OFFICIAL STATEMENT DATED FEBRUARY 20, 2025

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS."

NEW ISSUE-Book-Entry Only

Rating: Moody's "A3"
See "MUNICIPAL BOND RATING" herein.

$7,390,000
PORT O'CONNOR IMPROVEMENT DISTRICT
(A political subdivision of the State of Texas located within Calhoun County)
UNLIMITED TAX BONDS
SERIES 2025

The bonds described above (the "Bonds") are obligations solely of Port O'Connor Improvement District (the "District") and are not obligations of the State of Texas, Calhoun County or any entity other than the District.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property within the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS."

Dated Date: March 1, 2025 **Due: September 1, as shown below**
Interest Accrual Date: Date of Delivery

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the "Paying Agent/Registrar") upon surrender of the Bonds for payment. Interest on the Bonds accrues from the initial date of delivery (expected on or about March 25, 2025) (the "Date of Delivery"), and is payable each September 1 and March 1, commencing September 1, 2025, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of $5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the Registered Owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

MATURITY SCHEDULE

Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (b)	Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (b)
2026	$ 155,000	4.000 %	3.20 %	734887 EE8	2039	$ 275,000 (a)	4.000 %	4.12 %	734887 ET5
2027	165,000	4.000	3.20	734887 EF5	2040	290,000 (a)	4.000	4.18	734887 EU2
2028	170,000	4.000	3.20	734887 EG3	2041	300,000 (a)	4.000	4.24	734887 EV0
2029	175,000	4.000	3.25	734887 EH1	2042	315,000 (a)	4.000	4.30	734887 EW8
2030	185,000	4.000	3.30	734887 EJ7	2043	330,000 (a)	4.125	4.36	734887 EX6
2031	195,000	4.000	3.40	734887 EK4	2044	345,000 (a)	4.250	4.40	734887 EY4
2032	200,000 (a)	4.000	3.50	734887 EL2	2045	360,000 (a)	4.250	4.43	734887 EZ1
2033	210,000 (a)	4.000	3.60	734887 EM0	2046	375,000 (a)	4.250	4.46	734887 FA5
2034	220,000 (a)	4.000	3.70	734887 EN8	2047	390,000 (a)	4.250	4.48	734887 FB3
2035	230,000 (a)	4.000	3.80	734887 EP3	2048	410,000 (a)	4.250	4.50	734887 FC1
2036	240,000 (a)	4.000	3.90	734887 EQ1	2049	430,000 (a)	4.375	4.52	734887 FD9
2037	250,000 (a)	4.000	4.00	734887 ER9	2050	445,000 (a)	4.375	4.54	734887 FE7
2038	265,000 (a)	4.000	4.06	734887 ES7	2051	465,000 (a)	4.375	4.55	734887 FF4

(a) Bonds maturing on or after September 1, 2032, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on September 1, 2031, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent Interest Payment Date (as herein defined) to the date fixed for redemption. See "THE BONDS—Redemption Provisions."
(b) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
(c) Initial yield represents the initial offering yield to the public, which has been established by the Underwriter (as herein defined) for offers to the public and which subsequently may be changed.

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See "LEGAL MATTERS." Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about March 25, 2025.

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT

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

This OFFICIAL STATEMENT is not to be used in an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, for further information.

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets, Inc. (the "Underwriter") bearing the interest rates shown on the cover page hereof, at a price of 97.2011% of the par value thereof, which resulted in a net effective interest rate of 4.366821%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method).

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriter may over allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this OFFICIAL STATEMENT. The summary should not be detached and should be used in conjunction with more complete information contained herein. A full review should be made of the entire OFFICIAL STATEMENT and of the documents summarized or described therein.

THE DISTRICT

Description... The District was legislatively created in 1977 as a political subdivision of the State of Texas, organized and established in accordance with Article XVI, Section 59 of the Texas Constitution, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. Effective June 14, 2013, pursuant to the passage of Texas Senate Bill 1822 in the 83rd Regular Session of the Texas Legislature, the District's name was changed from Port O'Connor Municipal Utility District to Port O'Connor Improvement District and the District received authority, subject to voter approval, to levy a sales and use tax. The District's enabling legislation is now codified as Chapter 8409, Special District Local Laws Code. On November 2, 2021, pursuant to concurrent consolidation elections, voters in the District and La Salle Water Control and Improvement District No. 1A ("La Salle WCID No. 1A") approved the consolidation of the District and La Salle WCID No. 1A into one district: Port O'Connor Improvement District. The District currently consists of approximately 3,299 acres of land. See "THE DISTRICT."

Location… The District is located approximately 25 miles southeast of the City of Port Lavaca and is within the boundaries of the Calhoun County Independent School District. The District is bordered by Matagorda Bay to the east, Barroom Bay and the Intracoastal Waterway to the south, and Boggy Bayou to the north. The District is not located within the corporate boundaries or the extra territorial jurisdiction of any city. See "THE DISTRICT" and "AERIAL PHOTOGRAPH."

Status of Development... The District includes approximately 1,900 active single-family residential connections. Approximately 26% of the single-family homes are permanent residences and the balance of homes within the District are second homes. There are vacant lots and land in the District available for new homes and businesses; however, no exact lot or acreage count is available. The average value of homes for the 2024 tax year within the District, including homes within Defined Area No. 1 (as defined herein), was approximately $240,220. The average value of homes for the 2024 tax year within Defined Area No. 1 was approximately $924,296. The permanent population in the District is estimated at 1,747 as of December 1, 2024, based upon an estimate of 3.5 persons per estimated permanent single-family residence.

Other development within the District consists of approximately 200 multi-family and commercial connections, including fishing and hunting supply stores and guide services, oil field service businesses, restaurants, fresh seafood suppliers, souvenir shops, motels, RV parks, vacation equipment rentals, a gym, lawn service businesses, liquor stores, grocery stores, convenient stores, hardware stores, marinas and marine services, real estate businesses, rental companies, condominiums and construction and remodeling businesses.

Fire protection services are provided by the Port O'Connor Volunteer Fire Department located in the District. A United States Post Office, a community center, a Calhoun County library branch location and an elementary school are also located within the District. Such community facilities are exempt from the payment of ad valorem taxes. See "THE DISTRICT."

Defined Area No. 1… Pursuant to a resolution adopted by the District's Board of Directors on February 11, 2008, and an election held on May 10, 2008, approximately 41 acres within the boundaries of the District were designated as "Defined Area No. 1" and are being developed as the community of "Caracol." Defined Area No. 1 was created to provide certain services to the property within Defined Area No. 1, including improvements for drainage and navigation of inland and coastal waters. Facilities have been constructed to serve 74 lots where 22 custom homes have been constructed to date and 3 custom homes are currently under construction. In addition, a pool, a pavilion, a lighted volleyball court and 14 day boat slips to allow for navigation of inland and coastal waters by boats up to 60 feet in length have been constructed in Defined Area No. 1 for the exclusive use by the residents of Defined Area No. 1. The 2024 tax rate levied within Defined Area No. 1 was $0.52, which is in addition to the 2024 tax rate of $0.48 levied within the District. The Defined Area No. 1 tax rate is dedicated solely to the maintenance and operation of Defined Area No. 1 and is not pledged to or available for payment of debt service on the Bonds. See "THE BONDS—Issuance of Additional Debt," "TAX DATA—Maintenance and Operations Tax" and "INVESTMENT CONSIDERATIONS—Future Debt."

Payment Record... The Bonds are the District's fourth issuance of unlimited tax bonds for water, wastewater and drainage facilities. The District has previously issued $27,280,000 principal amount of unlimited tax bonds for acquiring or constructing water, wastewater, and drainage facilities in three series and $4,700,000 principal amount of unlimited tax refunding bonds in one series, of which $25,585,000 collectively remains outstanding as of the date hereof (the "Outstanding Bonds"). See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds." The District has never defaulted on its debt obligations.

The District has also issued five series of water and sewer system revenue bonds, which are secured by and payable solely from the net revenues of the District's water and sewer system and are not secured by the District's ad valorem taxes (the "Water and Sewer Revenue Bonds"), of which $1,710,000 principal amount is outstanding as of the date hereof. See "THE BONDS—Funds," "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds" and "—Water and Wastewater Operations."

THE BONDS

Description... The $7,390,000 Unlimited Tax Bonds, Series 2025 (the "Bonds") are being issued pursuant to a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the District's Board of Directors. The Bonds are scheduled to mature serially on September 1 in each of the years 2026 through 2051, both inclusive, in the principal amounts and accrue interest at the rates shown on the cover page hereof. Interest on the Bonds accrues from the Date of Delivery, and is payable September 1, 2025, and each March 1 and September 1 thereafter, until the earlier of stated maturity or redemption. The Bonds will be issued in denominations of $5,000 or integral multiples of $5,000. See "THE BONDS."

Book-Entry-Only System… The Depository Trust Company (defined as "DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM."

Redemption... Bonds maturing on or after September 1, 2032 are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on September 1, 2031, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

Use of Proceeds... Proceeds of the Bonds will be used to pay for water and wastewater improvements within the District shown herein under "USE AND DISTRIBUTION OF BOND PROCEEDS." In addition, Bond proceeds will be used to pay administrative costs and certain other costs associated with the Bonds; and to pay engineering fees related to the issuance of the Bonds.

Authority for Issuance…	The Bonds are the second series of bonds issued out of $40,000,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of constructing or acquiring water, wastewater and drainage facilities. The Bonds are issued by the District pursuant to an order of the TCEQ, the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See "THE BONDS—Authority for Issuance."
Source of Payment...	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas, Calhoun County or any entity other than the District. See "THE BONDS—Source of Payment."
Municipal Bond Rating…	Moody's Investors Service ("Moody's) has assigned a rating of "A3" to the Bonds. An explanation of the rating can be obtained from Moody's. The rating fee of Moody's will be paid for by the District; payment of any other rating fee will be the responsibility of the Underwriter. See "MUNICIPAL BOND RATING."
Qualified Tax-Exempt Obligations...	The Bonds have been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS—Qualified Tax Exempt Obligations."
General Counsel...	Walker Keeling LLP, Victoria, Texas. See "MANAGEMENT OF THE DISTRICT" and "LEGAL MATTERS."
Bond Counsel...	Allen Boone Humphries Robinson LLP, Houston, Texas. See "MANAGEMENT OF THE DISTRICT," "LEGAL MATTERS" and "TAX MATTERS."
Financial Advisor...	Masterson Advisors LLC, Houston, Texas. See "MANAGEMENT OF THE DISTRICT."
Disclosure Counsel...	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Paying Agent/Registrar...	The Bank of New York Mellon Trust Company, N.A., Houston, Texas. See "THE BONDS—Method of Payment of Principal and Interest."

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds are subject to special investment considerations and all prospective purchasers are urged to examine carefully this entire OFFICIAL STATEMENT with respect to the investment security of the Bonds, including particularly the section captioned "INVESTMENT CONSIDERATIONS."

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2024 Taxable Assessed Valuation	$783,376,818	(a)
Gross Direct Debt Outstanding (the Bonds and the Outstanding Bonds)	$32,975,000	(b)
Estimated Overlapping Debt	7,083,884	(c)
Gross Direct Debt and Estimated Overlapping Debt	$40,058,884	
Ratio of Gross Direct Debt to:		
2024 Taxable Assessed Valuation	4.21%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2024 Taxable Assessed Valuation	5.11%	
Debt Service Funds Available as of December 31, 2024	$1,830,450	(d)
Capital Projects Funds Available as of December 31, 2024	$6,655,813	(e)
Operating Funds Available as of December 31, 2024	$8,053,133	(f)
2024 Debt Service Tax Rate	$0.1875	
2024 Maintenance and Operations Tax Rate	0.2925	
2024 Total Tax Rate	$0.4800	(g)
Average Annual Debt Service Requirement (2025-2057)	$1,783,791	(h)
Maximum Annual Debt Service Requirement (2026)	$1,941,657	(h)
Tax Rate Required to Pay Average Annual Debt Service (2025-2057) at a 95% Collection Rate		
2024 Taxable Assessed Valuation	$0.24	(i)
Tax Rate Required to Pay Maximum Annual Debt Service (2026) at a 95% Collection Rate		
2024 Taxable Assessed Valuation	$0.27	(i)
Status of Development as of December 1, 2024 (j):		
Active Single-Family Residential Connections	1,900	(k)
Active Multi-Family and Commercial Connections	200	
Estimated Permanent Population	1,747	(l)

(a) The Calhoun County Appraisal District (the "Appraisal District") has certified $760,995,340 of taxable value and an additional $22,381,478 of taxable value remains uncertified. The uncertified value represents the opinion of value by the Appraisal District; however, such value is subject to change and downward revision prior to certification. The 2024 Taxable Assessed Valuation shown throughout this OFFICIAL STATEMENT is the certified value plus the uncertified value. See "TAXING PROCEDURES."

(b) After issuance of the Bonds. Does not include the Water and Sewer Revenue Bonds, which are secured by and payable solely from the net revenues of the District's water and sewer system. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT—Outstanding Bonds" and "—Water and Wastewater Operations."

(c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt" and "—Overlapping Taxes."

(d) Funds in the Debt Service Fund are available to pay debt service on the Outstanding Bonds and the Bonds and are not available to pay debt service on the Water and Sewer Revenue Bonds. See "THE BONDS—Funds."

(e) Includes approximately $1,645,318 of proceeds from the District's Unlimited Tax Bonds, Series 2022 and $4,993,536 of proceeds from the District's Unlimited Tax Bonds, Series 2023 to be used for various water plant improvement projects. See "THE SYSTEM—Water Supply."

(f) Includes approximately $211,992 of reserve funds in connection with the District's Water and Sewer System Revenue Bonds, Series 2015, which are not available to pay debt service on the Outstanding Bonds and the Bonds. See "THE BONDS—Funds" and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."

