalent by a nationally recognized rating agency, before they are eligible to secure deposits of any public fund of the State or any political subdivision or public agency of the State, and are lawful and sufficient security for the deposits to the extent of their face value. See "Ratings" above.

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

LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE . . . The District will furnish the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Initial Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Co-Bond Counsel to the effect that the Bonds, issued in compliance with the provisions of the Order, are valid and legally binding obligations of the District and, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Bonds are exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. In its capacity as Co-Bond Counsel, Orrick, Herrington & Sutcliffe LLP, Houston, Texas, and the Perez Law Firm, PLLC, McAllen, Texas, have reviewed the information under the captions "THE BONDS" (except for the subheadings "Book-Entry-Only System", "Defaults and Remedies", "Sources and Uses of Funds for the Bonds"), "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (except under the subheading "Compliance with Prior Undertakings" as to which no opinion is expressed), "OTHER INFORMATION–Registration and Qualification of Bonds For Sale", "OTHER INFORMATION–Legal Investments and Eligibility to Secure Public Funds in Texas", and "OTHER INFORMATION–Legal Opinions and No-Litigation Certificate" in the Official Statement and such firms are of the opinion that the information relating to the Bonds and the Order contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. The legal fees to be paid Co-Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The legal opinion of Co-Bond Counsel will accompany the Bonds deposited with DTC or will be printed on definitive Bonds in the event of discontinuance of the Book-Entry-Only System.

Certain legal matters will be passed upon for the Underwriters by their counsel Cantu Harden Montoya LLP, San Antonio, Texas, whose fees are contingent on the sale and delivery of the Bonds.

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

AUTHENTICITY OF FINANCIAL INFORMATION . . . The financial data and other information contained herein have been obtained from the District's records, audited financial statements and other sources which are believed to be reliable. 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 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 STATEMENTS . . . Appendix B to this Official Statement contains excerpts from the District's annual financial report for the fiscal year ended December 31, 2021. These financial statements and supplemental schedules have been audited by Burton McCumber & Longoria, L.L.P., McAllen, Texas, independent certified public accountant, as stated in the reports included with such financial statements in Appendix B. Since the publication of the audit, there have been no material changes to the District's financial position which would negatively impact the District's ability to repay the Bonds.

The Bonds have not been approved or disapproved by the United States Securities and Exchange Commission, nor has the United States Securities and Exchange Commission passed upon the accuracy or adequacy of the Official Statement. It is the obligation of the Underwriters to register or qualify the sales of the Bonds 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 Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the District shall not be required to qualify as a foreign corporation or to execute a general or special consent to service or process in any jurisdiction.

FINANCIAL ADVISOR . . . Estrada Hinojosa & Company, Inc. (the "Financial Advisor") is employed as the Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds are contingent upon the issuance and delivery of the Bonds. The Financial Advisor has relied on the opinion of Co-Bond Counsel and has not verified and does not assume any responsibility for the information, covenants, and representations contained in any of the documentation with respect to the federal income tax status of the Bonds or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor may from time to time engage other municipal advisors in fee sharing arrangements.

UNDERWRITERS . . . The Underwriters named on the cover page hereof have agreed, subject to certain conditions, to purchase the Bonds from the District, at a discount of $326,762.71 from the initial offering price of the Bonds shown on page ii of this Official Statement. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing the Bonds into investment trusts) at prices lower than the public offering prices of such Bonds and such public offering prices may be changed, from time to time, by the Underwriters.

The Bonds are being offered for sale to the public at the prices shown on pages ii hereof. The Underwriters reserve the right to lower such initial offering prices as they deem necessary in connection with the marketing of the Bonds. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial public offering price or prices set forth in this Official Statement. The Underwriters reserve the right to join with dealers and other underwriters in offering the Bonds to the public. The obligation of the Underwriters to accept delivery of the Bonds are subject to the terms and conditions set forth in the purchase contract, the approval of legal matters by counsel and other conditions. The Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriters and their affiliates may have certain creditor and/or other rights against the District in connection with such activities. In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the District. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

USE OF INFORMATION IN OFFICIAL 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 or solicitation.

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

MISCELLANEOUS . . . The Order also approved the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorize its further use in the reoffering of the Bonds by the Underwriters.

This Official Statement has been approved by the District for distribution in accordance with the provisions of the Rule.

ATTEST:	HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
/s/ Arturo Guajardo Jr.	/s/ Richard Cortez
County Clerk	County Judge

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APPENDIX A

GENERAL INFORMATION REGARDING THE COUNTY

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Hidalgo County is not liable in any way on the Bonds and the information contained herein is solely for background information concerning the area.

THE COUNTY . . . Hidalgo County (the "County") was created in 1852 from Cameron County. It was organized in the same year and at that time had an area of 2,356 square miles. When first organized the County extended almost as far north as Nueces County; however, later reductions to form counties to its north and east have reduced Hidalgo County to its present area of 1,583 square miles.

The County is bounded on the east by Kenedy, Willacy, and Cameron Counties. Brooks County is to its north. Starr County lies on its western boundary. On its southern boundary, the Rio Grande River separates the County from the Republic of Mexico.

The Governing body of the County is its Commissioners Court. The Court has five members. The County Judge is its chairman and the commissioner from each of the four road and bridge precincts is also a member. Each member of the Court is elected to a four-year term of office. One of the most important duties of the Commissioners Court is management of the finances of the County.

ECONOMY . . . The area economy is diversified by the tourist industry, agribusiness and international trade with Mexico. The Texas Almanac designates cotton, grain, vegetable, citrus, and sugar cane as principal sources of agricultural income. The County is a leading producer of cotton and sorghum.

Minerals produced in the County include gas, sand, and gravel.

The County is a popular tourist center located in the lush Lower Grande Valley with access to Old Mexico and facilities catering to thousands of summer and winter visitors.

TRANSPORTATION . . . McAllen acts as a regional air transportation center serving the fourth-fastest growing metropolitan area in the United States. Frequent daily flights to major air transportation hubs in Dallas and Houston are provided by the airport. The airport is served by American and Continental jet aircraft, which through connections in Dallas and Houston, can provide service to more than 200 markets.

RETAIL SALES . . . Retail Sales in the Retail Trade and All Industries Categories in the County are shown for the past ten years in the following table:

	Gross Sales [1]	
Year [2]	Retail Trade	All Industries
2013	9,528,282,125	17,544,707,337
2014	10,006,372,117	18,029,123,103
2015	9,763,730,662	17,844,287,445
2016	9,530,451,989	17,805,796,165
2017	9,646,823,109	18,675,495,308
2018	10,370,913,342	19,764,085,088
2019	10,709,407,490	20,631,295,883
2020	10,499,295,019	19,745,960,466
2021	13,432,284,536	24,539,507,129
2022	10,361,341,940	18,220,232,266

(1) Source: Texas State Comptroller Quarterly Sales Tax Report.
(2) 2022 data through Q3. 2023 data currently not available.

FOREIGN TRADE ZONE . . . The McAllen Foreign Trade Zone (FTZ) is located south of McAllen between McAllen and Reynosa. Commissioned in 1973, it was the first inland FTZ in the United States and continuously ranks among the most active FTZ's in the nation. Products can be brought into the FTZ duty-free. While in the trade zone, components can be assembled, processed, packaged or stored. Duty is charged only when these items enter U.S. commerce. The original McAllen FTZ encompasses 80 acres of fully developed land and contains more than 200,000 square feet of FTZ-owned warehouse and air-conditioned office space. The FTZ also offers complete public warehousing services. It is managed by the McAllen Economic Development Corporation-FTZ Board and monitored by the U.S. Customs Service. The advantages to using a FTZ include (1) duties are charged only when a product is distributed into the domestic market. No duties are owed on labor, overhead or profit attributed to a FTZ production operation. Customs duties are not paid on merchandise exported from a FTZ to another country other than the United States, (2) goods can be stored indefinitely, allowing you to surpass the quota of your product, then release the merchandise when quotas become available, (3) leasing space at market prices with full 24-hour security and customs assistance, (4) no property taxes on inventories, (5) cash flow enhancement, (6) lower transportation costs, (7) prime location just north of Texas-Mexico borders and one mile south of the McAllen International Airport, and (8) access to rail service with Union Pacific and Rio Valley Railroads.

The McAllen FTZ has expanded to 695 acres. Hunt Oil Company and its subsidiary, Woodbine Development Corp, have begun the development of their first phase of a 900-acre Class-A Business Park adjacent to McAllen's existing Southwest Industrial District. It is located in McAllen's *CrossPort and Foreign Trade Zone.*

The McAllen *Crossport* includes hundreds of acres of land with infrastructure in place which includes the McAllen International Airport, the McAllen FTZ, the South Texas College's Center for Advanced and Applied Technology, two international bridges and a third in the planning stages, an International Produce Market for imports and exports of produce and other perishable commodities, rail served industrial sites with on-site switching capabilities, Enterprise Zone incentive packages, and a distance of 65 miles from McAllen to the Sea Port of Brownsville.

EMPLOYMENT STATISTICS [1]

	Hidalgo County			State of Texas		
	June 2023	June 2022	June 2021	June 2023	June 2022	June 2021
Civilian Labor Force	381,666	372,591	370,397	15,047,450	14,673,500	14,317,810
Total Employment	356,194	346,299	332,134	14,418,774	14,058,566	13,403,377
Total Unemployment	25,472	26,292	38,263	628,676	614,934	914,433
Percentage Unemployment	6.7%	7.1%	10.3%	4.2%	4.2%	6.4%

______

(1) Source: Texas Labor Market Information

APPENDIX B

EXCERPTS FROM THE
HIDALGO COUNTY DRAINAGE DISTRICT No. 1
ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2021

The information contained in this Appendix consists of excerpts from the Hidalgo County Drainage District #1 Annual Financial Report for the Year Ended December 31, 2021, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Report for further information.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Hidalgo County Drainage District No. 1
Edinburg, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hidalgo County Drainage District No. 1 (the District), a component unit of County of Hidalgo, Texas, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of December 31, 2021, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

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

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, OPEB liability and pension information on pages 18–24 and 65–68 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and budgetary comparison schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 combining and individual nonmajor fund financial statements and budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section, Texas Supplementary Information (TSI) as required by Texas Commission for Environmental Quality (TCEQ) and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Burton McCumber & Longoria, L.L.P.

McAllen, Texas
July 27, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Management's Discussion and Analysis (MD&A) of Hidalgo County Drainage District No. 1 (the District), Edinburg, Texas is intended to provide an overview of the District's financial position and results of operations for the fiscal year ended December 31, 2021. Please read it in conjunction with the letter of transmittal on page 3 and the District's financial statements, which begin on page 26.

FINANCIAL HIGHLIGHTS

General Fund

- At fiscal year-end, the unassigned fund balance in the general fund totaled $18,476,750 which represents a $719,083 increase from fiscal year 2020 primarily due to an increase of tax collections revenue.

- The collection of the 2020 tax levy for general fund increased to $20,483,118, an increase of 11.0 percent primarily due to increase in overall property value assessments, the general fund revenues increased by $2,844,498 to $22,817,579, an increase of 14.2 percent over fiscal year 2020. The increase in revenues is mainly attributed to tax collection revenue that resulted from a higher tax levy.

- General fund expenditures increased by $578.918 to $20,530,298, an increase of 2.9 percent over fiscal year 2020.

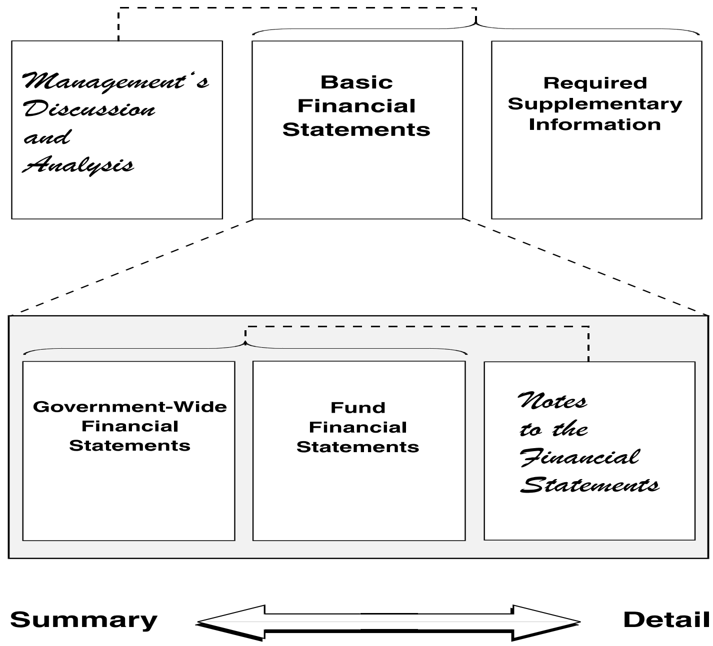
Government-Wide

- The District's governmental activities reported expenses of $29,045,015 net of program revenues totaling $1,468,737. General revenues totaled $50,367,700 resulting in an increase in net position of $22,791,422.

- At fiscal year-end, the District's governmental activities reported combined total net position of $155,126,887. A significant portion of net position is invested in capital assets or is restricted for specific purposes.

USING THIS ANNUAL REPORT

The following illustration is provided to facilitate the understanding of the GASB 34 reporting format and its components:



OVERVIEW OF THE FINANCIAL STATEMENTS

The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

- The Statement of Net Position and the Statement of Activities are government-wide financial statements that provide information about the activities of the District as a whole and present a long-term view of the District's finances.

- Fund financial statements provide information as to how services are financed in the short-term, as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds or "major" funds rather than fund types.

- The accompanying notes provide essential information about certain accounts disclosed on the face of the financial statements. Consequently, the notes form an integral part of the basic financial statements.

The following summarizes the major features of the District's financial statements:

	Government-Wide	**Governmental Funds**
Scope	Entire District government	The activities of the District
Required financial statements	♦ Statement of Net Position	♦ Balance Sheet
	♦ Statement of Activities	♦ Statement of Revenues, Expenditures and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities that is helpful in determining whether the District's position has improved or deteriorated as a result of the current year activities. Both statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The Statement of Net Position includes all assets, liabilities, both short and long-term and deferred inflows of resources. The Statement of Activities reports all of the current year revenues and expenses regardless of when cash is received or paid.

The two government-wide statements report the District's net position and changes in them. Net position (the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources) are one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating. Other non-financial factors, however, such as changes in the District's property tax base and the condition of the District's drainage facilities, should also be considered in assessing the overall health of the District.

The Statement of Net Position and the Statement of Activities operate as governmental activities. The District's services consist primarily of drainage flood control and administration. Property taxes, bond proceeds, interest earnings, and miscellaneous revenue finance most of these activities.

Fund Financial Statements

The fund financial statements provide a detailed short-term view of the District's operations, focusing on its most significant or "major" funds. Certain funds are required by state law and by bond covenants. Other funds are established to ensure and demonstrate compliance with finance related legal requirements and prudent fiscal management. The District has only governmental fund types.

- *Governmental funds* – all of the District's basic services are reported in governmental funds. The measurement focus and basis of accounting continues to be the modified accrual basis, which measures inflows and outflows of current financial resources and the balances left at year-end that are available for spending. The District's major governmental funds are the General Fund, 2019 Bond Series Capital Project Fund, 2021 Bond Series Capital Project Fund, 2021 A Taxable Bond Series Capital Project Fund, 2013 Bond Series Debt Service Fund, 2016 Refunding Bonds Debt Service Fund, 2019 Bond Series Debt Service Fund, and the 2021 A Taxable Bond Series Debt Service Fund. The reconciliations of the fund financial statements to the government-wide statements explain the differences between the governmental fund statements and the government-wide statements.

Statement of Net Position (Government-Wide)

The following comparative analysis table summarizes the District's net position as of December 31,:

	2021	2020
Assets:		
Current and other assets	$ 256,944,867	$ 160,399,325
Capital assets, net	218,227,478	194,879,219
Total assets	475,172,345	355,278,544
Deferred Outflows of Resources:		
Deferred charges on refunding	1,599,616	2,432,510
Deferred resources for pension	2,142,386	1,126,162
Deferred resources for OPEB	564,696	533,949
Total deferred outflows of resources	4,306,698	4,092,621
Liabilities:		
Long-term liabilities	282,746,684	190,134,218
Other liabilities	10,136,358	9,457,373
Total liabilities	292,883,042	199,591,591
Deferred Inflows of Resources:		
Deferred resources for pension	995,637	741,654
Deferred resources for OPEB	1,089,294	1,233,226
Deferred revenue for property taxes	29,384,183	25,469,229
Total deferred inflows of resources	31,469,114	27,444,109
Net position:		
Net investment in capital assets	143,866,282	135,237,940
Restricted	18,843,898	11,346,900
Unrestricted	(7,583,293)	(14,249,375)
Total net position	$ 155,126,887	$ 132,335,465

At the close of the current fiscal year, $143,866,282 represents the portion the District has invested in capital assets (i.e., land, infrastructure, buildings, machinery and equipment), net of accumulated depreciation less any outstanding debt used to construct or acquire those assets. The District uses these capital assets to provide services to citizens; consequently, these are not available for future spending. At the end of the fiscal year, the District reported a positive balance of $18,843,898 for the District's restricted net position that may be used to meet the ongoing obligations to citizens and creditors. The District's unrestricted net position increased to $(7,583,293) in connection with the District's governmental activities related to the debt associated with Drainage Development Projects, Control Structures, and Weir Rehabilitation as well as capital outlays.

Statement of Activities (Government-Wide)

The following table summarizes the change in the District's net position from its activities for the fiscal years ended December 31,

	2021	2020
Revenues:		
Program revenues:		
Operating grants and contributions	$ 1,368,045	$ -
Charges for services	100,692	99,380
Total program revenues	1,468,737	99,380
General revenues:		
Property taxes	48,776,231	38,720,572
Interest income	396,990	1,178,603
Tax penalties and interest	995,881	876,768
Miscellaneous	215,283	196,664
Gain/(Loss) on sale of capital assets	(16,685)	15,099
Total general revenues	50,367,700	40,987,706
Total revenues	51,836,437	41,087,086
Expenses:		
General government	(4,611,785)	(4,320,518)
Drainage flood control	(17,466,813)	(15,610,610)
Interest on long-term debt	(6,966,417)	(5,953,631)
Total expenses	(29,045,015)	(25,884,759)
Increase (decrease) in net position	22,791,422	15,202,327
Net Position - beginning	132,335,465	117,133,138
Net Position - ending	$ 155,126,887	$ 132,335,465

The District's general revenues totaled $50,367,700. Property taxes contributed $48,776,231, or 96.8% of total general revenues an increase of $9,379,994 from last year primarily due to a 2.2 Billion or 6.1% increase in property valuations driven by increased real estate market values. The remaining 3.2% of general revenues was derived from interest, tax penalties and other sources. The decrease in interest income was due to low federal interest rates that averaged approximately .08% for the year. The total expenses for services totaled $29,045,015 an Increase of $3,160,256 from previous year primarily due to increases of in-house construction projects, fuel prices, and higher debt service payments. Expenditures necessary for the maintenance and operations of drainage facilities accounted for 60.1% of expenses. General governmental activities and interest on long-term debt expenses accounted for 15.9% and 24.0% percent of the total expenses, respectively.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. Financial information is presented separately in the Balance

Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds for the District's major funds: General Fund, 2019 Bond Series Capital Project Fund, 2021 Bond Series Capital Project Fund, 2021 A Taxable Bond Series Capital Project Fund, 2013 Bond Series Debt Service Fund, 2016 Refunding Bonds Debt Service Fund, 2019 Bond Series Debt Service Fund, and the 2021 A Taxable Bond Series Debt Service Fund. Financial information for the non-major governmental funds is presented in single columns by fund type.

General Fund

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the fund balance of the General Fund totaled $19,744,935 which represents a $823,764 increase from fiscal year 2020. The increase in fund balance was attributed to a combination of an increase of tax collection revenue, auction proceeds, less a transfer to debt service fund for the final payment of the South Detention Basin project.