(g) Defined Area No. 1 levied a 2024 tax rate of $0.52 per $100 of taxable assessed valuation, which is in addition to the District's 2024 total tax rate of $0.48 per $100 of taxable assessed valuation. See "THE DISTRICT—Status of Development" and "TAX DATA—Maintenance and Operations Tax—*Defined Area No. 1."*

(h) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

(i) See "TAX DATA—Tax Adequacy for Debt Service" and "INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates."

(j) See "THE DISTRICT—Land Use" and "—Status of Development."

(k) Approximately 26% of the single-family homes are primary residences and the balance are second homes.

(l) Based upon an estimate of 3.5 persons per estimated permanent single-family residence.

OFFICIAL STATEMENT

$7,390,000

PORT O'CONNOR IMPROVEMENT DISTRICT
(A political subdivision of the State of Texas located within Calhoun County)

UNLIMITED TAX BONDS
SERIES 2025

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Port O'Connor Improvement District (the "District") of its $7,390,000 Unlimited Tax Bonds, Series 2025 (the "Bonds").

The Bonds are issued by the District pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ"), a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board"), Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

THE BONDS

Description

The Bonds will be dated March 1, 2025 and accrue interest from the Date of Delivery, with interest payable each September 1 and March 1, beginning September 1, 2025 (the "Interest Payment Date"), and will mature on the dates and in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of $5,000 or any integral multiple of $5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company, N.A., Houston, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Houston, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Resolution.

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remains outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are appraised, levied and collected, in each year, a continuing direct annual ad valorem tax, without limit as to rate, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Calhoun County or any entity other than the District.

Funds

In the Bond Resolution, the Debt Service Fund is confirmed, and the proceeds from all taxes levied, appraised and collected for and on account of the Bonds authorized by the Bond Resolution shall be deposited, as collected, in such fund.

The proceeds of sale of the Bonds shall be deposited into the Capital Projects Fund, to be used for the purpose of paying for certain water and wastewater improvements and paying the costs of issuance of the Bonds. Any monies remaining in the Capital Projects Fund will be used as described in the Bond Resolution or ultimately transferred to the Debt Service Fund. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Funds in the Debt Service Fund are available to pay debt service on the Outstanding Bonds (as defined herein) and the Bonds and are not available to pay debt service on the District's outstanding water and sewer system revenue bonds (the "Water and Sewer Revenue Bonds"), which are secured by and payable solely from the net revenues of the District's water and sewer system and are not secured by the District's ad valorem taxes. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds" and "—Water and Wastewater Operations."

The bond resolution related to the issuance of the District's Water and Sewer System Revenue Bonds, Series 2015, requires the District to establish and maintain a reserve fund which is not available to pay debt service on the Outstanding Bonds and the Bonds. The balance of such reserve fund as of December 31, 2024 is $211,992. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)."

No Arbitrage

The District will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates then known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants in the Bond Resolution that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds, and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2032, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000 on September 1, 2031, or any date thereafter, at a price of par value plus unpaid accrued interest on the principal amounts called for redemption from the most recent Interest Payment Date to the date fixed for redemption.

If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

If a Bond subject to redemption is in a denomination larger than $5,000, a portion of such Bond may be redeemed, but only in integral multiples of $5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the Register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all the Bonds outstanding are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Authority for Issuance

At a bond election held within the District on May 7, 2022, voters of the District authorized the issuance of $40,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring water, wastewater, and drainage facilities. The Bonds are the second series of bonds issued pursuant to such authorization. See "Issuance of Additional Debt" in this section and "INVESTMENT CONSIDERATIONS—Future Debt." The TCEQ has approved the issuance of the Bonds subject to certain restrictions, including the use of Bond proceeds as summarized in "USE AND DISTRIBUTION OF BOND PROCEEDS."

The Bonds are issued by the District pursuant to an order of the TCEQ, the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this OFFICIAL STATEMENT.

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution.

In the event the Book-Entry-Only System should be discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Registered owners of lost, stolen or destroyed Bonds will be required to pay the District's costs to replace such Bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Resolution for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a national or state banking institution, a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar for the Bonds.

Issuance of Additional Debt

The District's voters have authorized the issuance of an aggregate of $52,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring water, wastewater and drainage facilities and $50,000,000 principal amount of unlimited tax bonds for refunding purposes and could authorize additional amounts. After the issuance of the Bonds, $17,330,000 principal amount of the unlimited tax bonds for constructing or acquiring water, wastewater and drainage facilities and $45,300,000 principal amount of unlimited tax bonds for refunding purposes will remain authorized but unissued. See "INVESTMENT CONSIDERATIONS—Future Debt."

In addition to the unlimited tax bonds discussed above, voters of Defined Area No. 1 have authorized the issuance of $20,000,000 principal amount of unlimited tax bonds for the construction of water, wastewater, drainage and storm sewer facilities and improvements for the navigation of inland and coastal waters in the Defined Area that are solely secured by taxes levied upon property within Defined Area No. 1 ("Defined Area Bonds"), all of which remains authorized but unissued. See "THE DISTRICT—Status of Development" and "INVESTMENT CONSIDERATIONS—Future Debt."

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purposes by the qualified voters in the District; (b) approval of the master plan and bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes. Fire protection services for the property in the District are provided by the Port O'Connor Volunteer Fire Department.

The District is authorized by statute to develop parks and recreational facilities from operating revenues. The District is not authorized to issue park bonds payable from taxes for park projects. The Board does not have a park plan nor does it operate parks and has not considered funding any parks at this time.

If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds.

Remedies in Event of Default

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 Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. 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. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were 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. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies and Bankruptcy Limitations."

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is quoted from Section 49.186 of the Texas Water Code, and is applicable to the District:

"(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic."

"(b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them."

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the District (including the Bonds) are eligible as collateral for public funds.

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which might apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to the investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment 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.

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will 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 "Procedure" of DTC to be followed in dealing with DTC Direct Participants is on file with DTC.

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

DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect 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.

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

Principal, premium, if any, interest payments and redemption proceeds 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 Paying Agent, 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, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest payments and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by BGE, Inc., the District's engineer (the "Engineer") and were submitted to the TCEQ in the District's Bond Application. Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and Masterson Advisors LLC (the "Financial Advisor"). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and review by the District's auditor. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ, where required.

CONSTRUCTION COSTS	
• Wastewater Treatment Plant Improvements	$ 1,085,000
• Sanitary Sewer System Extensions	1,796,300
• Vacuum Valve Pit Sump Replacements	2,402,700
• Engineering	871,860
• Contingencies	528,400
Total Construction Costs	**$ 6,684,260**
NON-CONSTRUCTION COSTS	
• Underwriter's Discount (a)	$ 206,839
Total Non-Construction Costs	**$ 206,839**
ISSUANCE COSTS AND FEES	
• Issuance Costs and Professional Fees	$ 408,175
• Bond Application Report	50,000
• State Regulatory Fees	25,865
• Contingency (a)	14,861
Total Issuance Costs and Fees	**$ 498,901**
TOTAL BOND ISSUE	**$ 7,390,000**

(a) The TCEQ approved a maximum Underwriter's discount of 3.00%. Contingency represents the difference in the estimated and actual amounts of Underwriter's discount.

In the event approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses in accordance with the rules of the TCEQ. In the event actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ notice or approval and the issuance of additional bonds may be required.

THE DISTRICT

General

The District is a municipal utility district organized and established in accordance with Article XVI, Section 59 of the Texas Constitution. The rights, powers, privileges, authority and functions of the District are established by special legislation approved by the Texas Legislature in 1977, as amended and now codified as Chapter 8409, Special District Local Laws Code. The District has the rights, powers, privileges and functions contained and imposed by general law applicable to a municipal utility district created under Section 59, Article XVI, Texas Constitution, including Chapters 49 and 54 of the Water Code, as amended.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plans necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water; and the navigation of its inland and coastal waters. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also authorized to develop parks and recreational facilities from operating revenues only. The District is authorized to collect a sales and use tax within the District. See "TAX DATA—Sales and Use Tax." The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or to contract with an entity providing such services. Fire protection in the District is provided by the Port O'Connor Volunteer Fire Department. See "THE BONDS—Issuance of Additional Debt."

Description and Location

The District currently consists of approximately 3,299 acres of land and is located approximately 25 miles southeast of the City of Port Lavaca and is within the boundaries of the Calhoun County Independent School District. On November 2, 2021, elections were held within the District and La Salle Water Control and Improvement District No. 1A ("La Salle WCID No. 1A"), in which voters in each approved the consolidation of the District and La Salle WCID No. 1A into one district: Port O'Connor Improvement District. The District is bordered by Matagorda Bay to the east, Barroom Bay and the Intracoastal Waterway to the south, and Boggy Bayou to the north. The District is not within the corporate limits or extraterritorial jurisdiction of any city. See "THE DISTRICT" and "AERIAL PHOTOGRAPH."

Status of Development

Residential Development: The District includes approximately 1,900 active single-family residential connections. Approximately 26% of the single-family homes are permanent residences and the remaining balance of homes within the District are second homes. There are vacant lots and land in the District available for new homes and businesses; however, no exact lot or acreage count is available. The average value of homes for the 2024 tax year within the District, including homes within Defined Area No. 1, was approximately $240,220. The average value of homes for the 2024 tax year within Defined Area No. 1 was approximately $924,296. The permanent population in the District is estimated at 1,747 as of December 1, 2024, based upon an estimate of 3.5 persons per estimated permanent single-family residence.

Defined Area No. 1: Pursuant to a resolution adopted by the District's Board of Directors on February 11, 2008 and an election held on May 10, 2008, approximately 41 acres within the boundaries of the District were designated as "Defined Area No. 1" and are being developed as the community of "Caracol." Pursuant to an Agreement for Maintenance and Operation for Port O'Connor Defined Area No. 1 Facilities entered into between the District and Caracol Community Association, Inc ("Caracol Community") on October 23, 2018 (the "Agreement for Maintenance and Operation"), the District is responsible for operating and maintaining the water and wastewater facilities within Defined Area No. 1. The District collects and retains all District-wide maintenance tax and all tap fees and monthly water and wastewater revenue within Defined Area No. 1 to use in connection with the District's operation and maintenance costs within Defined Area No. 1. Caracol Community manages the maintenance and operations needed for improvements within Defined Area No.1, and is reimbursed by the District for its costs related to such operations and maintenance solely from the Defined Area No. 1 operations and maintenance tax. Facilities have been constructed to serve 74 lots within Defined Area No. 1 where 22 custom homes have been constructed to date and 3 custom homes are currently under construction. In addition, a pool, a pavilion, a lighted volleyball court and 14 day boat slips to allow for navigation of inland and coastal waters by boats up to 60 feet in length have been constructed in and for the exclusive benefit of the Defined Area. The 2024 tax rate levied within Defined Area No. 1 was $0.52, which is in addition to the 2024 tax rate of $0.48 levied within the District. The Defined Area No. 1 tax rate is dedicated solely to the maintenance and operation of Defined Area No. 1 and is not pledged to or available for payment of debt service on the Bonds. See "THE BONDS—Issuance of Additional Debt," "TAX DATA—Maintenance and Operations Tax" and "INVESTMENT CONSIDERATIONS—Future Debt."

Commercial Development: Other development in the District consists of approximately 200 multi-family and commercial connections, including fishing and hunting supply stores and guide services, oil field service businesses, restaurants, fresh seafood suppliers, souvenir shops, motels, RV parks, vacation equipment rentals, a gym, lawn service businesses, liquor stores, grocery stores, convenient stores, hardware stores, marinas and marine services, real estate businesses, rental companies, condominiums and construction and remodeling businesses.

Community Facilities: Fire protection services are provided by the Port O'Connor Volunteer Fire Department located in the District. A United States Post Office, a community center, a Calhoun County library branch location and an elementary school are also located within the District. Such community facilities are exempt from the payment of ad valorem taxes.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year terms and elections are held in November in even numbered years only. Four of the Board members reside within the District and one Board member owns property in the District. Directors have staggered four-year terms. The current members and officers of the Board along with their titles and terms, are listed as follows:

Name	Title	Term Expires
Danny McGuire	President	November 2026
Mike Clifton	Vice President	November 2026
Nathan O'Neill	Secretary	November 2026
Victor Mozisek	Asst. Vice President	November 2028
John Childers	Asst. Secretary	November 2028

District Management

The District employs a full-time District Manager, in addition to ten full-time employees and one part-time employee related to the management and operation of the District.

District Consultants

The District contracts for certain necessary services as described below.

General/Attorney: The District has engaged Walker Keeling LLP as general counsel for the District. Compensation is based on the time charges actually incurred.

Bond Counsel/Attorney: The District has engaged Allen Boone Humphries Robinson LLP as Bond Counsel in connection with the issuance of the District's bonds. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds. In addition, the District has engaged Allen Boone Humphries Robinson LLP as Special Counsel to assist with certain other District issues from time to time, including issues related to Defined Area No. 1. The legal fees paid to Allen Boone Humphries Robinson LLP in its capacity as Special Counsel are based on time charges actually incurred.

Financial Advisor: Masterson Advisors LLC serves as the District's Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Auditor: The District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. The District's financial statements for the fiscal year ending September 30, 2024, were audited by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's audited financial statements for the fiscal year ending September 30, 2024.

Engineer: The District's consulting engineer is BGE, Inc.

Tax Appraisal and Collections: The Calhoun County Appraisal District has the responsibility of appraising all property within the District. Taxes are collected by the Calhoun County Tax Collector pursuant to a contract. See "TAXING PROCEDURES."

Bookkeeper: The District has contracted with Goldman, Hunt & Notz, LLP (the "Bookkeeper") for bookkeeping services.

THE SYSTEM

Regulation

Construction and operation of the District's water, wastewater and storm drainage system as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters, if any, is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Calhoun County and the Texas Department of Health also exercise regulatory jurisdiction over the District's system.