Over the course of the year, the Board revised the District's budget. These budget amendments fall into three categories. The first category includes the appropriation of the prior year's remaining balance for new projects the Board took action on during 2021. The second category includes line item transfers within the department to cover underfunded line items. Finally, the Board approved budget amendments to certain line items (including: engineering, rentals, insurance, and other heavy equipment) to record expenditures that were necessary for maintenance and operations of the drainage systems.

The District experienced a negative variance for general government and drainage flood control between original and final budgets in the amount of $4,145,048. Most of the variance came from the in house construction of drainage ditches that are not part of the bond funded projects.

The 2019 Bonds Series Capital Project Fund balance decreased by $19,542,278 which was attributed to the ongoing engineering, land acquisitions, and construction costs of the 37 identified projects. The new 2021 Bonds Series Capital Project Fund and 2021 A Taxable Bonds Series Capital Project Fund balances were $33,862,374 and 50,125,678. The 2013 Bond Series Debt Service Fund, 2016 Refunding Bonds Debt Service Fund, and the 2019 Bond Series Debt Service Fund, increased by $113,767, $153,997, and $123,370 which were attributed to property tax revenues exceeding debt service payments for principal and interest. The 2021 A Taxable Bond Series Debt Service Fund had no fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the District had $218,227,478 invested in capital assets, including land and easements, infrastructure, construction in progress, buildings and renovations, and machinery and equipment. Land, easements and construction in progress are not depreciated. Additional information on the District's capital assets can be found in the notes to the financial statements (See Note F).

Capital assets at year-end
(Net of depreciation)

	2021	2020
Land and easements	$ 34,346,141	$ 31,964,342
Construction in progress	82,929,797	74,286,762
Infrastructure	85,847,063	73,661,975
Buildings and renovations	2,846,441	2,952,435
Machinery and equipment	12,258,036	12,013,705
Total	$ 218,227,478	$ 194,879,219

Outstanding Debt

At year-end, the District's outstanding long-term liabilities were as follows:.

Outstanding Debt at Year-End		
	2021	2020
Bond Series 2013	48,835,000	52,245,000
Refunding Bond 2014	7,665,000	7,665,000
Refunding Bond 2016	34,410,000	39,625,000
Bond Series 2019	70,080,000	72,815,000
Bond Series 2021 Taxable FIF	22,869,000	-
Bond Series 2021	29,570,000	-
Bond Series 2021 A Taxable	49,910,000	-
Notes Payable	-	1,660,000
Compensated Absences	400,099	407,580
	$ 263,739,099	$ 174,417,580

Additional debt information can be found on Note G Long-Term Liabilities beginning on page 50.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2022 Levy experienced almost a 2.8 billion dollar increase in the appraised valuation from prior years, due in part to the growth of the economy and the supply of available homes for sale. The District will continue maintenance and expansion of its facilities as well as new projects as Hidalgo County's population and infrastructure needs continue to grow.

The Board of Directors considered these factors when setting the budget requirements for fiscal year 2022. A Balanced Budget was approved with revenues and expenditures for 2022 totaling $23,277,750 available for appropriation in the General Fund budget. The District passed a tax rate of .1264 per $100 valuation for the 2022 budget year. The 2022 budget year includes additional employees. Other operational expenditures were evaluated and adjusted, including items that have been affected by economic trends and other items used for emergencies. Capital improvements are in the future plans of the District for the 2022 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives and can also be found at www.hcdd1.org. Additional financial information can be requested at:

Hidalgo County Drainage District No. 1
902 North Doolittle Road
Edinburg, Texas 78542
956-292-7080

BASIC FINANCIAL STATEMENTS

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1 **EXHIBIT A-1**

A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS

STATEMENT OF NET POSITION

DECEMBER 31, 2021

		Governmental Activities
ASSETS		
Cash and cash equivalents	$	213,456,472
Receivables		
(net of allowance for uncollectibles)		
Property taxes		29,384,096
Other accounts		138,325
Due from other governments		13,960,293
Prepaid items		5,681
Capital assets, not being depreciated		
Land and easements		34,346,141
Construction in progress		82,929,797
Capital assets (net of accumulated depreciation)		
Infrastructure		85,847,063
Buildings and renovations		2,846,441
Machinery and equipment		12,258,036
Total assets		475,172,345
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on refunding		1,599,616
Deferred resources for pension		2,142,386
Deferred resources for OPEB		564,696
Total deferred outflows of resources		4,306,698
LIABILITIES		
Accounts payable		4,330,898
Salaries and benefits payable		646,077
Retainage payable		1,661,619
Due to other governments		347,865
Unearned revenue		236,235
Accrued interest		2,838,374
Other liabilities		75,290
Long-term liabilities:		
Due within one year		
Bond Series 2013		3,904,334
Bond Series 2014		88,108
Bond Series 2016		6,266,299
Bond Series 2019		3,857,059
Bond Series 2021 Taxable FIF		615,000
Bond Series 2021		987,063
Bond Series 2021 A Taxable		8,998,028
Compensated absences		33,812
Due in more than one year		
Bond Series 2013		45,414,526
Bond Series 2014		7,946,704
Bond Series 2016		30,978,605
Bond Series 2019		73,702,360
Bond Series 2021 Taxable FIF		22,254,000
Bond Series 2021		33,153,244
Bond Series 2021 A Taxable		41,578,924
Compensated absences		366,287
Net pension		1,282,341
Other post employment benefits		1,319,990
Total liabilities		292,883,042
DEFERRED INFLOWS OF RESOURCES		
Deferred resources for pension		995,637
Deferred resources for OPEB		1,089,294
Deferred revenues-property taxes		29,384,183
Total deferred inflows of resources		31,469,114
Net investment in capital assets		143,866,282
Restricted for:		
Debt service		18,842,644
Grants		1,254
Unrestricted		(7,583,293)
Total net position	$	155,126,887

The accompanying notes are an integral part of this statement.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1 **EXHIBIT A-2**
A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

		Program Revenues			
Functions\ Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:					
General government	$ (4,611,785)	$ -	$ -	$ -	$ (4,611,785)
Drainage flood control	(17,466,813)	100,692	1,368,045	-	(15,998,076)
Interest on long-term debt	(6,966,417)	-	-	-	(6,966,417)
Total Governmental Activities	$ (29,045,015)	$ 100,692	$ 1,368,045	$ -	$ (27,576,278)
General Revenues:					
Property taxes					48,776,231
Interest income					396,990
Tax penalties and interest					995,881
Miscellaneous					215,283
Gain (Loss) on sale of capital assets					(16,685)
Total General Revenues					50,367,700
Change in Net Position					22,791,422
Net Position - Beginning					132,335,465
Net Position - Ending					$ 155,126,887

The accompanying notes are an integral part of this statement.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	General Fund	2019 Bond Series Capital Project Fund	2021 Bond Series Capital Projects Fund	2021 A Taxable Bond Series Capital Projects Fund
ASSETS				
Cash and cash equivalents	$ 33,071,344	$ 50,100,556	$ 33,842,718	$ 50,192,064
Receivables				
(net of allowance for uncollectibles)				
Property taxes	12,340,961	-	-	-
Other accounts	133,000	-	-	-
Due from other governments	13,818,423	-	-	-
Due from other funds	98,515	229,221	19,656	9,845
Advance to other funds	100,000	-	-	-
Prepaid items	5,681	-	-	-
Total Assets	$ 59,567,924	$ 50,329,777	$ 33,862,374	$ 50,201,909
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 573,349	$ 2,496,985	$ -	$ 68,608
Salaries and benefits payable	646,077	-	-	-
Held in escrow	75,290	-	-	-
Retainage payable	67,702	1,354,094	-	7,623
Due to other governments	-	-	-	-
Due to other funds	15,222,024	92,477	-	-
Advance from other funds	-	-	-	-
Unearned revenue	188,662	-	-	-
Total Liabilities	16,773,104	3,943,556	-	76,231
Deferred inflows of resources:				
Unavailable revenue- property taxes	10,708,924	-	-	-
Deferred revenue-property taxes	12,340,961	-	-	-
Total deferred inflows of resources	23,049,885	-	-	-
Fund Balances:				
Non-spendable:				
Prepaid items	5,681	-	-	-
Restricted:				
Special revenue	-	-	-	-
Capital projects	-	46,386,221	33,862,374	50,125,678
Debt service	-	-	-	-
Assigned	1,262,504	-	-	-
Unassigned	18,476,750	-	-	-
Total Fund Balances	19,744,935	46,386,221	33,862,374	50,125,678
Total Liabilities, Deferred Inflows and fund balances	$ 59,567,924	$ 50,329,777	$ 33,862,374	$ 50,201,909

The accompanying notes are an integral part of this statement.

EXHIBT A-3

2013 Bond Series Debt Service Fund	2016 Refunding Bonds Debt Service Fund	2019 Bond Series Debt Service Fund	2021 A Taxable Bond Series Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
$ 1,290,402	$ 948,508	$ 795,051	$ -	$ 43,215,829	$ 213,456,472
3,090,692	4,115,672	3,041,800	5,025,613	1,769,358	29,384,096
-	-	-	-	5,325	138,325
-	-	-	-	141,870	13,960,293
2,663,746	3,533,477	2,919,572	4,704,067	1,371,661	15,549,760
-	-	-	-	-	100,000
-	-	-	-	-	5,681
$ 7,044,840	$ 8,597,657	$ 6,756,423	$ 9,729,680	$ 46,504,043	$ 272,594,627
$ -	$ -	$ -	$ -	$ 1,191,956	$ 4,330,898
-	-	-	-	-	646,077
-	-	-	-	-	75,290
-	-	-	-	232,200	1,661,619
-	-	-	-	347,865	347,865
-	-	-	-	235,259	15,549,760
-	-	-	-	100,000	100,000
-	-	-	-	47,573	236,235
-	-	-	-	2,154,853	22,947,744
2,588,550	3,432,782	2,836,620	4,704,067	1,365,572	25,636,515
3,090,693	4,115,761	3,041,799	5,025,613	1,769,356	29,384,183
5,679,243	7,548,543	5,878,419	9,729,680	3,134,928	55,020,698
-	-	-	-	-	5,681
-	-	-	-	1,254	1,254
-	-	-	-	40,590,670	170,964,943
1,365,597	1,049,114	878,004	-	622,338	3,915,053
-	-	-	-	-	1,262,504
-	-	-	-	-	18,476,750
1,365,597	1,049,114	878,004	-	41,214,262	194,626,185
$ 7,044,840	$ 8,597,657	$ 6,756,423	$ 9,729,680	$ 46,504,043	$ 272,594,627