Water Supply

The District's water plant facilities consist of two active water wells with a capacity of 225 gallons per minute ("gpm") and 250 gpm, a 500,000-gallon ground water storage tank, a 250,000-gallon elevated storage tank, a 300,000-gallon ground storage tank, eight booster pumps with capacity of 800 gpm each, and an emergency power generator. The District currently obtains the majority of its water from surface water provided by the Guadalupe Blanco River Authority (the "GBRA") in accordance with the Lower Basin Firm Water Supply Agreement between GBRA and the District with an effective date of November 1, 2023, and in accordance with the Treated Water Supply Contract between the District and Undine Wholesale Supply, LLC ("Undine) with an effective date of July 1, 2023. Said contracts have expired and temporary extension terms are currently being negotiated. Pursuant to the Undine contract, Undine will supply the District with 1.1 million gallons per day of potable water from the original GBRA plant which was purchased by Undine in December of 2022. The water is sourced from the Guadalupe River, and transported through the Calhoun Canal System to the former GBRA 6.0 million gallons per day water treatment facility in Port Lavaca, Texas. A District-owned water supply line delivers the water from the water treatment facility to the District's distribution system.

Additionally, the District acquired a loan from the Texas Water Development Board in May 2022 to fund the following: (1) a new well field consisting of five new water wells; (2) corresponding well collection lines and reverse osmosis discharge lines; (3) a raw water storage tank; and (4) a reverse osmosis treatment facility along with corresponding engineering fees for these improvements. To date, the well field, all collection lines, the reverse osmosis treatment facility, and the raw water storage tanks are complete. The District is currently in the process of testing and seeking permits from TCEQ to begin to use the wells and reverse osmosis system as its permanent water supply source. At that point, the contracts with GBRA and Undine will be terminated. The District has also received temporary approval to utilize its two water wells to directly supply water to its customers.

The District's permitted capacity in conjunction with the surface water supplied by the GBRA is sufficient in volume to serve 2,500 equivalent single-family connections ("ESFCs"). As of January 1, 2025, the District was serving approximately 2,139 active water connections. The District's well field will have sufficient volume to serve 3,100 ESFCs.

Wastewater Treatment

Wastewater from the District is treated by a 600,000 gallon per day ("gpd") wastewater treatment plant owned and operated by the District. Proceeds from the Bonds will be used for improvements to the wastewater treatment plant facilities consisting of rehabilitation of the existing clarifiers, aeration basin, and digester components; replacement of blowers, safety railings, diffusers, sluice gates, air lift pumps, the influent screen/splitter box, and basin cleaning. See "USE AND DISTRIBUTION OF BOND PROCEEDS." The District's wastewater facilities can adequately serve 3,000 ESFCs. As of December 1, 2024, the District was serving approximately 2,087 active wastewater connections.

Water Distribution, Wastewater Collection, Drainage and Navigation Facilities

Water distribution and wastewater collection facilities have been constructed to serve approximately 2,500 lots and all of the commercial acreage where businesses are located. In addition, facilities for drainage and navigation of inland and coastal waters have been constructed to serve property within Defined Area No. 1.

The District also operates a vacuum pressure sewage collection system comprised of two vacuum stations to transport sewage from registered premises to the District's sewage treatment facility. Both vacuum stations collect sewage from older service areas in the District and pump it to the wastewater treatment plant.

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. According to the District's Engineer, approximately 2,129 acres within the District lie within the 100-year flood plain. The District has not verified that the homes and improvements on this property have been constructed at or above the minimum slab and elevation requirements. The construction of houses and other improvements at or above the minimum slab and elevation requirements does not assure that such structures will not flood under catastrophic events such as major hurricanes. Moreover, an engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded. See "INVESTMENT CONSIDERATIONS—Extreme Weather Events."

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2024 Taxable Assessed Valuation	$783,376,818	(a)
Gross Direct Debt Outstanding (the Bonds and the Outstanding Bonds)	$32,975,000	(b)
Estimated Overlapping Debt	7,083,884	(c)
Gross Direct Debt and Estimated Overlapping Debt	$40,058,884	
Ratio of Gross Direct Debt to: 2024 Taxable Assessed Valuation	4.21%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to: 2024 Taxable Assessed Valuation	5.11%	
Debt Service Funds Available as of December 31, 2024	$1,830,450	(d)
Capital Projects Funds Available as of December 31, 2024	$6,655,813	(e)
Operating Funds Available as of December 31, 2024	$8,053,133	(f)

(a) The Appraisal District has certified $760,995,340 of taxable value and an additional $22,381,478 of taxable value remains uncertified. The uncertified value represents the opinion of value by the Appraisal District; however, such value is subject to change and downward revision prior to certification. The 2024 Taxable Assessed Valuation shown throughout this OFFICIAL STATEMENT is the certified value plus the uncertified value. See "TAXING PROCEDURES."

(b) After issuance of the Bonds. Does not include the Water and Sewer Revenue Bonds, which are secured by and payable solely from the net revenues of the District's water and sewer system. See "Outstanding Bonds" and "Water and Wastewater Operations" herein.

(c) See "Estimated Overlapping Debt" and "Overlapping Taxes" herein.

(d) Funds in the Debt Service Fund are available to pay debt service on the Outstanding Bonds and the Bonds and are not available to pay debt service on the Water and Sewer Revenue Bonds. See "THE BONDS—Funds."

(e) Includes approximately $1,645,318 of proceeds from the District's Unlimited Tax Bonds, Series 2022 and $4,993,536 of proceeds from the District's Unlimited Tax Bonds, Series 2023 to be used for various water plant improvement projects. See "THE SYSTEM—Water Supply."

(f) Includes approximately $211,992 of reserve funds in connection with the District's Water and Sewer System Revenue Bonds, Series 2015, which are not available to pay debt service on the Outstanding Bonds and the Bonds. See "THE BONDS—Funds" and "—Outstanding Bonds" herein.

Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District will be invested in short term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate the inclusion of, long term securities or derivative products in the District portfolio.

Outstanding Bonds

The District has previously issued three series of unlimited tax bonds for acquiring or constructing water, wastewater, and drainage facilities and one series of unlimited tax refunding bonds. The following table lists the original principal amount of such bonds by series and the principal amount of such bonds outstanding as of the date hereof (the "Outstanding Bonds").

Series	Original Principal Amount	Outstanding Bonds
2013 (a)	$ 4,700,000	$ -
2018	6,000,000	4,600,000
2022	6,000,000	5,705,000
2023	15,280,000	15,280,000
Total	$ 31,980,000	$ 25,585,000

(a) Unlimited Tax Refunding Bonds.

The District has also previously issued five series of water and sewer revenue bonds, which are secured by and payable solely from the net revenues of the District's water and sewer system and are not secured by the District's ad valorem taxes. The following table lists the original principal amount of such bonds by series and the principal amount of such bonds outstanding as of the date hereof. See "THE BONDS—Funds" and "Water and Wastewater Operations" in this section.

Series	Original Principal Amount	Outstanding Bonds
2000	$ 2,563,000	$ -
2000-A	1,250,000	-
2000-B	563,000	-
2004	2,325,000	-
2015	2,815,000	1,710,000
	$ 9,516,000	$ 1,710,000

Water and Wastewater Operations

The Outstanding Bonds and the Bonds are payable solely from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, from operations of the District's water and sewer system, if any, are available for any legal purpose, including, upon Board action, the payment of debt service on the Outstanding Bonds and the Bonds. It is anticipated that no significant operation revenues will be used for debt service on the Outstanding Bonds and Bonds in the foreseeable future. The Water and Sewer Revenue Bonds are payable solely from the net revenues of the District's water and sewer system. See "Outstanding Bonds" herein.

The following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements for the fiscal years ended September 30, 2020 through 2024. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

	Fiscal Year Ended September 30				
	2024	2023	2022	2021	2020
Revenues:					
Property Taxes	$ 1,803,164	$ 1,462,407	$ 1,355,543	$ 980,052	$ 976,880
Water Service	1,283,517	1,327,526	1,224,024	1,122,399	1,018,835
Wastewater Service	725,380	769,879	694,748	622,298	618,966
Penalty and Interest	41,377	47,249	48,314	35,460	29,888
Tap Connection and Inspection Fees	111,553	140,033	145,549	247,388	128,200
Sales and Use Tax Revenues (a)	384,934	384,321	383,809	345,059	301,536
Solid Waste Service	584,175	557,569	508,270	459,149	448,352
Utility Services - La Salle WCID No. 1	-	-	163,043	239,930	417,130
Investment Income and Miscellaneous	509,679	470,493	74,066	45,629	186,202
Total Revenues	$ 5,443,779	$ 5,159,477	$ 4,597,366	$ 4,097,364	$ 4,125,989
Expenditures:					
Professional Fees	$ 550,257	$ 530,567	$ 638,855	$ 432,015	$ 253,452
Personnel	896,548	822,765	842,963	736,620	672,693
Contracted Services	678,494	654,990	658,250	633,708	538,428
Purchased Water Service	622,419	343,717	344,285	313,109	323,208
Utilities	172,256	185,841	160,363	151,090	110,617
Repairs and Maintenance	547,638	446,406	644,266	679,705	168,088
Capital Outlay	791,776	662,945	590,541	450,578	570,430
Miscellaneous	270,122	342,852	332,747	286,665	375,234
Debt Service (b)	193,131	190,943	193,469	190,557	192,297
Total Expenditures	$ 4,722,641	$ 4,181,026	$ 4,405,739	$ 3,874,047	$ 3,204,447
Net Revenues	$ 721,138	$ 978,451	$ 191,627	$ 223,317	$ 921,542
Special Item					
La Salle Merger (c)	$ -	$ -	$ 1,202,043	$ -	$ -
Other Financing Sources (Uses)					
Transfers In (Out)	$ -	$ (72,487) (d)	$ (2,065,066) (d)	$ (601,511) (d)	$ -
General Operating Fund Balance (Beginning of Year)	$ 7,220,871	$ 6,314,907	$ 6,986,303	$ 7,364,497 (e)	$ 6,524,104
General Operating Fund Balance (End of Year)	$ 7,942,009	$ 7,220,871	$ 6,314,907	$ 6,986,303	$ 7,445,646

(a) The District collects a sales and use tax at the rate of 1.5% within its boundaries. Revenues from the sales and use tax are not pledged to the payment of the Bonds. See "TAX DATA—Sales and Use Tax."

(b) Represents debt service payments on the District's Water and Sewer Revenue Bonds, which are secured by and payable solely from the net revenues of the District's water and sewer system and are not secured by the District's ad valorem taxes. See "Outstanding Bonds" in this section.

(c) Represents equity from La Salle WCID No. 1A as a result of the consolidation of La Salle WCID No. 1A and the District. See "THE DISTRICT—Description and Location."

(d) Represents transfers to the Capital Projects Fund for capital activity paid from the Operating Fund.

(e) Restated from prior year to remove activity related to Defined Area No. 1.

Debt Service Requirements

The following sets forth the debt service requirements on the Outstanding Bonds (see "Outstanding Bonds" in this section) and the Bonds. This schedule does not include the Water and Sewer Revenue Bonds, which are secured by and payable solely from the net revenues of the District's water and sewer system. See "Outstanding Bonds" and "Water and Wastewater Operations" herein.

	Outstanding Bonds	Plus: Debt Service on the Bonds			Total
Year	Debt Service Requirements	Principal	Interest	Total	Debt Service Requirements
2025	$ 1,481,607.00	$ -	$ 132,486.25	$ 132,486.25	$ 1,614,093.25
2026	1,480,919.50	155,000	305,737.50	460,737.50	1,941,657.00
2027	1,474,664.00	165,000	299,537.50	464,537.50	1,939,201.50
2028	1,472,822.50	170,000	292,937.50	462,937.50	1,935,760.00
2029	1,465,273.00	175,000	286,137.50	461,137.50	1,926,410.50
2030	1,460,601.50	185,000	279,137.50	464,137.50	1,924,739.00
2031	1,461,515.00	195,000	271,737.50	466,737.50	1,928,252.50
2032	1,456,531.50	200,000	263,937.50	463,937.50	1,920,469.00
2033	1,454,121.00	210,000	255,937.50	465,937.50	1,920,058.50
2034	1,450,763.50	220,000	247,537.50	467,537.50	1,918,301.00
2035	1,446,472.00	230,000	238,737.50	468,737.50	1,915,209.50
2036	1,441,261.00	240,000	229,537.50	469,537.50	1,910,798.50
2037	1,435,146.50	250,000	219,937.50	469,937.50	1,905,084.00
2038	1,427,994.00	265,000	209,937.50	474,937.50	1,902,931.50
2039	1,409,935.00	275,000	199,337.50	474,337.50	1,884,272.50
2040	1,409,155.00	290,000	188,337.50	478,337.50	1,887,492.50
2041	1,412,360.00	300,000	176,737.50	476,737.50	1,889,097.50
2042	1,419,288.25	315,000	164,737.50	479,737.50	1,899,025.75
2043	1,419,696.50	330,000	152,137.50	482,137.50	1,901,834.00
2044	1,423,843.50	345,000	138,525.00	483,525.00	1,907,368.50
2045	1,426,508.50	360,000	123,862.50	483,862.50	1,910,371.00
2046	1,432,689.50	375,000	108,562.50	483,562.50	1,916,252.00
2047	1,437,281.00	390,000	92,625.00	482,625.00	1,919,906.00
2048	1,440,189.75	410,000	76,050.00	486,050.00	1,926,239.75
2049	1,446,414.75	430,000	58,625.00	488,625.00	1,935,039.75
2050	1,450,736.25	445,000	39,812.50	484,812.50	1,935,548.75
2051	1,453,243.00	465,000	20,343.75	485,343.75	1,938,586.75
2052	1,457,775.00	-	-	-	1,457,775.00
2053	1,180,125.00	-	-	-	1,180,125.00
2054	1,187,600.00	-	-	-	1,187,600.00
2055	1,187,825.00	-	-	-	1,187,825.00
2056	1,196,025.00	-	-	-	1,196,025.00
2057	1,201,750.00	-	-	-	1,201,750.00
Total	$ 46,402,133.00	$ 7,390,000	$ 5,072,967.50	$ 12,462,967.50	$ 58,865,100.50

Average Annual Debt Service Requirements (2025-2057) $1,783,791
Maximum Annual Debt Service Requirement (2026)... $1,941,657

Estimated Overlapping Debt

The following table indicates the outstanding debt payable from ad valorem taxes of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping Percent	Overlapping Amount
Calhoun County……………………………………	$ 27,280,000	12/31/2024	15.21%	$ 4,149,288
Calhoun County Independent School District…….	23,590,000	12/31/2024	12.44%	2,934,596
Total Estimated Overlapping Debt…………………………………………………………………				$ 7,083,884
The District's Total Direct Debt (a)………………………………………………………………				32,975,000
Total Direct and Estimated Overlapping Debt…………………………………………………				$ 40,058,884

Direct and Estimated Overlapping Debt as a Percentage of:
2024 Taxable Assessed Valuation of $783,376,818..5.11%

(a) Includes the Bonds and the Outstanding Bonds. Does not include the Water and Sewer Revenue Bonds. See “Outstanding Bonds” and “Water and Wastewater Operations” in this section.

Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District’s tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities (see “Estimated Overlapping Debt” above), certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all of the taxes levied for the 2024 tax year by all taxing jurisdictions overlapping the District and the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	Tax Rate per $100 of Taxable Assessed Valuation
Calhoun County………………………………………………	$ 0.6222
Calhoun County Independent School District……………….	0.7548
Calhoun County Groundwater Conservation District…………	0.0068
Total Overlapping Tax Rate…………………………………….	$ 1.3838
The District (a)(b)…………………………………………….	0.4800
Total Tax Rate…………………………………………………	$ 1.8638

(a) See “TAX DATA—Historical Tax Rate Distribution.”
(b) Approximately 41 acres in the District are within Defined Area No. 1, which levied a 2024 tax rate of $0.52 per $100 of taxable assessed valuation, creating a total 2024 tax rate for taxpayers within this area of $2.3838 per $100 of taxable assessed valuation. See ““TAX DATA—Maintenance and Operations Tax.”

TAX DATA

Debt Service Tax

The District covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. See "Historical Tax Rate Distribution" and "Tax Roll Information" in this section, and "TAXING PROCEDURES."

Maintenance and Operations Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was conducted January 20, 2001, and voters of the District authorized, among other things, the Board to levy a maintenance tax in an unlimited amount. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Outstanding Bonds and the Bonds. See "Debt Service Tax" above.

Defined Area No. 1: Pursuant to an election held within Defined Area No. 1 on May 20, 2008, the Board is authorized to levy a maintenance and operation tax within Defined Area No. 1 at a rate not to exceed $0.80 per $100 of taxable assessed valuation. The February 11, 2008 Taxation Plan for Defined Area No. 1 within Port O'Connor Municipal Utility District provided for the levy of both a debt service tax and an operation and maintenance tax on property within the boundaries of Defined Area No. 1, such taxes being in addition to the taxes levied by the District over all taxable property in the District. Therefore, property owners in Defined Area No. 1 are subject to the District wide tax rate in addition to an operations and maintenance tax levied exclusively on property within Defined Area No. 1. Defined Area No. 1 levied a 2024 tax rate of $0.52 per $100 of taxable assessed valuation (all maintenance and operations). As of this date, the District has not levied an additional Defined Area No. 1 debt service tax. The purpose of the Defined Area No. 1 tax is to pay for the improvements contemplated by the Plan of Improvements that was approved by voters in the election for the creation of Defined Area No. 1. The improvements included in this plan are navigable canals and certain water, sanitary sewer, and drainage improvements, as well as related land acquisition and environmental costs and expenses related to all of these improvements.

Sales and Use Tax

The Texas Legislature, in 2013, authorized the District to levy, upon voter approval, a sales and use tax. Pursuant to an election on November 5, 2013, the District voters approved a sales and use tax, which the District collects at the rate of 1.5% within its boundaries. Proceeds from sales and use taxes are not pledged to the payment of the Bonds or any other debts of the District. The Board is, however, authorized by law to pledge such sales and use tax revenue to the payment of bonds, notes or other obligations. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Water and Wastewater Operations."

Historical Tax Rate Distribution

	2024	2023	2022	2021	2020
Debt Service	$ 0.1875	$ 0.2200	$ 0.2477	$ 0.2659	$ 0.2677
Maintenance and Operations	0.2925	0.2749	0.2613	0.2531	0.2513
Total	$ 0.4800	$ 0.4949	$ 0.5090	$ 0.5190	$ 0.5190

Exemptions

For tax year 2024, the District granted a $100,000 homestead exemption for individuals who are 65 years of age or older or are disabled and a 20% general homestead exemption. See "TAXING PROCEDURES—Property Subject to Taxation by the District."

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, (April 1 for personal property), but not later than May 1 of that year, and that remain delinquent on July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

Historical Tax Collections

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the Calhoun County Tax Collector. Reference is made to such statements and records for further and complete information. See "Tax Roll Information" below.

Tax Year	Net Certified Taxable Assessed Valuation(a)	Tax Rate	Total Tax Levy(b)	Total Collections as of December 31, 2024 (c)	
				Amount	Percent
2019	$ 361,363,389	$ 0.5300	$ 1,915,226	$ 1,911,665	99.81%
2020	396,459,532	0.5190	2,057,625	2,053,888	99.82%
2021	425,894,053	0.5190	2,210,390	2,206,103	99.81%
2022	548,897,058	0.5090	2,793,886	2,784,729	99.67%
2023	671,682,383	0.4949	3,324,156	3,289,503	98.96%
2024	783,376,818	0.4800	3,760,209	(d)	(d)

(a) As certified by the Appraisal District less any exemptions granted. See "Tax Roll Information" below for gross appraised value and exemptions granted by the District.
(b) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date hereof.
(c) Unaudited.
(d) In process of collection. Taxes for 2024 were due by January 31, 2025.

Tax Roll Information

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see "TAXING PROCEDURES—Valuation of Property for Taxation"). The following represents the composition of property comprising the 2020 through 2024 Taxable Assessed Valuations. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. A breakdown of the uncertified portion ($22,381,478) of the 2024 Taxable Assessed Valuation is not available.

Tax Year	Type of Property			Gross Assessed Valuations	Deferments and Exemptions	Uncertified Assessed Valuations	Certified Taxable Assessed Valuations
	Land	Improvements	Personal Property				
2020	$ 194,481,971	$ 251,592,424	$ 8,541,240	$ 454,615,635	$ (58,156,103)	$ -	$ 396,459,532
2021	205,512,023	272,333,143	8,558,840	486,404,006	(60,509,953)	-	425,894,053
2022	245,069,612	362,237,804	8,715,230	616,022,646	(67,125,588)	-	548,897,058
2023	289,811,121	469,048,644	9,659,190	768,518,955	(96,836,572)	-	671,682,383
2024	377,427,645	528,667,148	12,345,780	918,440,573	(157,445,233)	22,381,478	783,376,818

Principal Taxpayers

The following table represents the ten major taxpayers, the certified taxable assessed valuation of such property, and such property's certified taxable assessed valuation as a percentage of the certified portion ($760,995,340) of the 2024 Taxable Assessed Valuation of $783,376,818. A principal taxpayer list related to the uncertified portion ($22,381,478) of the 2024 Taxable Assessed Valuation is not available.

Taxpayer	2024 Certified Taxable Assessed Valuation	% of 2024 Certified Taxable Assessed Valuation
Spectrum Gulf Coast LLC	$ 4,547,100	0.60%
Big Fisherman Boat	4,229,110	0.56%
PCB 77 LLC	4,164,394	0.55%
REB TX Coastal Properties LLC	3,468,434	0.46%
Individual	2,969,100	0.39%
Individual	2,827,320	0.37%
DSHRL Holdings LLC	2,599,776	0.34%
POC Investors LP	2,555,836	0.34%
Hestia Investments LLC	2,407,466	0.32%
Individual	2,388,432	0.31%
Total	$ 32,156,968	4.23%

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per $100 taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District's tax base occurred beyond the 2024 Taxable Assessed Valuation of $783,376,818 ($760,995,340 of certified value plus $22,381,478 of uncertified value). The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds, when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements" and "INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates"

Average Annual Debt Service Requirement (2025-2057) $1,783,791
$0.24 Tax Rate on the 2024 Taxable Assessed Valuation $1,786,099

Maximum Annual Debt Service Requirement (2026)... $1,941,657
$0.27 Tax Rate on the 2024 Taxable Assessed Valuation $2,009,362

No representation or suggestion is made that the uncertified portion of the 2024 Taxable Assessed Valuation, which is subject to review and downward adjustment by the Appraisal District prior to certification, will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAXING PROCEDURES."

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS—Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year-to-year as described more fully herein under "THE BONDS—Source of Payment." Under Texas law, the District may also levy and collect an annual ad valorem tax for the operation and maintenance of the District. See "TAX DATA—Debt Service Tax" and "—Maintenance and Operations Tax."

Property Tax Code and County-Wide Appraisal District

Title 1 of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas 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. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. For tax year 2024, the District granted a $100,000 homestead exemption for individuals who are 65 years of age or older or are disabled. The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous election. 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 claiming the exemption, 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. A veteran who receives a disability rating of 100% is entitled to an 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. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forced who was killed or fatally injured in the line of duty is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence 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. See "TAX DATA."

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (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 before July 1. For tax year 2024, the District granted a 20% general homestead exemption. See "TAX DATA."

Freeport Goods 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 includes tangible personal property acquired in or imported into Texas for storage purposes only if such property 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 property 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 not taken action to tax goods-in-transit property.

Tax Abatement

Calhoun County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Calhoun County, the Calhoun County Independent School District, and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the appraised valuation of property covered by the agreement over its appraised valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. To date, Calhoun County has not designated land within the District as a reinvestment zone.

Valuation of Property for Taxation

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

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads to ten percent (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 (3) years for agricultural use, 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 (3) 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.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

District and Taxpayer Remedies

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

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the tax payer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per $100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

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

Developed Districts: Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

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

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. The District was designated as a "Developing District" for the 2024 tax year. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "INVESTMENT CONSIDERATIONS—Tax Collection Limitations and Foreclosure Remedies."

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the State of Texas, Calhoun County or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District's bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS—Source of Payment." The collection by the District of delinquent taxes owed to it and the enforcement by registered owners of the Bonds ("Registered Owners") of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "Registered Owners' Remedies and Bankruptcy Limitations" herein.

Extreme Weather Events

The Texas Gulf Coast, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. Damage may be caused from storm surges, wind damage from tornadoes or high sustained winds, permanent erosion of property within the District including existing homesites and freshwater flooding because of rainfall. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The Texas Gulf Coast area has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days. The District is located on the Texas Gulf Coast bordered by Matagorda Bay, Barroon Bay, the Intracoastal Waterway and Boggy Bayou.

According to the District, the District's system sustained material damage from Hurricane Harvey and there was interruption of water and sewer service during and immediately after the storm. According to the District Operator's report, the then Operator evacuated Port O'Connor on August 24, 2017 in the afternoon with interruption of service starting on August 25, 2017 and extending through September 7, 2017. Further, according to the then District's Operator reports, taxable improvements within the District appeared to have experienced flooding or other material damage. Damages to the District's system included impairment to three booster pumps at the water treatment plant, low pressure at both sanitary sewer vacuum stations due to stuck or lodged valves within the sewage collection system, SCADA system failures occurred due to blown PLC Fuses and lighting arrestors and related appurtenances. According to the District's Engineer, all damage to the District's system caused by Hurricane Harvey has been repaired using available District funds.

According to the District's Engineer, approximately 2,129 acres within the District lie within the flood plain. If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase in the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

Specific Flood Type Risks

Coastal (or Storm Surge) Flood and Flash Flood (Ponding or Pluvial Flood): Based on historical occurrences and events, flooding is expected within the District at least once every two years and includes both flash flooding and coastal flooding. Coastal flooding is typically a result of storm surge, wind-driven waves and heavy rainfall produced by hurricanes, tropical storms, and other large coastal storms. Storm surge is extremely dangerous, because it is capable of flooding large swaths of coastal property and causing catastrophic destruction. This type of flooding may be exacerbated when storm surge coincides with a normal high tide. Because the District is within a coastal area with a very flat terrain, the depth of flooding depends on several factors such as high tide and drainage of the area receiving heavy rainfall. Flooding occurs in low areas where the excessive rainfall has no place to go. The District has liability coverage for its facilities with the Texas Municipal League Intergovernmental Risk Pool, and that coverage includes coverage for flood events. In addition, the District has windstorm and hail coverage.

Flash flooding (or ponding, or pluvial flooding) occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can exceed the drainage capacity of a drainage system, which may result in water within the drainage system becoming trapped and diverted onto streets and nearby property until it is able to reach a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, levee or reservoir.

River (or Fluvial) Flood: occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheetflow overland. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed, or after a sudden release of water by a debris or ice jam. Controlled releases from a dam, levee or reservoir also could potentially create a flooding condition in rivers, bayous, or man-made drainage systems (canals or channels) downstream.

Possible Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2024 Taxable Assessed Valuation is $783,376,818 ($760,995,340 of certified value plus $22,381,478 of uncertified value). After issuance of the Bonds, the maximum annual debt service requirement will be $1,941,657 (2026), and the average annual debt service requirement will be $1,783,791 (2025-2057 inclusive). Assuming no increase or decrease from the 2024 Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of $0.27 and $0.24 per $100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements" and "TAX DATA—Tax Adequacy for Debt Service."

No representation or suggestion is made that the uncertified portion of the 2024 Taxable Assessed Valuation, which is subject to review and downward adjustment by the Appraisal District prior to certification, will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAXING PROCEDURES."

Tax Collections Limitations and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies and Bankruptcy Limitations

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 Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. 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. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were 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. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, the District could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning District relief from its creditors. While such a decision might be appealable, the concomitant delay and loss of remedies to the Registered Owner could potentially and adversely impair the value of the Registered Owner's claim.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating the collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district.

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid purpose. An aggregate of $52,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring water, wastewater and drainage facilities and $50,000,000 principal amount of unlimited tax bonds for refunding purposes has been authorized by the District's voters. After the issuance of the Bonds, $17,330,000 principal amount of the unlimited tax bonds for constructing or acquiring water, wastewater and drainage facilities and $45,300,000 principal amount of unlimited tax bonds for refunding purposes will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and could adversely affect the security for, and the investment quality and value of, the Bonds.

In addition to the unlimited tax bonds discussed above, voters of Defined Area No. 1 (see "THE DISTRICT—Status of Development") have authorized the issuance of up to $20,000,000 aggregate principal amount of unlimited tax bonds for the construction of water, wastewater, and drainage facilities and improvements for the navigation of inland and coastal waters in Defined Area No. 1 that are solely secured by taxes levied upon property within Defined Area No. 1 ("Defined Area Bonds"), all of which remains authorized but unissued. See "THE BONDS—Issuance of Additional Debt."

The District is authorized by statute to develop parks and recreational facilities from operating revenues. The District is not allowed to issue park bonds payable from taxes for park projects. The Board does not have a park plan nor does it operate parks and has not considered funding any parks at this time.

Environmental Regulation

Wastewater treatment, water supply, storm sewer facilities and construction activities within the District are subject to complex environmental laws and regulations at the federal, state and local levels that may require or prohibit certain activities that affect the environment, such as:

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
- Restricting the manner in which wastes are treated and released into the air, water and soils;
- Restricting or regulating the use of wetlands or other properties; or
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality (the "TCEQ") may impact new industrial, commercial and residential development in Calhoun County. Under the Clean Air Act ("CAA") Amendments of 1990, Calhoun County has been designated an attainment/unclassifiable area under two separate federal ozone standards: the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the "2015 Ozone Standard").

Although Calhoun County is currently in attainment, Calhoun County has been and continues to be near the non-attainment thresholds for ozone. Accordingly, it is possible that Calhoun County could be re-classified as a nonattainment area should ozone levels increase. A designation of nonattainment for ozone or any other pollutant could negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow Calhoun County to maintain attainment with the ozone standards. Such additional controls could have a negative impact on Calhoun County's economic growth and development.

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

Pursuant to the federal Safe Drinking Water Act ("SDWA") and the EPA's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future. Further, the EPA has established a NPDWR for six (6) Per- and Polyflouroalkyl Substances ("PFAS"), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) ("CGP"), with an effective date of March 5, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. The CGP has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required plans, as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Costs associated with these compliance activities could be substantial in the future.

Operations of utility districts, including the District, are also potentially subject to requirements and restrictions under the CWA regarding the use and alteration of wetland areas that are within the "waters of the United States." The District must obtain a permit from the United States Army Corps of Engineers ("USACE") if operations of the District require that wetlands be filled, dredged, or otherwise altered.

In 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of "waters of the United States" and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, "waters of the United States" includes only geographical features that are described in ordinary parlance as "streams, oceans, rivers, and lakes" and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection. Subsequently, the EPA and USACE issued a final rule amending the definition of "waters of the United States" under the CWA to conform with the Supreme Court's decision.

While the *Sackett* decision and subsequent regulatory action removed a great deal of uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

Marketability of the Bonds

The District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

Changes in Tax Legislation

Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Resolution on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See "TAX MATTERS."

MUNICIPAL BOND RATING

Moody's Investors Service ("Moody's") has assigned a rating of "A3" to the Bonds. An explanation of the rating may be obtained from Moody's. The rating fees of Moody's will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Underwriter.

There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by Moody's, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied by the District, without limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations.

Bond Counsel has reviewed the information appearing in this OFFICIAL STATEMENT under "THE BONDS," "THE DISTRICT—General," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine if such information, insofar as it relates to matters of law, is true and correct, and whether such information fairly summarizes the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this OFFICIAL STATEMENT nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

The District has engaged Allen Boone Humphries Robinson LLP as Bond Counsel in connection with the issuance of the District's bonds. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds. In addition, the District has engaged Allen Boone Humphries Robinson LLP as Special Counsel to assist with certain other District issues from time to time, including issues related to Defined Area No. 1. The legal fees paid to Allen Boone Humphries Robinson LLP in its capacity as Special Counsel are based on time charges actually incurred.

General/Attorney: The District has engaged Walker Keeling LLP as general counsel for the District. Compensation is based on the time charges actually incurred.

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.

No Material Adverse Change

The obligations of the Underwriter to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the OFFICIAL STATEMENT, as supplemented or amended through the date of the sale.

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by both the President and Secretary of the Board, and dated as of the Date of Delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) for the purpose of determining the alternative minimum tax imposed on corporations.

The Internal Revenue Code of 1986, as amended (the "Code") imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Bond Resolution that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Underwriter, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits, including tax exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

Tax Accounting Treatment of Original Issue Discount Bonds

The issue price of certain of the Bonds (the "Original Issue Discount Bonds") is less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on a Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the OFFICIAL STATEMENT.)

The foregoing is based on the assumptions that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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

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

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed $10,000,000.

The District has designated the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2025 is not expected to exceed $10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than $10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2025.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this OFFICIAL STATEMENT has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation on the part of the District except as described below under "Certification of Official Statement." Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this OFFICIAL STATEMENT are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT, including the OFFICIAL NOTICE OF SALE and the OFFICIAL BID FORM for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

In approving this OFFICIAL STATEMENT the District has relied upon the following consultants.

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by Calhoun County Appraisal District and is included herein in reliance upon the authority of such entity as an expert in assessing property values and collecting taxes.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the District's water, wastewater and storm drainage system and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by BGE, Inc., Consulting Engineers, and has been included herein in reliance upon the authority of said firm as the District's Engineer.

Auditor: The District's financial statements for the period ending September 30, 2024 were audited by McCall Gibson Swedlund Barfoot PPLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's September 30, 2024 financial statements.

Updating the Official Statement

If subsequent to the date of the OFFICIAL STATEMENT, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Underwriter, of any adverse event which causes the OFFICIAL STATEMENT to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the OFFICIAL STATEMENT satisfactory to the Underwriter; provided, however, that the obligation of the District to the Underwriter to so amend or supplement the OFFICIAL STATEMENT will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notifies the District on or before such date that less than all of the bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time as required by law (but not more than 90 days after the date the District delivers the Bonds).

Certification of Official Statement

The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this OFFICIAL STATEMENT other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the Board has relied in part upon its examination of records of the District, and upon discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has the following agreement for the benefit of the registered 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”). The MSRB has established the Electronic Municipal Market Access (“EMMA”) System.

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED),” (except for “Estimated Overlapping Debt”), “TAX DATA,” and in APPENDIX A (Auditor’s Report and Financial Statements of the District and certain supplemental schedules). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2025. Any financial statements provided by the District shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

The District’s current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 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.

Event Notices

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) 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 beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, 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 other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect beneficial owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from the MSRB

The District has agreed to provide the foregoing updated information only to the MSRB. The MSRB makes the information available to the public without charge through an internet portal at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of 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; nor has the District agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Registered Owners or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to the 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 but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the Registered Owners of a majority in aggregate principal amount of the Outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered Owners and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

During the last five years, the District has complied in all material respects with all continuing disclosure undertakings.

MISCELLANEOUS

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

/s/ Danny McGuire
President, Board of Directors

ATTEST:

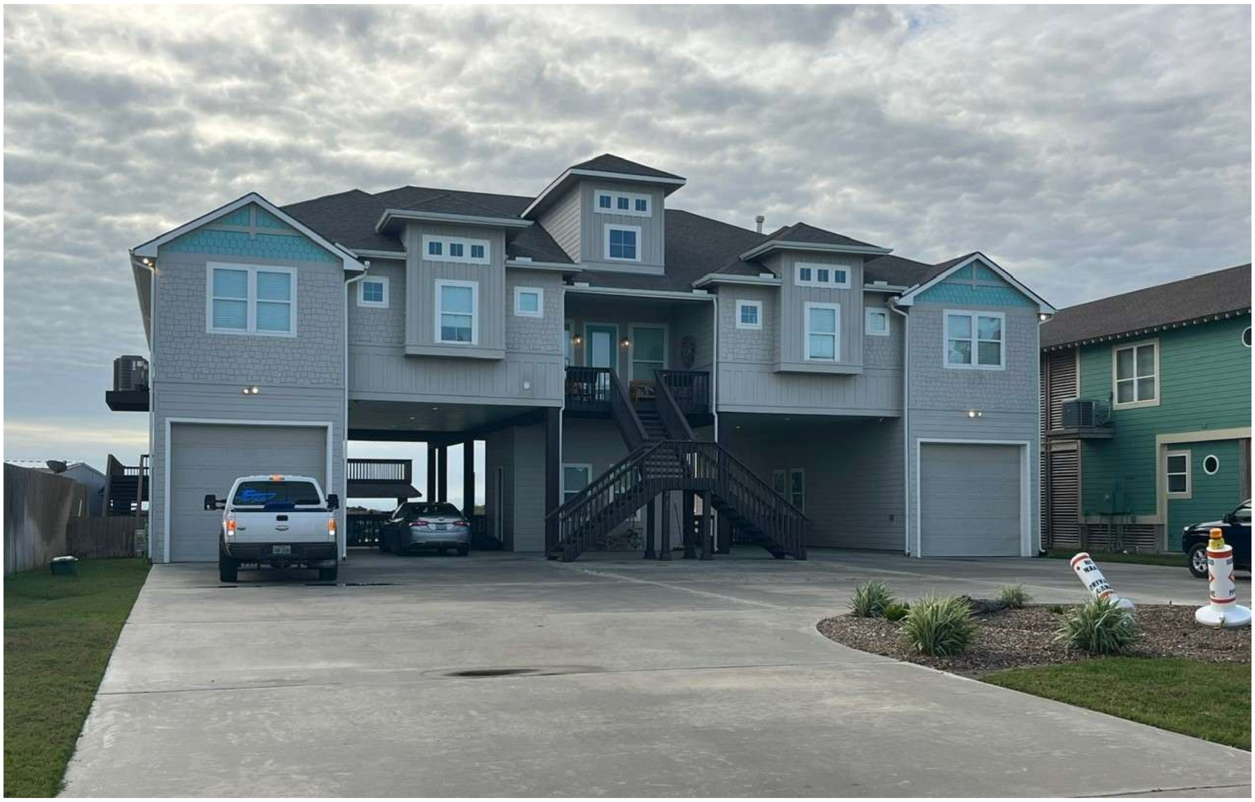
/s/ Nathan O'Neill
Secretary, Board of Directors

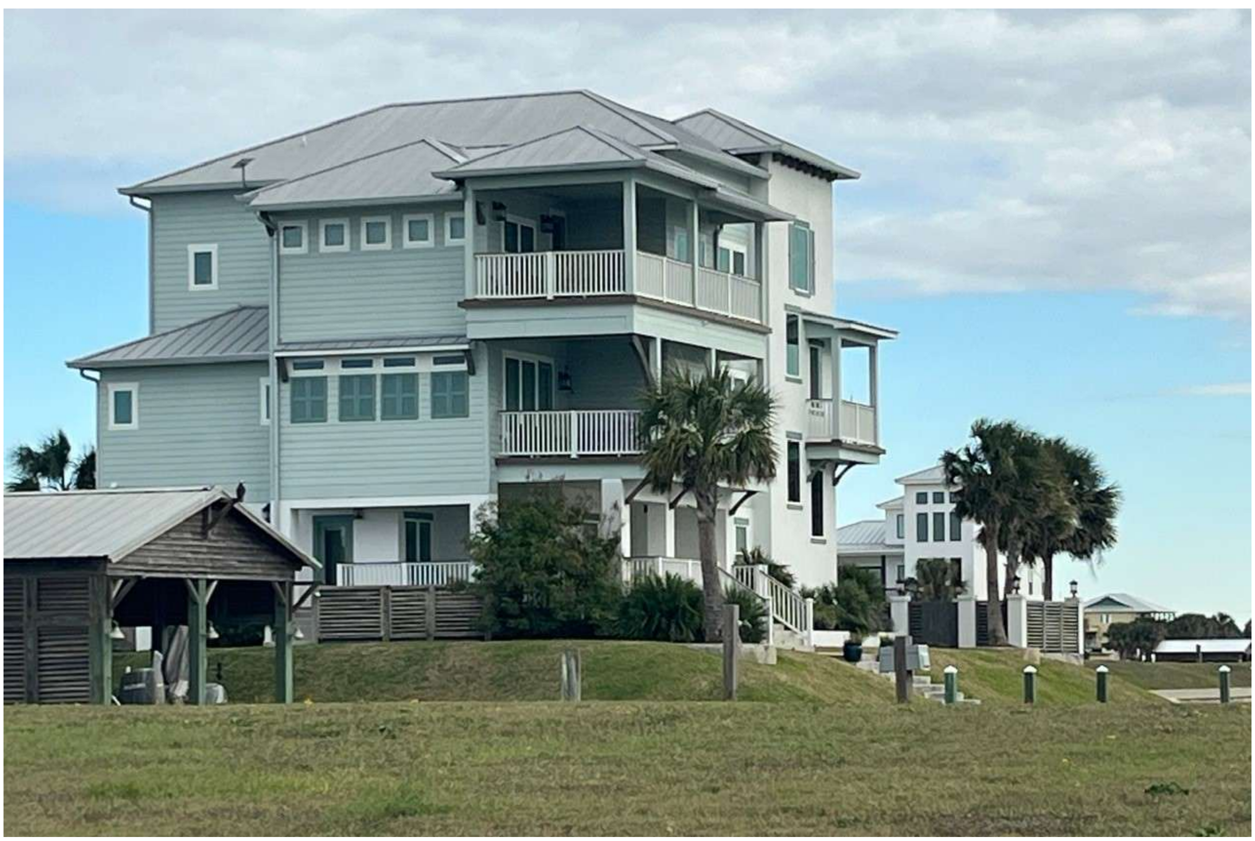
AERIAL PHOTOGRAPH
(As of January 2025)