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1 **EXHIBIT A-4**
A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2021

Total fund balance - balance sheet governmental funds		$ 194,626,185
Amounts reported for governmental activities in the statement of net position are different because:		
1. Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land and easements	34,346,141	
Construction in progress	82,929,797	
Infrastructure	85,847,063	
Buildings and renovations	2,846,441	
Machinery and equipment	12,258,036	218,227,478
2. Deferred outflows of resources represent a consumption of net position that applies to future periods, therefore, they are not recognized as an outflow until then. For refunding debt, the deferred charges on refundings are amortized over the shorter of the life of refunded or refunding debt.		
Refunding	1,599,616	
Pensions	2,142,386	
OPEB	564,696	4,306,698
3. A portion of the District's taxes collected during the year are not available to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds.		25,636,515
4. Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities (both current and long-term), are reported in the statement of net position.		
Accrued interest	(2,838,374)	
Bond Series 2013 - face value	(48,835,000)	
Bond Series 2013 - unamortized premium	(483,860)	
Bond Series 2014 - face value	(7,665,000)	
Bond Series 2014 - unamortized premium	(369,812)	
Bond Series 2016 - face value	(34,410,000)	
Bond Series 2016 - unamortized premium	(2,834,904)	
Bond Series 2019 - face value	(70,080,000)	
Bond Series 2019 - unamortized premium	(7,479,419)	
Bond Series 2021 Taxable FIF	(22,869,000)	
Bond Series 2021 - face value	(29,570,000)	
Bond Series 2021 - unamortized premium	(4,570,307)	
Bond Series 2021 A Taxable - face value	(49,910,000)	
Bond Series 2021 A Taxable - unamortized premium	(666,952)	
Compensated absences	(400,099)	
Pension	(1,282,341)	
Other post employment benefits	(1,319,990)	(285,585,058)
5. Deferred inflows related to the pension are not reported in the funds.	(995,637)	
Deferred inflows related to the OPEB are not reported in the funds.	(1,089,294)	(2,084,931)
Total net position of governmental activities		$ 155,126,887

The accompanying notes are an integral part of this statement.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	General Fund	2019 Bond Series Capital Projects Fund	2021 Bond Series Capital Projects Fund	2021 A Taxable Bond Series Capital Projects Fund
REVENUES				
Property taxes	$ 21,704,872	$ -	$ -	$ -
Intergovernmental	673,751	-	-	-
Charges for services	100,692	-	-	-
Interest	129,958	72,550	29,188	73,538
Miscellaneous	208,306	3	-	-
Total revenues	22,817,579	72,553	29,188	73,538
Interest				
EXPENDITURES				
Current:				
General government	4,611,785	-	-	-
Drainage flood control	12,004,873	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Issuance cost and fiscal charges	160,000	-	346,334	454,304
Capital Outlay:				
General government	34,650	-	-	-
Drainage flood control	3,718,990	19,614,831	-	76,230
Total expenditures	20,530,298	19,614,831	346,334	530,534
Excess (deficiency) of revenues over (under) expenditures	2,287,281	(19,542,278)	(317,146)	(456,996)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(1,660,000)	-	-	-
Sale of capital assets	196,483	-	-	-
Bonds issued	-	-	29,570,000	49,910,000
Premium on bond issued	-	-	4,609,520	672,674
Total other financing sources (uses)	(1,463,517)	-	34,179,520	50,582,674
Net change in fund balances	823,764	(19,542,278)	33,862,374	50,125,678
Fund balances at beginning of year	18,921,171	65,928,499	-	-
Fund balances at the end of year	$ 19,744,935	$ 46,386,221	$ 33,862,374	$ 50,125,678

The accompanying notes are an integral part of this statement.

2013 Bond Series Debt Service Fund	2016 Refunding Bonds Debt Service Fund	2019 Bond Series Debt Service Fund	2021 A Taxable Bond Series Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
$ 5,477,006	$ 7,334,193	$ 6,041,947	$ -	$ 303,834	$ 40,861,852
-	-	-	-	694,294	1,368,045
-	-	-	-	-	100,692
10,861	16,504	9,923	-	54,468	396,990
-	-	-	-	6,974	215,283
5,487,867	7,350,697	6,051,870	-	1,059,570	42,942,862
-	-	-	-	-	4,611,785
-	-	-	-	460,456	12,465,329
3,410,000	5,215,000	2,735,000	-	1,660,000	13,020,000
1,963,650	1,981,250	3,193,050	-	297,363	7,435,313
450	450	450	-	1,500	963,488
-	-	-	-	-	34,650
-	-	-	-	5,428,643	28,838,694
5,374,100	7,196,700	5,928,500	-	7,847,962	67,369,259
113,767	153,997	123,370	-	(6,788,392)	(24,426,397)
-	-	-	-	1,660,000	1,660,000
-	-	-	-	-	(1,660,000)
-	-	-	-	-	196,483
-	-	-	-	22,869,000	102,349,000
-	-	-	-	-	5,282,194
-	-	-	-	24,529,000	107,827,677
113,767	153,997	123,370	-	17,740,608	83,401,280
1,251,830	895,117	754,634	-	23,473,654	111,224,905
$ 1,365,597	$ 1,049,114	$ 878,004	$ -	$ 41,214,262	$ 194,626,185

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1 **EXHIBIT A-6**
A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

Net change in fund balances - total governmental funds		$ 83,401,280
Amounts reported for governmental activities in the statement of activities is different because:		
1. Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	28,873,343	
Depreciation	(5,311,917)	23,561,426
2. Sales and other dispositions of capital assets are reported in the governmental funds as other financing sources. The gain or loss on the sale of capital assets should be reported in the statement of activities. A gain is reported as general revenue and a loss should be included as part of the general government function.		(16,685)
3. Governmental funds typically report proceeds they receive in connection with the disposal of capital assets as other financing sources. This amount must be removed and replaced by an adjustment to the appropriate capital asset and the accumulated depreciation account. Any gain or loss should be reported as discussed above.		(196,483)
4. Certain property tax revenues reported in the funds are unavailable in the statement of activities. This is the change in these amounts this year.		
Related to prior years	(16,726,255)	
Earned but unavailable	25,636,515	8,910,260
5. Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis; expenses and liabilities are reported regardless of when financial resources are available.		
Amortization of debt premiums	2,625,214	
Amortization of deferred charge on refunding	(832,894)	
Change in accrued interest on bonds	(359,937)	
Change in compensated absences	7,481	
Change in deferred outflow of resources - pension	1,016,224	
Change in deferred inflow of resources - pension	(253,983)	
Net pension obligation	(369,278)	
Change in deferred outflow of resources - OPEB	143,933	
Change in deferred inflow of resources - OPEB	30,746	
Other post employment benefits	(264,688)	1,742,818
6. Debt proceeds are reported as financing sources in governmental funds and thus contribute to changes in fund balances. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of position.		
2021 taxable bond series - FIF	(22,869,000)	
2021 bond series	(29,570,000)	
2021 A taxable bond series	(49,910,000)	
Premium	(5,282,194)	
Payment on installment note 2019	1,660,000	
Bond payments	11,360,000	(94,611,194)
Change in net position of governmental activities - statement of activities		$ 22,791,422

The accompanying notes are an integral part of this statement.

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1 **EXHIBIT A-7**
A COMPONENT UNIT OF COUNTY OF HIDALGO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Property taxes	$ 21,133,589	$ 21,133,589	$ 21,704,872	$ 571,283
Charges for services	111,000	111,000	100,692	(10,308)
Interest	480,000	480,000	129,958	(350,042)
Intergovernmental	-	-	673,751	673,751
Miscellaneous	170,000	170,000	208,306	38,306
Total revenues	21,894,589	21,894,589	22,817,579	922,990
EXPENDITURES				
Current:				
General government	5,134,184	5,208,436	4,611,785	596,651
Drainage flood control	15,293,093	15,423,249	12,004,873	3,418,376
Debt Service:				
Issuance cost	-	187,000	160,000	27,000
Capital Outlay:				
General government	-	34,650	34,650	-
Drainage flood control	-	3,718,990	3,718,990	-
Total expenditures	20,427,277	24,572,325	20,530,298	4,042,027
Excess (deficiency) of revenues over (under) expenditures	1,467,312	(2,677,736)	2,287,281	4,965,017
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,410,000)	(1,971,500)	(1,660,000)	311,500
Sale of capital assets	-	-	196,483	196,483
Total other financing sources (uses)	(2,410,000)	(1,971,500)	(1,463,517)	507,983
Net change in fund balance	(942,688)	(4,649,236)	823,764	5,473,000
Fund balance at beginning of year	18,921,171	18,921,171	18,921,171	-
Fund balance at the end of year	$ 17,978,483	$ 14,271,935	19,744,935	$ 5,473,000

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

Note A. General Statement and Summary of Significant Accounting Policies

General Statement

Hidalgo County Drainage District No. 1 (the District) was created on April 9, 1908, by order of the Commissioners' Court of Hidalgo County, Texas (the County), pursuant to an election held within the territory affected. Originally organized under provisions of Article III, Section 52 of the Texas Constitution, the District was later converted into a Conservation and Reclamation district under the provisions of Article XVI, Section 59 of the Texas Constitution, and has continued to exercise all of the powers and functions of such a district. The District operates under Chapter 56 of the Texas Water Code.

Summary of Significant Accounting Policies

The accounting and reporting policies of the District, as reflected in the accompanying financial statements, conform to generally accepted accounting principles (GAAP) in the United States of America applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

During 2021, the District implemented applicable GASB standards:

Statement No. 98, The Annual Comprehensive Financial Report. This statement establishes the acronym ACFR and replaces the former name.

New Reporting Standards

Statement No. 87, Leases. The objective of this statement is to meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments. This statement is effective for reporting periods beginning after June 30, 2022.