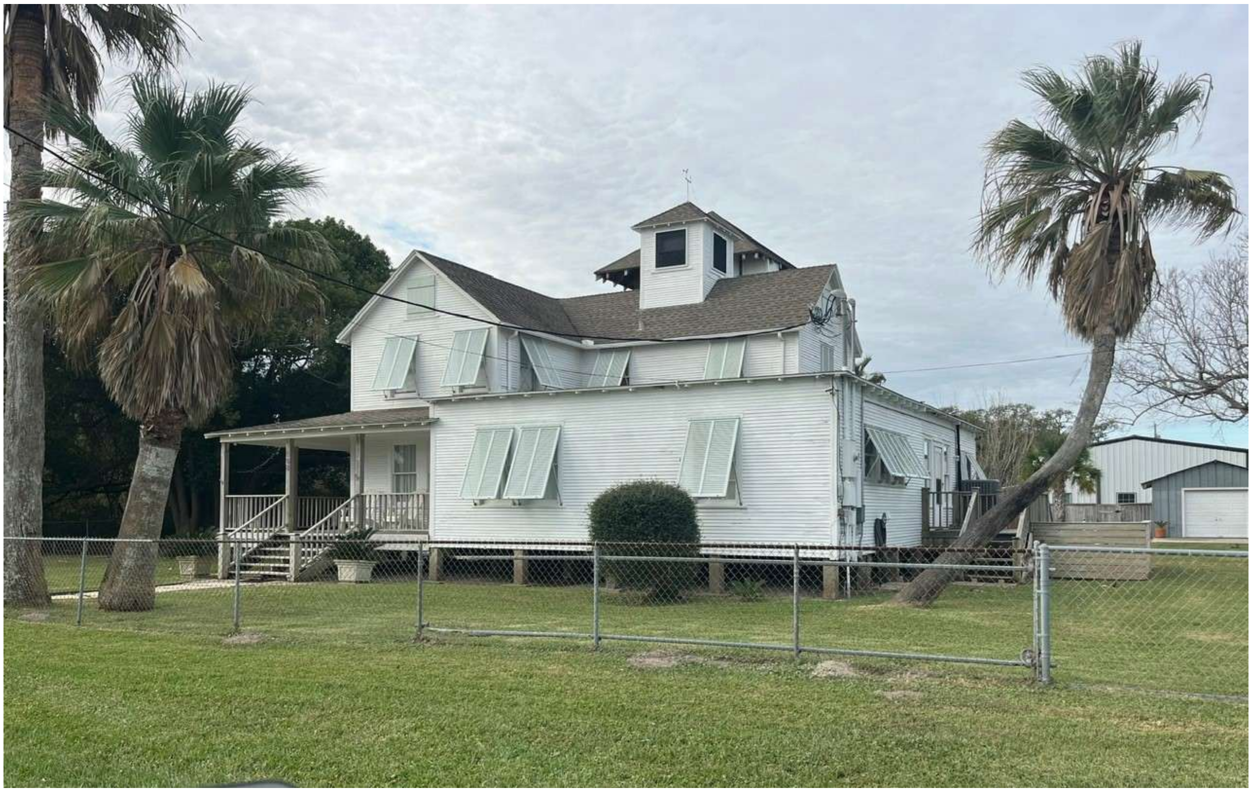

Port O'Connor
Improvement District
Matagorda
Bay
TX 185
N

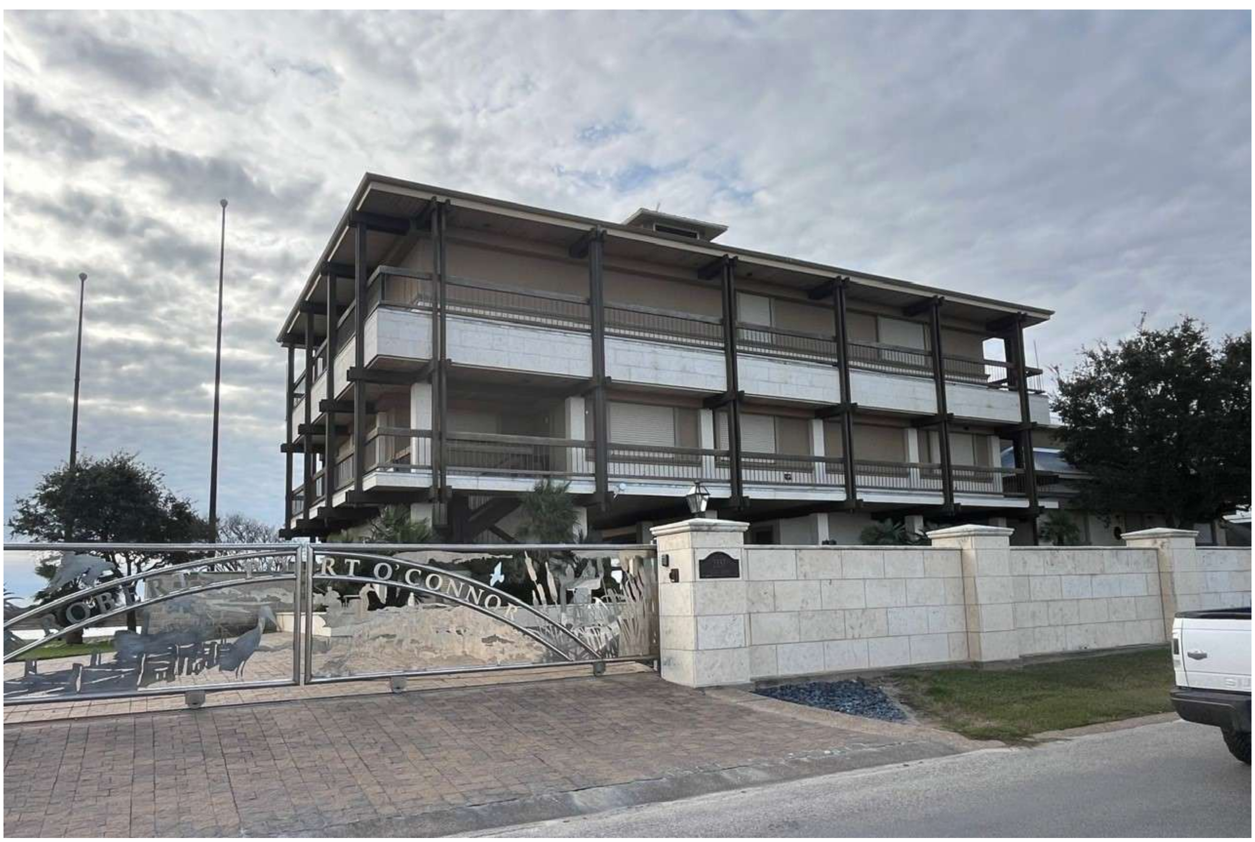

TX 185
Port O'Connor
Improvement District
N

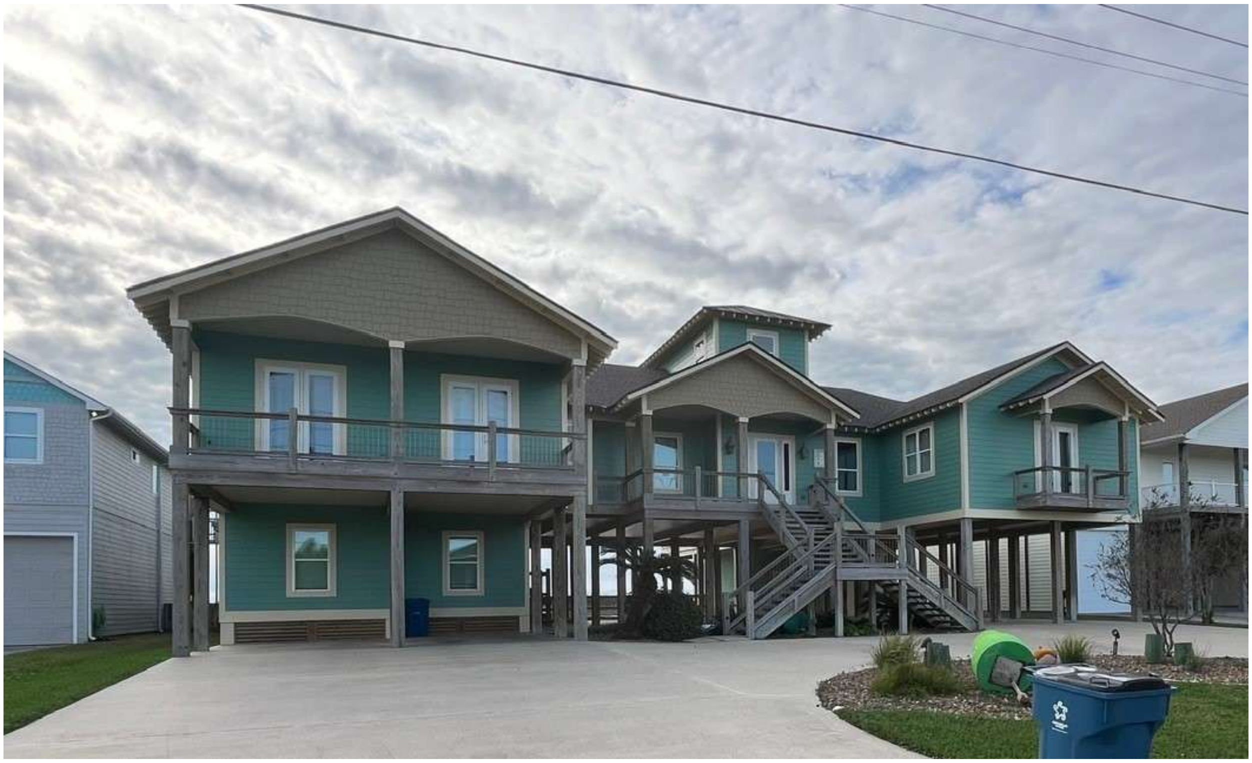
PHOTOGRAPHS OF THE DISTRICT
(As of January 2025)

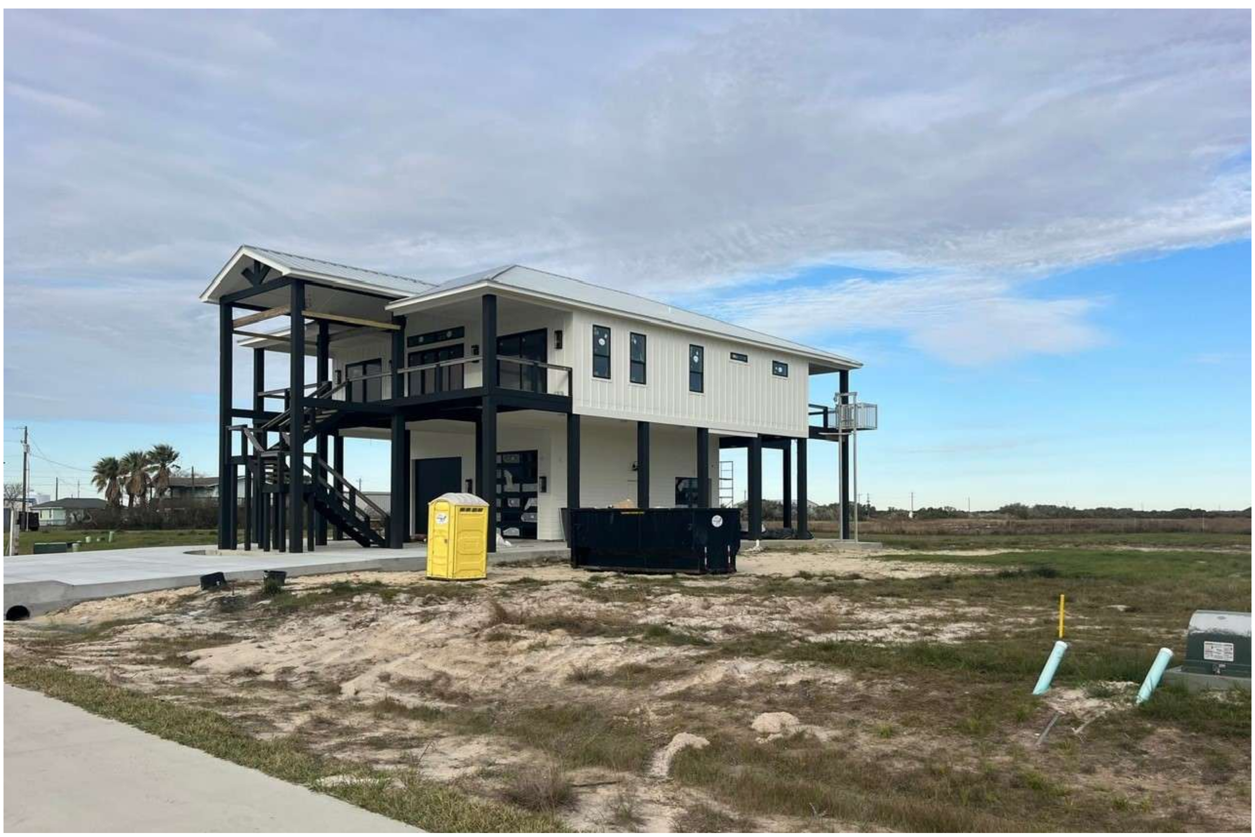


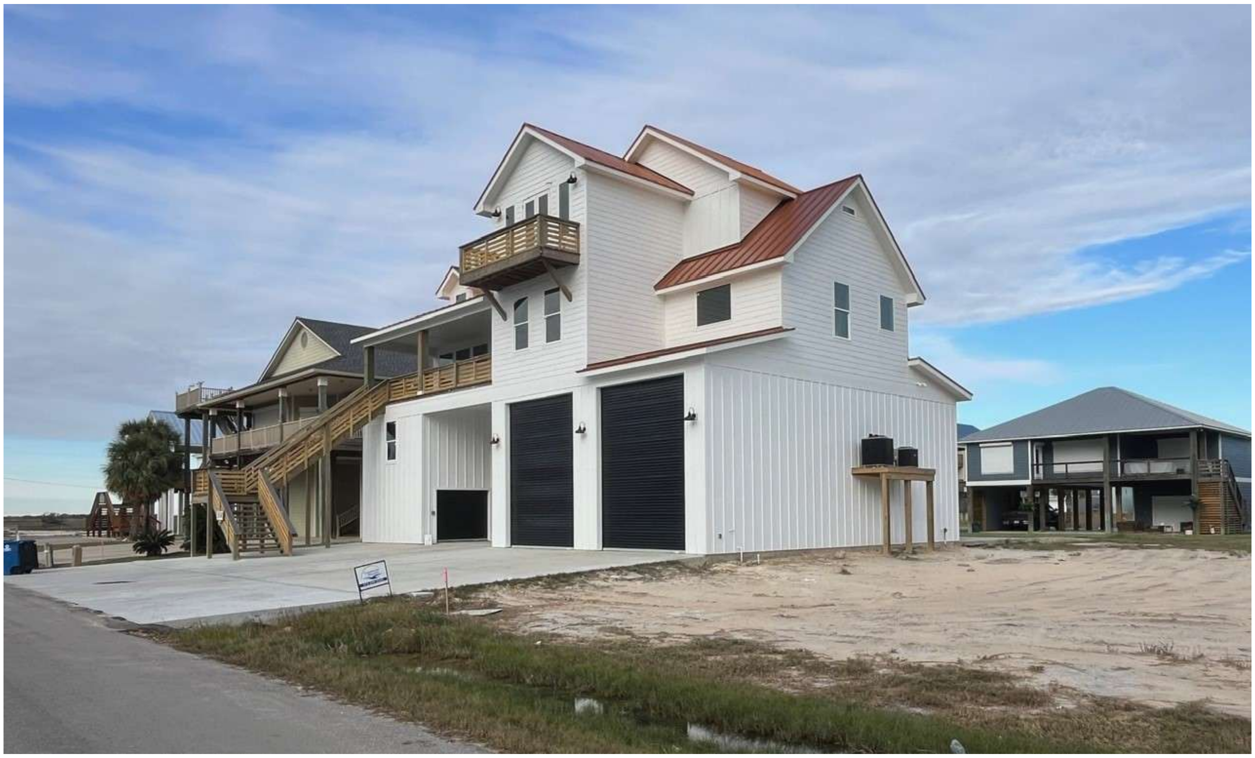


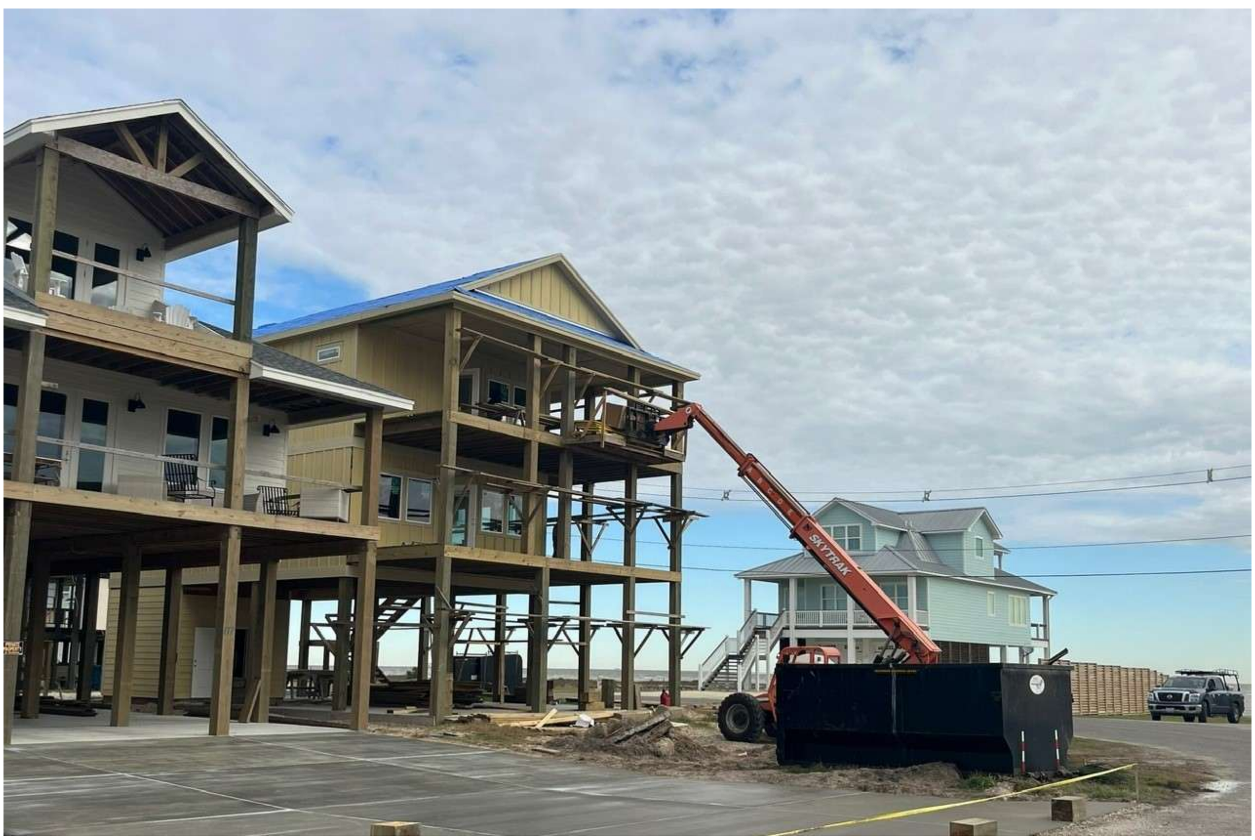



RT O'CONNOR





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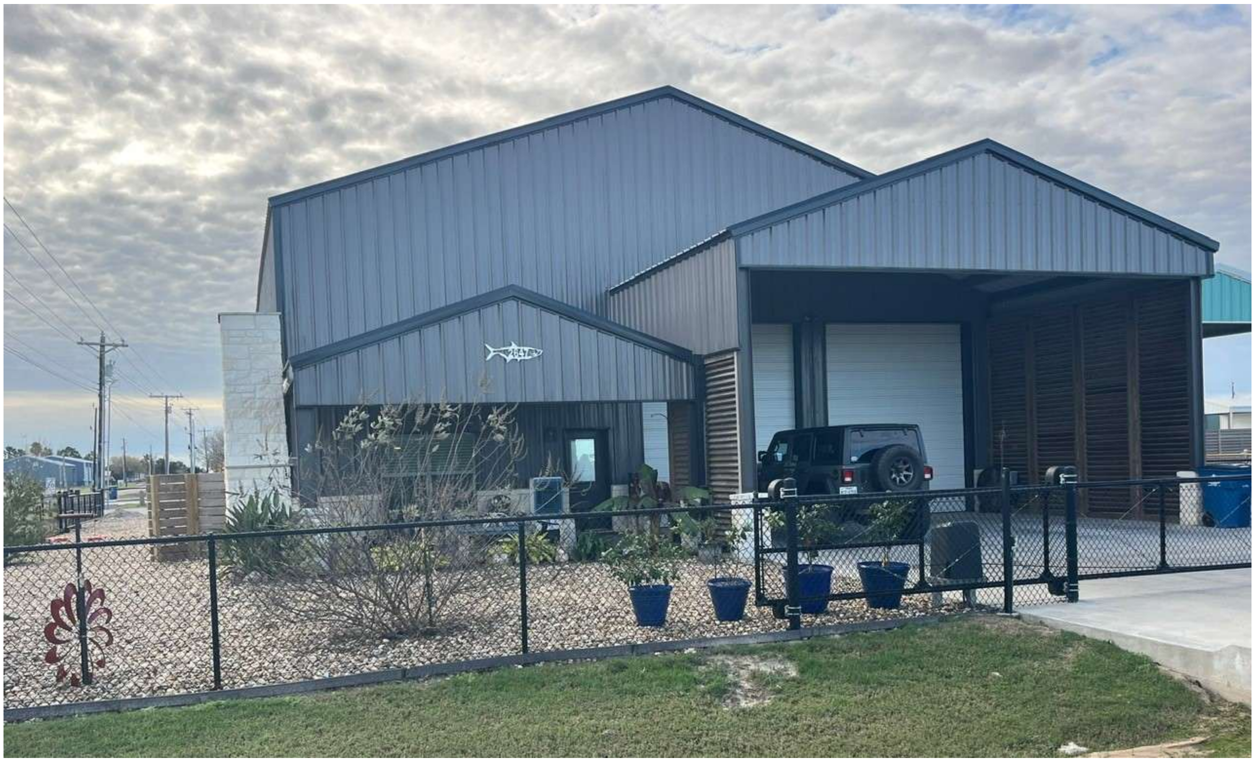