Statement No. 89, Accounting for Interest Cost Incurred before the end of a Construction Period. The objective of this statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for the interest cost incurred before the end of a construction period. This statement is effective for reporting periods beginning after June 30, 2022.

Statement No. 91, Conduit Debt Obligations. This statement was issued to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice. This statement is effective for reporting periods beginning after December 31, 2022.

Statement No. 92, Omnibus 2020. The objective of this Statement is to correct, clarify and provide additional guidance on previously issued pronouncements. This statement is effective for reporting periods beginning after June 30, 2022.

Statement No. 93, Replacement of Inter Bank Offered Rates. The objective of this Statement is to address financial reporting implications that result from the replacement of Inter Bank Offered Rates (IBOR). This statement is effective for reporting periods beginning after June 30, 2022.

Note A. General Statement and Summary of Significant Accounting Policies – Continued

New Reporting Standards – Continued

Statement No. 94, Public-Private and Public Partnerships and Availability Payment Arrangements. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction. This statement is effective for reporting periods beginning after June 30, 2023.

Statement No. 99, Omnibus 2022 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature in Statements No. 53, 63, 87, 94, 96, and 34. Provisions of Statement 34 as amended and Statements 53 and 63 are effective upon issuance. The requirements related to leases, PPPs, SBITAs are effective for fiscal years beginning after June 15, 2022. Changes for Statement 53 are effective for fiscal years beginning after June 15, 2023.

Statement No. 100, Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62. This statement prescribes the accounting and financial reporting for each type of accounting change and error corrections. This statement is effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023.

Statement No. 101, Compensated Absences. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. This statement is effective for fiscal years beginning after December 15, 2023.

Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. SBITAs are contracts that give governmental entities to right to use a vendor's IT software for a specified time in exchange for payment. This statement is effective for reporting periods beginning after June 30, 2023.

Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. This Statement is intended to (1) increase the comparability of the reporting of fiduciary component units in circumstances where a potential component unit does not have a governing board; (2) mitigate costs associated with the reporting of certain defined contribution plans other than pension plans or OPEB plans; (3) enhance the relevance, consistency, and deferred compensation plans. This statement is effective for reporting periods beginning after June 30, 2022.

Implementation Guide No. 2019-1, "Implementation Guide Update-2019". The requirements for this implementation guide will take effect for financial statements starting with the fiscal year that ends June 30, 2021.

Implementation Guide No. 2019-3, "Leases". The requirements for this implementation guide will take effect for financial statements starting with the fiscal year that ends June 30, 2022.

The impact of these statements on the District's financial statement has not been determined as of yet.

The District will evaluate these new pronouncements and will implement them as applicable by their effective dates.

Note A. General Statement and Summary of Significant Accounting Policies – Continued

The following significant accounting policies were applied in the preparation of the accompanying basic financial statements.

1. Reporting Entity

GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB No. 61, provides guidance for determining which governmental organizations should be included within the reporting entity. GASB Statement No. 61 sets forth financial accountability as the basic criterion for inclusion of a governmental unit in a governmental reporting entity. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose its will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

The District is a discretely presented component unit of County of Hidalgo, Texas. The District is a legal separate entity that is governed by the five members of the County's Commissioners Court of Hidalgo County, Texas. The County does not have operational responsibility for activities and it's not obligated in any manner for the District's debt.

On June 22, 1976, the District and the Willacy County Drainage District No. 1 entered into an agreement for the use of an outfall drainage ditch to be constructed, owned, and operated by the District in Willacy County. An advisory committee composed of two members for each district determined the type of maintenance needed and to be performed. The District has no oversight responsibility over Willacy County Drainage District No. 1; therefore, the financial activity for Willacy County Drainage District No. 1 is not included in this report.

2. Basis of Presentation

Government-Wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. The purpose of these statements is to present the financial position and the operating results of the District as a whole. The District's activities are categorized as "governmental activities" because it is financed primarily through property taxes, intergovernmental revenues, and other transactions. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Net Position focuses on the net position of the District, where the net position equals the assets and deferred outflows less the liabilities and deferred inflows of resources.

The Statement of Activities presents a comparison between direct expenses and program revenues of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges for services and (b) operating grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Governmental Fund Financial Statements provide information about the District's governmental funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund balance, and revenues and expenditures, as appropriate.

The District reports the following major governmental funds:

General Fund - This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

Note A. General Statement and Summary of Significant Accounting Policies – Continued

2. Basis of Presentation - Continued

2019 Bond Series Capital Projects Fund - The bonds were issued to pay (1) construction of and equipment for drainage improvement projects, (2) acquisitions of rights of way, and (3) costs of issuance of the bonds.

2021 Bond Series Capital Project Fund - The bonds were issued to pay (1) construction of and equipment for drainage improvement projects, (2) acquisitions of rights of way, and (3) costs of issuance of the bonds.

2021 A Taxable Bond Series Capital Project Fund - The bonds were issued to pay (1) construction of and equipment for drainage improvement projects, (2) acquisitions of rights of way, and (3) costs of issuance of the bonds

2013 Bonds Series Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, bonds long-term debt principal, interest, and related costs.

2016 Refunding Bonds Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, bonds long-term debt principal, interest, and related costs.

2019 Refunding Bonds Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, bonds long-term debt principal, interest, and related costs.

2021 A Taxable Bond Series Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, bonds long-term debt principal, interest, and related costs.

Additionally, the District reports the following fund types:

Special revenue funds account for specific revenue resources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

3. Basis of Accounting

Government-Wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be measurable when the amount of the transaction can be determined and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers collections within 60 days of the end of the current fiscal period to be revenues. Expenditures generally are recorded when a liability is incurred, similar to accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Note A. General Statement and Summary of Significant Accounting Policies – Continued

3. Basis of Accounting - Continued

Unearned revenue arises when potential revenues do not meet both the measurable and available test for recognition in the current period and when resources are received by the District before the District is legally entitled to them. In succeeding periods when both revenue recognition criteria are met or when the District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

4. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

5. Cash and Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date acquired by the District and external investment pools. Investments are stated at fair market value. It is the District's intent to hold all investments to maturity.

6. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

7. Receivables and Payables

All trade and property taxes receivable are shown net of an allowance for uncollectible accounts. Property taxes are levied October 1st and become delinquent on February 1st, at which time penalties and interest are assessed.

Activities between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as "due to/from other funds."

8. Capital Assets

Capital assets, which include property, equipment, and infrastructure, are reported in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. When no historical records are available, capital assets are valued at estimated acquisition value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Capital assets of the District are depreciated using the straight-line method over their estimated useful lives. Standard capitalization thresholds have been established for each major class of assets.

Note A. General Statement and Summary of Significant Accounting Policies – Continued

8. Capital Assets - Continued

The following lists the thresholds and useful lives by class:

Asset Class	Capitalization Threshold	Useful Lives in Months
Land/land improvement	Capitalize all	N/A
Easements	Capitalize all	N/A
Infrastructure	$100,000	420
Buildings and renovations	$50,000	480
Machinery and equipment	$1,000	15-180

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expenses / expenditures) until then. The District has three items that qualify for reporting in this category. A deferred charge on refunding bonds results from the difference between the carrying value of refunded debt and the reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also has a deferred outflow of resources related to pension expense that results from the differences between expected and actual experience, changes in assumptions, and contributions made subsequent to the measurement date. The third are outflows of resources related to Other Post-Employment Benefits for the differences between the expected and actual experience, changes of assumptions or other inputs, and differences in actual benefits and proportionate share of benefits. For the year ended December 31, 2021, the District had deferred outflows of resources for refunding bond, pension, and OPEB in the amount of $1,599,616, and $2,142,386, and $564,696, respectively.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one type of item, which arises under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, *unavailable revenue,* is reported in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. A deferred inflow of resources related to pensions for the difference between the expected and actual experience on the plan and net difference between projected and actual earned is reported on the statement of net position. A deferred inflow related to OPEB is for the changes of assumptions and other inputs is also reported on the Statement of Net Position.

At December 31, 2021, the District had deferred inflow of resources related to pension and OPEB and property taxes in the amount of $995,637 and $1,089,294, and $29,384,183 respectively. A deferred inflow related to OPEB is for the changes of assumptions and other inputs is also reported on the Statement of Net Position.

Note A. General Statement and Summary of Significant Accounting Policies – Continued

10. Fund Balance

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

Non-spendable fund balance – amounts that are not in spendable form or are required to be maintained intact. As such, the prepaid items have been properly classified as non-spendable in the Governmental Funds Balance Sheet.

Restricted fund balance – amounts that can be spent only for specific purposes because of local, state, or federal laws, or externally imposed conditions by grantors or creditors. The District reports restricted fund balances for amounts restricted for debt service and capital projects.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. Board of Directors). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. At December 31, 2021, the District did not have committed funds.

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official body to which the Board of Directors delegates the authority. These funds represent amounts the District intends to use for the Raymondville Drain.

Unassigned fund balance – amounts that are available for any purpose.

For purposes of fund balance classifications, expenditures are to be spent from restricted fund balance first and then unrestricted. Expenditures incurred in the unrestricted fund balances shall be reduced first from the committed fund balance, then from the assigned fund balance, and lastly, the unassigned fund balance.

11. Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is utilized as an extension of formal budgetary integration in governmental funds.

Although appropriations lapse at year-end for annually budgeted funds, the District honors encumbrances outstanding at year-end. Outstanding encumbrances do not constitute expenditures or liabilities since the commitments will be honored during the subsequent year. The District has active construction projects as of December 31, 2021. At year-end, the District's remaining commitments totaled $33,502,720; therefore, this amount is encumbered. Encumbrances for the general fund and 2019 bond series capital projects fund totaled $2,080,970, and $26,866,890, respectively. Encumbrances for non-major funds totaled $4,554,860.

12. Budgets

The District's budget is adopted after public hearings have been held. All revisions must be approved by the Board of Directors of the District. The District can't overspend the budget.

Note A. General Statement and Summary of Significant Accounting Policies – Continued

12. Budgets - Continued

Formal budgetary integration is utilized as a management control device during the year for the General and Debt Service Funds. Budgets for the General and Debt Service Funds are adopted on a basis consistent with GAAP. Appropriations for annually budgeted funds lapse at year-end.

Appropriations at year-end for grant-funded special revenue funds and capital project funds are carried forward to subsequent years until the grant has terminated or the project is completed.

The appropriated budget is prepared by fund, function, budget, and object codes. Transfers of appropriations between budgets require the approval of the Board of Directors. The legal level of budgetary control (i.e., the level at which expenditures cannot legally exceed appropriations) is at the budget level.

13. Compensated Absences

Regular full-time employees accumulate vacation leave at varying rates depending on their years of service with the District. They are as follows:

Number of Years of Service	Vacation Leave Hours Earned Per Year
0 to 5 years	96
5 to 10 years	108
Over 10 years	120

Vacation leave may be accumulated up to a maximum of 160 hours (20 days) for employees with less than 10 years of continuous service. Employees with more than 10 years but less than 15 years of continuous service may accumulate 240 hours (30 days). Employees with more than 15 years may maintain an accrued leave of 320 hours (40 days). Employees lose, without pay, unused vacation leave which exceed set limits. Regular part-time employees accumulate vacation leave of 48 hours regardless of years of service. As of December 31, 2021, the District's total liability for vested vacation leave totaled $400,099. Vested vacation benefits are expected to be liquidated with expendable and available financial resources and are reported as an expense and a long-term liability in the government-wide statement of net position. The District estimates $33,812 of the total compensated absences balance will be due within one year.

Each regular full-time employee earns sick leave at the rate of 12 working days per year and may accumulate a maximum sick leave balance of 45 working days. Permanent part-time employees earn 6 days per year and may accumulate a maximum of 45 working days. Outstanding sick leave balances are cancelled, without recompense, upon termination, resignation, retirement, or death. In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences," no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

The accrued liability for accumulated compensated absences reported in the government-wide financial statements consists of unpaid accumulated vacation leave, compensatory time, and holiday leave balances. Budgets for vested benefits for vacation or sick leave are not legally adopted in the District's operating budget.

Note A. General Statement and Summary of Significant Accounting Policies – Continued

13. Compensated Absences - Continued

The accrued amount for the current year is as follows:

Vacation leave	$	352,344
Compensatory time		44,538
Holiday leave		3,216
Total	$	400,099

14. Rounding Adjustments

Throughout this report, dollar amounts are rounded, thereby creating differences between the detail and the totals.

Note B. Deposits and Investments

The District's Depository Agreement requires its designated financial institution to secure by collateral valued at fair value, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance, deposits and accrued interest thereon by 105%. At December 31, 2021, the District's deposits were entirely covered by FDIC insurance pursuant to the Depository Agreement. At December 31, 2021, the carrying amount of the District's deposits totaled $72,549,883 and was entirely covered by federal deposit insurance or secured by collateral held by the pledging financial institutions agent in the District's name.

Investments of the District are pooled for investment purposes in each of the District's fund types. Earnings on pooled investments are allocated to the funds having equity in the pool on the basis of their relative contribution to the pool.

At December 31, 2021, the District had investments in Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS) local government pool. Texas Class investment pools' investments are not evidenced by securities that exist in physical or book entry form and, accordingly, do not have custodial risk. Texas Class is organized under the authority of the Interlocal Cooperation Act, Chapter 2256, of the Texas Government Code.

Texas Class was created in 1996 and is governed by a board of trustees to provide for joint investments of participant's public funds. Texas Class policy seeks to invest pooled assets in order to preserve principal, maintain the liquidity of the funds, and to maximize yield. Public Trust Advisors, LLC is the program administrator and Wells Fargo Bank Texas, N.A. is custodian. The Texas Range Range Investment Program ("Texas Range") was created by and for Texas Local governments. The Program provides investment options tailored to the needs of Texas cities, counties, school districts and other public investors.

The District had investments in Texas Class and Texas Range, carried at fair value are classified as cash and cash equivalents totaled $119,632,088 at December 31, 2021. The District had no items classified as investments for 2021.

The District's investments are categorized into the following three levels of credit risk:

Level 1 – Quoted prices in active markets for identical assets
Level 2 – Observable inputs other than quoted market prices
Level 3 – Unobservable inputs

Note B. Deposits and Investments – Continued

Interest rate risk. In accordance with its investment policy, the District manages its exposure to decreases in fair value by utilizing controlled disbursement, cash flow analysis, and portfolio analysis or similar cash management techniques and limiting the weighted average maturity of its investment portfolio to one year or less.

Credit risk. The Public Funds Investment Act (Government Code Chapter 2256) limits authorized investments to obligations of, or guaranteed by, governmental entities, certificates of deposit and share certificates, repurchase agreements, securities lending program, banker's acceptances, commercial paper, mutual funds, guaranteed investment contracts, and investment pools. The District's investment policy further limits investments to obligations of, or guaranteed by, governmental entities, certificates of deposit, repurchase agreements, banker's acceptances, AAA rated mutual funds, and investment pools.

Concentration of credit risk. To limit the concentration of credit risk, the District's investment policy does not allow investment in banker's acceptances to exceed 10 percent of the District's total investments. Additionally, the District's investment policy prohibits funds held for debt service to be invested in mutual funds and prohibits the District from investing in the aggregate more than eighty percent of its monthly average fund balance, excluding funds held for debt service, in AAA rated money market mutual funds.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's depository agreement requires its designated depository financial institution to secure the District's uninsured deposits by 105% with securities held in the District's name at a third-party financial institution.

Custodial credit risk – investments. For an investment, this is the risk that in the event of a failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy reduces the District's exposure to custodial credit risk by limiting investments to securities that are backed by the full faith and credit of the State of Texas, the United States, or their respective agencies and instrumentalities. The District's investment policy strictly prohibits riskier-type investments such as commercial paper.

Note C. Taxes Receivable

A summary of the taxes receivable by fund is as follows at December 31, 2021:

	General Fund	Bonds Debt Service Fund	Total
Taxes receivable - current	$ 11,551,895	$ 16,102,553	$ 27,654,448
Taxes receivable - delinquent	2,417,446	1,892,909	4,310,355
Allowance for uncollectibles	(1,628,380)	(952,327)	(2,580,707)
Taxes receivable, net of allowance for uncollectibles	$ 12,340,961	$ 17,043,135	$ 29,384,096

Property taxes attach as an enforceable lien on property as of January 1. The taxes are levied on or about October 1, based on the assessed value listed as of the date the enforceable lien attaches. Appraised values are established by the Hidalgo County Appraisal District, assessed at 100% of appraised value, and certified by the Appraisal Review Board. The County Tax Assessor-Collector (CTAC) bills and collects taxes for the District. CTAC billed the District $426,324 in fees during 2021. Taxes are due from October 1 of the year in which levied until January 31 of the following year without interest or penalty. No discounts are offered.

Note C. Taxes Receivable – Continued

On February 1, these taxes become delinquent, at which time penalty and interest charges are applicable. Collections on the levy for October 1, 2021, as well as the balances due on all taxes receivable related thereto, are reflected as deferred inflows of resources because they are not available to finance 2021 operations.

The 2020 tax levy, for the 2021 year, totaled $39,386,092 based on a total taxable value of $36,453,447,769 and a tax rate of 0.1026.

Note D. Interfund Receivables and Transfers

Balances of due to/from other funds consisted of the following at December 31, 2021:

Due to General Fund from Raymondville Drain Restore Act Grant Fund	$ 43
Due to General Fund from Region 15 Planning Group Grant Fund	5,995
Due to General Fund from 2019 Bond Series Capital Projects Fund	92,477
Due to 2013 Bond Series Capital Projects Fund from General Fund	1,918
Due to Non-Major Debt Service Funds from General Fund	1,369,743
Due to 2021 Bond Series Capital Projects Fund from General Fund	19,656
Due to 2021A Taxable Bond Series Capital Projects Fund from General Fund	9,845
Due to 2013 Bond Series Debt Service Fund from General Fund	2,663,746
Due to 2016 Refunding Bonds Debt Service Fund from General Fund	3,533,477
Due to 2019 Bond Series Debt Service Fund from General Fund	2,919,572
Due to 2021 A Taxable Bond Series Debt Service Fund from General Fund	4,704,067
Due to 2019 Bond Series Capital Projects Fund from 2013 Bond Capital Project Fund	229,221
Total due to/from other funds	$ 15,549,760

These balances resulted from the time lag between the dates that (1) inter-fund goods and services are provided, or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made.

Transfers are used to (1) move revenues from the fund that statute or budget requires (2) move funds restricted to debt service for debt service payments, and (3) use unrestricted revenues collected in the general fund to finance various projects accounted for in other funds in accordance with budgetary authorizations. Inter-fund transfers consisted of the following for the year ended December 31, 2021:

	Transfers Out:	
Transfers In:	General Fund	Total
Non-major Debt Service Fund	$ 1,660,000	$ 1,660,000
Total Inter-fund transfers	$ 1,660,000	$ 1,660,000

Note E. Due From Other Governments

Due from other governments consisted of the following at December 31, 2021:

Due From	Purpose	Amount
County of Hidalgo	American Rescue Plan Act	$ 400,494
County of Hidalgo Precinct #1	Inter-local agreement project	37,890
County of Hidalgo Precinct #2	Inter-local agreement project	188,662
Willacy County Drainage District No. 1	Inter-local agreement project	24,732
Hidalgo County Tax Office	Collection of taxes	12,994,662
Irrigation Distict #9	Sale of 2 New Holland Tractors	171,983
Department of Homeland Security	Inter-local agreement project	28,971
Texas Commission Environmental Quality	Raymondville Drain Restoration	55,952
Texas Water Development Board	Region 15 Planning Group	56,947
Total due from other governments		$ 13,960,293

Note F. Capital Assets

The following is a summary of changes in capital assets for the year ended December 31, 2021:

	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Governmental activities:				
Capitals assets not being depreciated:				
Land and easements	$ 31,964,342	$ 2,381,799	$ -	$ 34,346,141
Construction in progress	74,286,762	24,006,502	(15,363,467)	82,929,797
Total capital assets not being depreciated	106,251,104	26,388,301	(15,363,467)	117,275,938
Capitals assets being depreciated:				
Infrastructure	127,759,583	-	15,363,467	143,123,050
Building and renovations	3,648,244	-	-	3,648,244
Machinery and equipment	27,561,686	2,485,043	(396,057)	29,650,672
Total capital assets being depreciated	158,969,513	2,485,043	14,967,410	176,421,966
Less accumulated depreciation for:				
Infrastructure	(54,097,608)	(3,178,379)	-	(57,275,987)
Building and renovations	(695,809)	(105,994)	-	(801,803)
Machinery and equipment	(15,547,981)	(2,027,544)	182,889	(17,392,636)
Total accumulated depreciation	(70,341,398)	(5,311,917)	182,889	(75,470,426)
Total capital assets being depreciated, net	88,628,115	(2,826,874)	15,150,299	100,951,540
Governmental activities capital assets, net	$ 194,879,219	$ 23,561,427	$ (213,168)	$ 218,227,478

Depreciation expense totaling $5,311,917 was charged to the drainage flood control function under governmental activities for the year ended December 31, 2021.

Note G. Long-Term Liabilities

The District issues unlimited tax improvement bonds to provide for the resources for construction of capital assets. The beginning balances of the unlimited tax improvement bonds issued in 2013, 2014, 2016, 2019, 2021, 2021A and 2021 FIF were $52,245,000, $7,665,000, $39,625,000, $72,815,000, 29,570,000, 49,910,000, and 22,869,000 respectively. The unlimited improvement bonds are direct obligations of the District, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the District in an amount sufficient to provide payment of principal and interest.

The Unlimited Tax Improvement Bond Series 2008, 2013, and 2019, respectively, have a call option for bonds maturing on or after September 1, 2024, and September 1, 2028 prior to stated maturity, in multiples of $5,000, in whole or in part, on September 1, 2023, and September 1, 2027 or any date thereafter, at par plus accrued interest. The 2021 Unlimited Tax Improvement Bonds, Taxable Series 2021 has a stated maturity of September 1, 2051 with the bonds being redeemed at any date at the option of the District. The 2021 Unlimited Tax Improvement Bonds, Series 2021 and the Unlimited Tax

Improvement Bonds, Taxable Series 2021A have stated maturities on and after September 1, 2032, in multiples of $5,000 on September 1, 2031 or any date thereafter, at par value therof plus accrued interest to the date fixed for redemption.

1. Advance Refundings and Defeasances

The following refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position.

On December 1, 2014, the District issued Unlimited Tax Refunding Bonds Series 2014 in the amount of $7,810,000 to advance refund a portion of Unlimited Tax Improvement Bonds, Series 2007. Bond proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. The reacquisition price exceeded the net carrying amount of the old debt resulting in an economic gain of $634,376, which will be amortized over the term of the bonds. Deferred charges on refunding at December 31, 2021 totaled $292,790.

On February 17, 2016, the District issued Unlimited Tax Refunding Bonds Series 2016 in the amount of $52,625,000 to advance refund $11,210,000 Unlimited Tax Improvement Bonds, Series 2007 and $46,555,000 of the Unlimited Tax Improvement Bonds Series 2008. Bond proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. The reacquisition price exceeded the net carrying amount of the old debt resulting in an economic gain of $5,946,059, which will be amortized over the term of the bonds. Deferred charges on refunding at December 31, 2021 totaled $1,306,826.

2. Prior Year Defeasance of Debt

In prior years, the District defeased unlimited tax improvement bonds by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements.

At December 31, 2021, the following defeased bonds remain outstanding:

Description	Refunded Bonds	Maturity
Unlimited Tax Improvement Bonds, Series 2007	$ 11,210,000	2017-2023
Unlimited Tax Improvement Bonds, Series 2008	$ 46,555,000	2019-2028
Unlimited Tax Improvement Bonds, Series 2013	$ 6,368,680	2025-2028

Note G. Long-Term Liabilities – Continued

3. Debt Service Requirements

On June 6, 2019, the District entered into an interlocal agreement with Hidalgo County for the purchase of the South Detention Basin in the amount of $5,895,788. The first payment in 2019 was for $2,575,788 with two annual installments of $1,660,000 in 2020 & 2021.

Annual debt service requirements to maturity for unlimited improvement tax bonds are as follows:

Year(s) Ending December 31	Governmental Activities Principal	Governmental Activities Interest	Total
2022	22,245,000	8,765,139	31,010,139
2023	23,675,000	8,381,998	32,056,998
2024	25,697,000	7,359,498	33,056,498
2025	13,684,000	6,619,012	20,303,012
2026	14,291,000	6,021,992	20,312,992
2027-2031	63,655,000	21,762,660	85,417,660
2032-2036	46,652,000	11,269,606	57,921,606
2037-2041	31,296,000	4,381,612	35,677,612
2042-2046	17,835,000	1,254,315	19,089,315
2047-2051	4,309,000	-	4,309,000
Total	$ 263,339,000	$ 75,815,832	$ 339,154,832

The following is a summary of changes in long-term liabilities for the year ended December 31, 2021:

	Balance January 1, 2021	Additions	Reductions	Balance December 31, 2021	Amounts Due Within One Year
Governmental activities:					
Bonds and notes payable					
Bond Series 2013	$ 52,245,000	$ -	$ (3,410,000)	$ 48,835,000	$ 3,610,000
Bond Series 2014	7,665,000	-	-	7,665,000	-
Bond Series 2016	39,625,000	-	(5,215,000)	34,410,000	5,445,000
Bond Series 2019	72,815,000	-	(2,735,000)	70,080,000	2,810,000
Bond Series 2021	-	29,570,000	-	29,570,000	795,000
Bond Series 2021A	-	49,910,000	-	49,910,000	8,970,000
Bond Series 2021 FIF	-	22,869,000	-	22,869,000	615,000
Bond Premiums	13,748,274	5,282,194	(2,625,213)	16,405,255	2,580,277
	186,098,274	107,631,194	(13,985,213)	279,744,255	24,825,277
Note payable 2019	1,660,000	-	(1,660,000)	-	-
	1,660,000	-	(1,660,000)	-	-
Total bonds and notes payable	187,758,274	107,631,194	(15,645,213)	279,744,255	24,825,277
Other liabilites:					
Compensated absences	407,580	477,821	(485,302)	400,099	34,008
Total other liabilites	407,580	477,821	(485,302)	400,099	34,008
Governmental activities long-term liabilites	$ 188,165,854	$ 108,109,015	$ (16,130,515)	$ 280,144,354	$ 24,859,286

Matured Compensated Absences are paid out each year when an employee resigns, retires, or is terminated with expendable available resources from the General Fund.

Note H. Other Post-Employment Benefits (OPEB)

1. Plan Description and Benefits Provided

The District provides healthcare for its employees, retirees, and eligible dependents. Two plans are maintained: The Basic Preferred Provider Organization (PPO) and the Buy Up PPO Plan. Healthcare benefits include medical and prescription drug coverage. The plan is a single-employer, self-funded benefit plan administered by a third-party administrator and the District purchases stop loss insurance for claims that exceed a determined threshold. The District allows retired employees to participate in the Hidalgo County Health Benefits Program by purchasing health care benefits at the same group rate as provided to current active employees at the time they end their service to the District. Retirees are eligible to continue their medical insurance coverage.

The District does not have a formal post-employment benefits plan; however, the District allows retired employees to participate in the County's Health Benefits Program by purchasing health care benefits at the same group rate as provided to current active employees at the time they end their service to the District. Members may retire upon attaining one of the following: (1) age 60 and above with 8 or more years of service, (2) 20 years of service regardless of age, or (3) when the sum of their age and years of service equals 80 or more. Spouses and dependents are eligible to continue insurance under COBRA for 36 months after the retiree dies. If a dependent is not yet 26 years of age at the time of the members' death, the same rule applies. Once the dependent attains the age of 26, Aetna will terminate coverage automatically.

A cost sharing premium is a blended rate that takes into account the cost of medical benefits for active employees as well as retirees. Medical costs are generally higher for retirees than for active employees of the same age. A retiree who is paying 100% of the cost sharing premium is most likely not paying 100% of the true cost of the medical benefits. This situation is known as an "implicit rate subsidy". GASB Statement No. 75, *Accounting and Financial Reporting by Employer for Postemployment Benefits other than Pensions,* is applicable to the District due to the implicit rate subsidy. This "plan" is not a standalone plan and therefore, does not issue its own financial statements.

Membership in the plan as of the measurement date of December 31, 2021 was as follows:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	10
Active employees	180
	190

2. Funding Policy

The District collects insurance premiums from the participating retirees each month and deposits them in the County's Group Insurance Fund. The District then pays the health insurance premiums for the retirees at the blended rate to the County's self-funded Health Benefits Program. The required contribution to the program includes the employer's pay-as-you-go amount and the amount paid by retirees. The District has elected not to prefund the actuarially determined future cost but will accrue the liability as of December 31, 2021 to reflect proper treatment and will disclose the Health Care Benefits for Retired Employees in accordance with GASB No. 75.

Note H. Other Post-Employment Benefits (OPEB) – Continued

2. Funding Policy – Continued

Monthly medical contributions required by the retiree for medical and prescriptions are as follows:

	Basic PPO Plan	
	Under 65	65 & Over
Retiree only	$ 596	$ 302
Retiree + spouse	1,032	738
Retiree + child(ren)	720	426
Retiree + family	1,156	862
Surviving spouse	596	302
Surviving spouse + child(ren)	720	426
Surviving spouse + family	596	302

3. Actuarial Assumptions

The District's total OPEB liability of $1,319,992 was measured as of December 31, 2021 and was determined by an actuarial valuation as of January 1, 2021.

Actuarial assumptions – The total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions:

Salary increases:	2.00%
Inflation:	2.50%
Discount Rate:	2.06%
Prior Year Discount Rate:	2.12%

Mortality: The Mortality assumption was updated to utilize the MP-20 scales that were recently released by Society of Actuaries (SOA)

The discount rate was based on the 12/31/2020 Bond Buyer 20 Bond GO Index.

4. Changes in Total OPEB Liability

Balance as of December 31, 2020	$ 1,055,302
Changes for the year:	
Service cost	113,443
Interest on total OPEB liability	24,623
Changes in assumptions or other inputs	29,790
Changes in proportionate share	99,757
Differences in actual benefits and prop. share of benefits	(2,925)
Net changes	264,688
Balance as of December 31, 2021	$ 1,319,990

Note H. Other Post-Employment Benefits (OPEB) – Continued

5. Sensitivity Analysis

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the District, calculated using the discount rate of 2.06%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.06%) or one percentage point higher (3.06%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	1.06%	2.06%	3.06%
Total OPEB liability	$ 1,678,887	$ 1,319,990	$ 1,054,523

Sensitivity of the total OPEB liability to changes in the current healthcare cost trend rate – The following presents the total OPEB liability of the District, calculated using the current healthcare cost trend rates, as well as District's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current rates:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	$ 1,021,149	$ 1,319,990	$ 1,734,863

6. OPEB Expense/(Income) and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended December 31, 2021, the District recognized OPEB expense of $90,009. At December 31, 2021 deferred outflows and inflows of resources related to OPEB were reported from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 283,838	$ -
Changes of assumptions or other inputs	190,351	(694,134)
Changes in proportionate share	90,072	(325,799)
Differences in actual benefits and proportionate share	434	(69,362)
	$ 564,695	$ (1,089,295)

Amounts reported and deferred outflows of resources and deferred inflows of resources related to OPEB expense will be recognized in OPEB expense as follows:

Year ended December 31 ,	
2022	$ (48,055)
2023	(48,055)
2024	(48,055)
2025	(31,241)
2026	(31,241)
Thereafter	(317,952)
	$ (524,599)

Note I. Employee Retirement Benefits

1. Plan Description

The District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 808 nontraditional defined benefit pension plans. TCDRS in the aggregate issues an annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at PO Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the District within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 and above with 10 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of services equals 80 or more. Members are vested after 10 years of service but must leave their accumulated contributions in the plan to receive any employer financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the employer.

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

The employees covered by the plan at December 31, 2021 are as follows:

Inactive employees or beneficiaries currently receiving benefits	68
Inactive employees entitled to but not yet receiving benefits	57
Active employees	171
	296

2. Funding Policy

The District has elected the annually determined contribution rate (ADCR) plan provision of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the District is actuarially determined annually. Contributions were made using the actuarially determined rate of 11.74% for calendar year 2021. The contribution rate payable by the employee member is 7.00% as adopted by the governing body of the District. The employee contribution rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act.

3. Net Pension Liability

Governmental Accounting Standards Board issued Statement No. 68 for public pension plans and participating employers which address specifics of reporting public pension plan obligations for employers. Net pension liability (NPL) for the District was measured as of December 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Note I. Employee Retirement Benefits – Continued

3. Net Pension Liability - Continued

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement; which can be found in the required supplemental data as a note to the respective employer contribution schedules.

Mortality assumptions are as follows:

Updated mortality assumptions were adopted in 2020.

Depositing members:
90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate Scale after 2014.

Service retirees, beneficiaries, and non-depositing members:
130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

Disabled retirees:
130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

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

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a long-term horizon; TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The following table summarizes the real rate of return for the Drainage District.

Note I. Employee Retirement Benefits – Continued

3. Net Pension Liability - Continued

The target asset allocation and geometric real rates of return are shown below:

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

[(1)] *Target asset allocation adopted at the March 2021 TCDRS Board meeting.*
[(2)] *Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.00%, per Cliffwater's 2021 capital market assumptions.*
[(3)] *Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.*
[(4)] *Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.*
[(5)] *Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.*

The discount rate used to measure the total pension liability was 7.60% at December 31, 2020. 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 is projected 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 that 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.

Note I. Employee Retirement Benefits - Continued

3. Net Pension Liability – Continued

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 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 its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.

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

Changes in Net Pension Liability were as follows:

	Total Pension Liablity (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of December 31, 2019	$ 19,512,663	$ 18,599,601	$ 913,063
Changes for the year			
Service Cost	1,088,422	-	1,088,422
Interest on total pension liability (1)	1,621,557	-	1,621,557
Effect of plan changes (2)	-	-	-
Effect of econcomic/demographic gains or losses	(166,866)	-	(166,866)
Effect of assumptions changes or inputs	1,206,670	-	1,206,670
Refund of contributions	(119,620)	(119,620)	-
Benefit payments	(1,067,201)	(1,067,201)	-
Administrative expenses	-	(15,215)	15,215
Member contributions	-	542,932	(542,932)
Net investment income	-	1,922,029	(1,922,029)
Employer contributions	-	919,104	(919,104)
Other (3)	-	11,653	(11,653)
Balances as of December 31, 2020	$ 22,075,625	$ 20,793,284	$ 1,282,341

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.
(2) No plan changes valued.
(3) Relates to allocation of system-wide items.

Note I. Employee Retirement Benefits - Continued

3. Net Pension Liability - Continued

**The District's TCDRS actuarial report with a measurement date of December 31, 2020, to be used for audit periods ending January 1, 2020 to December 31, 2020, shows a net pension liability of $1,282,341.

The following represents the net pension liability of the District, calculated using the discount rate of 7.60%, as well as what 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	$ 24,906,288	$ 22,075,625	$ 19,689,108
Fiduciary net position	20,793,284	20,793,284	20,793,284
Net pension liability/ (asset)	$ 4,113,004	$ 1,282,341	$ (1,104,176)

Pension expense/ (income)	January 1, 2020 to December 31, 2020
Service cost	$ 1,088,422
Interest on total pension liability (1)	1,621,557
Effect of plan changes	-
Administrative expenses	15,215
Member contributions	(542,932)
Expected investment return net of investment expenses	(1,517,355)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(100,057)
Recognition of assumption changes or inputs	226,858
Recognition of investment gains or losses	(179,852)
Other (2)	(11,653)
Pension expense/ (income)	$ 600,202

(1) Reflects the change in liability due to the time value of money. TCDRS does not charge fees or interest.
(2) Related to allocation of system-wide system.

As of December 31, 2020, the deferred inflows and outflows of resources were as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 350,742	$ 117,011
Changes of assumptions	-	1,032,210
Net difference between projected and actual earnings	644,894	-
Contributions made subsequent to measurement date	N/A	993,164
	$ 995,636	$ 2,142,385

Note I. Employee Retirement Benefits - Continued

3. Net Pension Liability - Continued

The $993,164 reported as deferred outflows of resources related to pension resulted from contributions made subsequent to the measurement date and will be recognized as a deduction of the net position liability in the year ended December 31, 2021. Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31 ,	
2021	$ (49,631)
2022	112,707
2023	(200,665)
2024	118,349
2025	172,825
Thereafter	-
	$ 153,585

Note J. Deferred Inflows/Outflows of Resources and Unearned Revenues

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds report unearned revenue for resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned and unavailable revenue reported in the governmental funds were as follows:

	Deferred inflows			
	Unavailable Revenue-Property Taxes	Deferred Revenue-Property Taxes	Unearned Revenue	Total
Property taxes (General Fund)	$ 10,708,924	$ 12,640,961	$ -	$ 23,349,885
Property taxes (Debt Service Funds)	14,927,591	16,743,222	-	31,670,813
Unearned (Interlocal & Grant)	-	-	236,235	236,235
	$ 25,636,515	$ 29,384,183	$ 236,235	$ 55,256,933

Note K. Risk Management

The District is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of property; errors and omissions; injuries to employees; and natural disasters. The District covers such risks by participating in a public entity risk pool. The District has not experienced significant reduction insurance coverage in the last 5 of years.

The District participates in the Texas Municipal League Intergovernmental Risk Pool (the Pool) for coverage in the following areas: general liability, errors and omissions, auto physical damage, auto liability, real and personal property, and workers compensation. Limits on insurance coverage are as provided in Texas State Statutes Civil Practices and Remedies Code Chapter 101.023. The District paid premiums totaling $526,462 in 2021.

Note K. Risk Management – Continued

Annual aggregate limits and deductibles are as follows at December 31, 2021:

	Deductible	Annual Aggregate Limits
General liability	$ 5,000	$ 10,000,000
Errors and omissions liability	$ 25,000	$ 4,000,000
Auto physical damage	$ 10,000	N/A
Auto liability	$ 1,000	N/A
Real and personal property	$ 10,000	N/A
Workers compensation	N/A	Fully Funded

The District participates in the Hidalgo County Health Insurance Fund (Fund) and makes payments to the Fund based on the number of participants. The Fund provides coverage for up to a maximum of $150,000 per individual per year. Claims in excess of $150,000 and up to $1,000,000 per individual per occurrence are covered by commercial insurance purchased by the Fund. The Fund's health insurance provider is Aetna. Payments to the fund totaled $1,424,512 in 2021.

Note L. Litigation

The District is currently involved in potential claims and litigation involving civil and contractual matters. In the opinion of District management, the potential claims against the District not covered by insurance resulting from litigation will not materially affect the financial position of the District.

Note M. Subsequent Events

The District has evaluated all events and transactions that occurred after December 31, 2021 through July 27. 2022, the date these financials statements were available to be issued. The District continues to operate under a global pandemic. Any impact this may have on the District is unknown.

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APPENDIX C

FORM OF CO-BOND COUNSEL'S OPINION

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September 27, 2023

We have acted as co-bond counsel to the Hidalgo Drainage District No. 1 (the "District") in connection with the issuance of $59,205,000 aggregate principal amount of bonds designated as "Hidalgo County Drainage District Unlimited Tax Improvement Bonds, Series 2023" (the "Bonds"). The Bonds are authorized by an election held in the District on May 6, 2023 and order adopted by the Commissioner's Court of Hidalgo County (the "Board") on August 22, 2023 and the pricing certificate executed on the date of the sale of the Bonds finalizing the terms thereof (together, the "Order"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Order.

In such connection, we have reviewed the Order, the tax certificate of the District dated the date hereof (the "Tax Certificate"), certificates of the District, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Order and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Order and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding obligations of the District.

2. The Board has power and is obligated to levy an annual ad valorem tax, without legal limit as to rate or amount, upon taxable property located within the District, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds.

3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of federal alternative minimum tax. We observe that, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

PEREZ LAW FIRM, PLLC ORRICK, HERRINGTON & SUTCLIFFE LLP

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