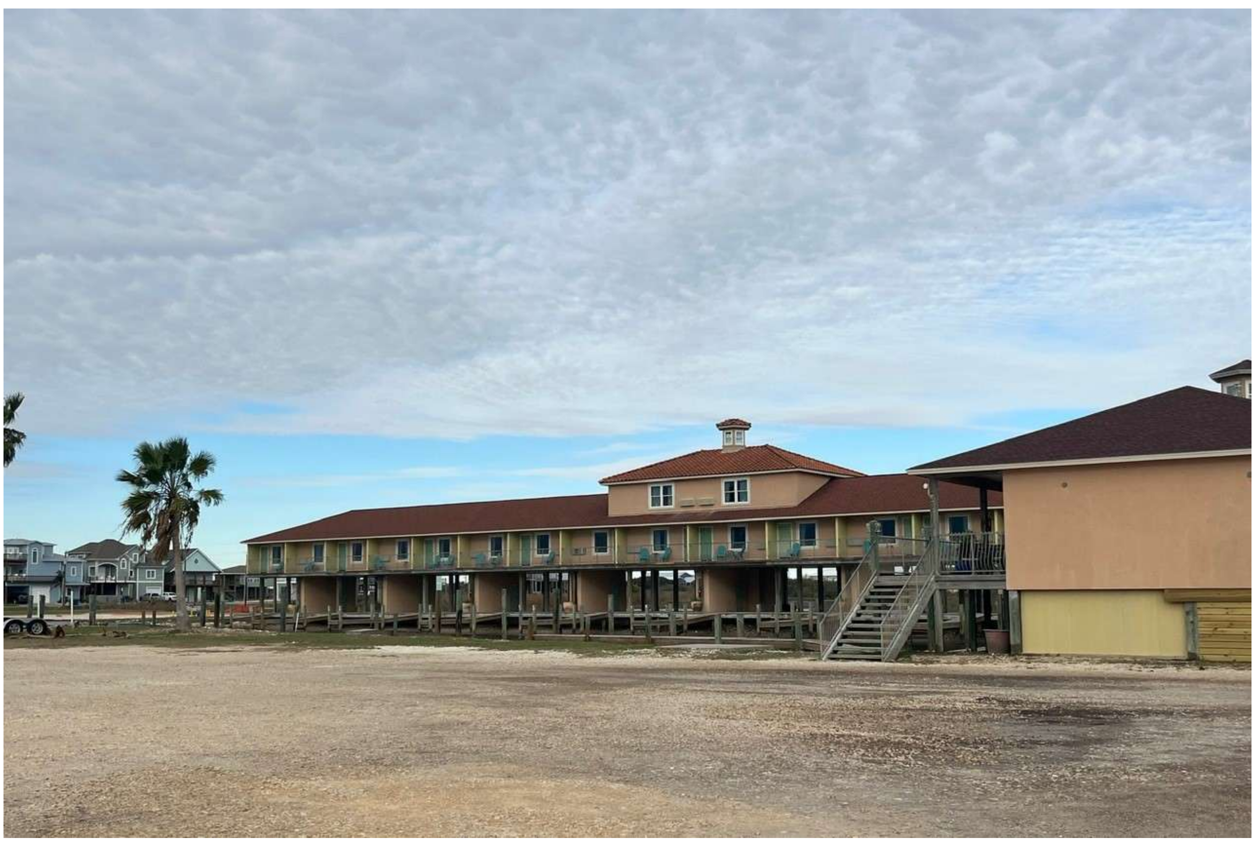

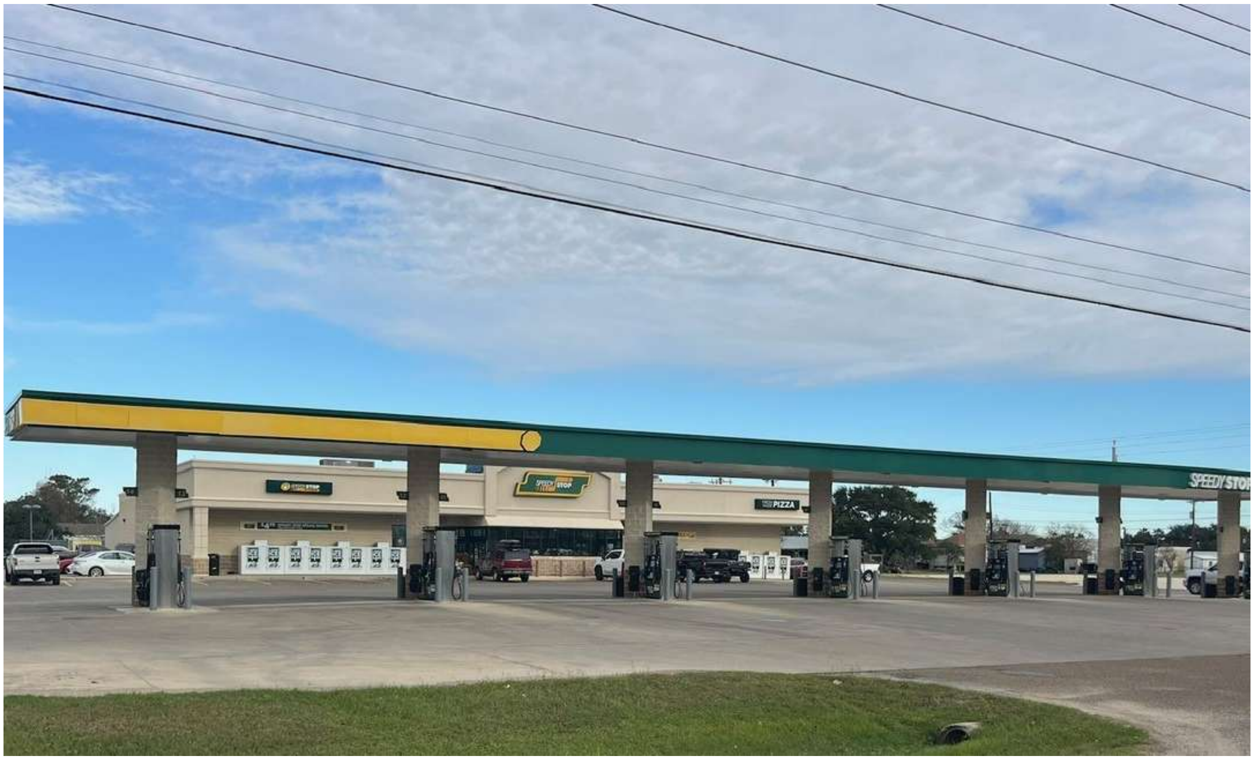
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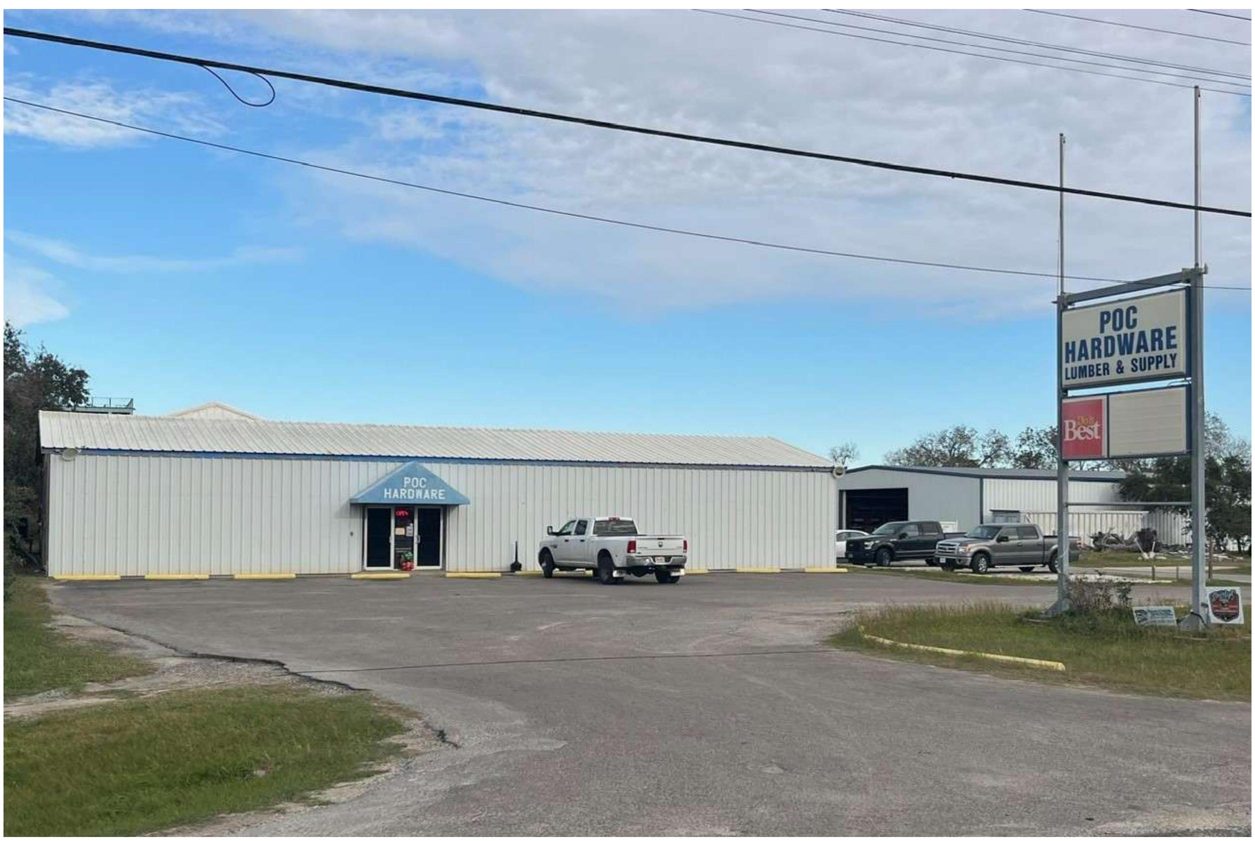
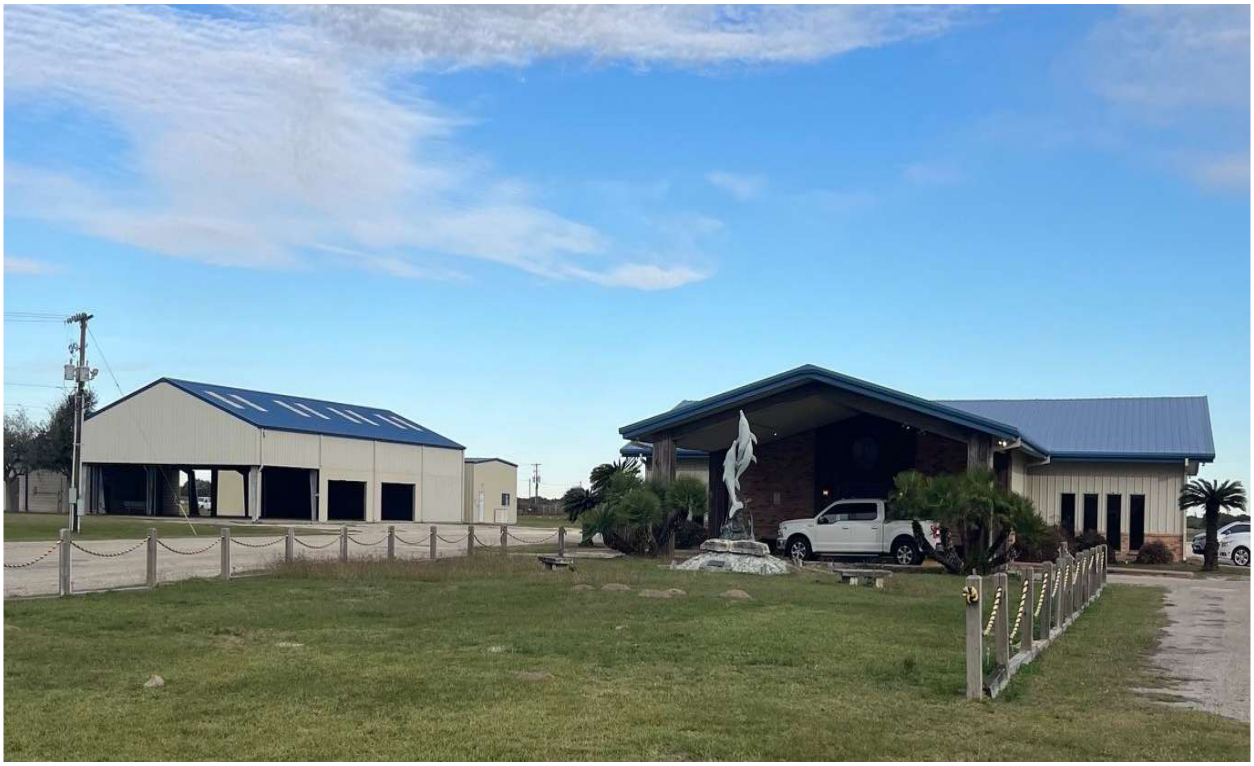
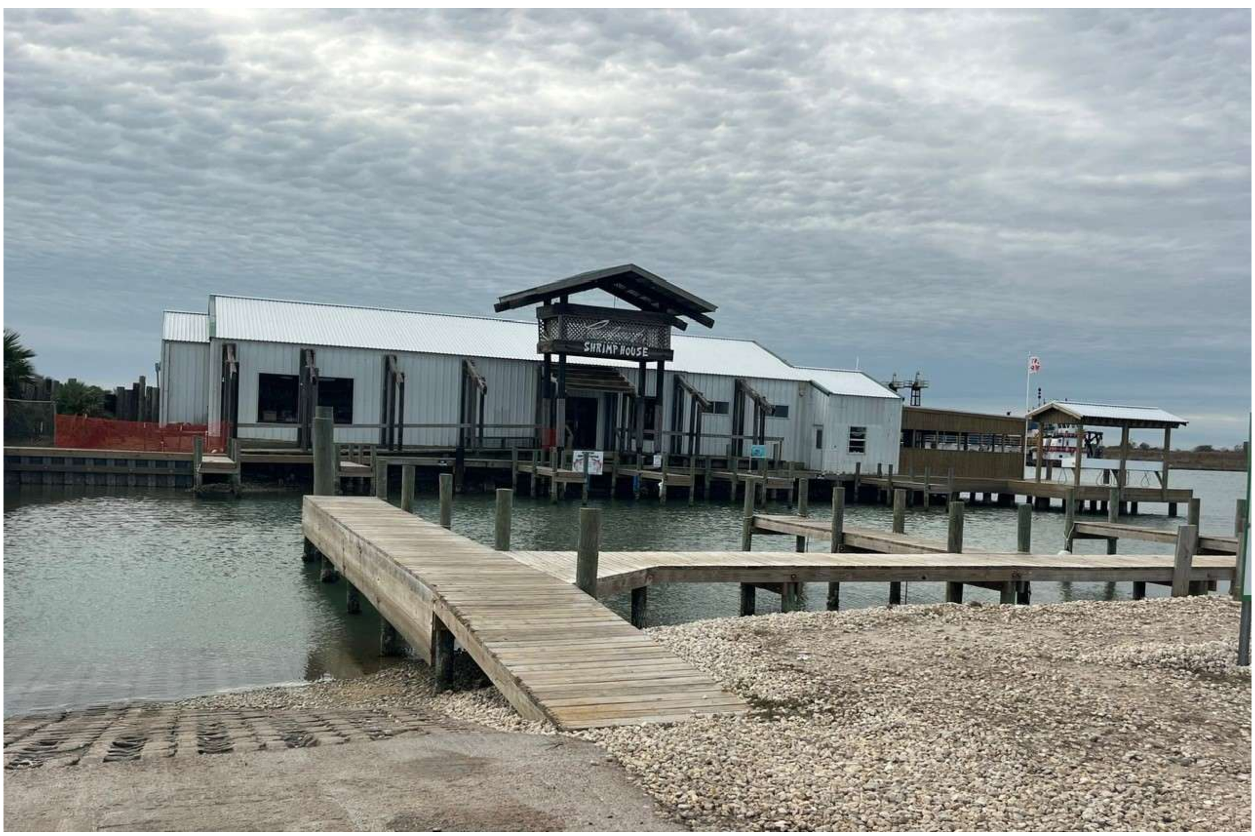

POC
HARDWARE
LUMBER & SUPPLY
POC
HARDWARE




SHRIMP HOUSE

APPENDIX A

Financial Statement of the District for the fiscal year ended September 30, 2024

PORT O'CONNOR IMPROVEMENT DISTRICT

CALHOUN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2024

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

T A B L E O F C O N T E N T S

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants

Chris Swedlund
Noel W. Barfoot
Joseph Ellis
Ashlee Martin

Mike M. McCall
(retired)
Debbie Gibson
(retired)

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Port O'Connor Improvement District
Calhoun County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Port O'Connor Improvement District (the "District") as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

Houston | Austin | Dallas
13100 Wortham Center Drive, Suite 235, Houston, Texas 77065-5610 713-462-0341

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 and the Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund and Special Revenue Fund 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.

Board of Directors
Port O'Connor Improvement District

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 supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is 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 supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot Ellis PLLC

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants
Houston, Texas

January 16, 2025

Management's discussion and analysis of the financial performance of Port O'Connor Improvement District (the "District") provides an overview of the District's financial activities for the fiscal year ended September 30, 2024. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective like that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all the District's assets and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has four governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs, and administrative expenditures. The Special Revenue Fund accounts for the revenues and expenditures associated with the Defined Area No. 1.

FUND FINANCIAL STATEMENTS (Continued)

The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Governmental funds are reported in each of the financial statements. The focus in the fund financial statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO FINANCIAL STATEMENTS

The accompanying notes to financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information. Budgetary comparison schedules are included as RSI for the General Fund and the Special Revenue Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by $26,211,511 as of September 30, 2024. A portion of the District's net position reflects its net investment in capital assets which include land, buildings and equipment as well as water and wastewater systems less any debt used to acquire those assets that is still outstanding.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following is a comparative analysis of government-wide changes in net position:

	Summary of Changes in the Statement of Net Position		
	2024	2023	Change Positive (Negative)
Current and Other Assets	$ 18,575,460	$ 28,205,474	$ (9,630,014)
Capital Assets (Net of Accumulated Depreciation)	37,881,184	27,260,636	10,620,548
Total Assets	$ 56,456,644	$ 55,466,110	$ 990,534
Bonds Payable	$ 27,230,263	$ 28,013,293	$ 783,030
Other Liabilities	3,014,870	2,748,600	(266,270)
Total Liabilities	$ 30,245,133	$ 30,761,893	$ 516,760
Net Position:			
Net Investment in Capital Assets	$ 16,698,308	$ 15,884,214	$ 814,094
Restricted	1,718,761	1,762,351	(43,590)
Unrestricted	7,794,442	7,057,652	736,790
Total Net Position	$ 26,211,511	$ 24,704,217	$ 1,507,294

The following table provides a summary of the District's operations for the years ended September 30, 2024, and September 30, 2023.

	Summary of Changes in the Statement of Activities		
	2024	2023	Change Positive (Negative)
Revenues:			
Property Taxes	$ 3,390,346	$ 2,857,639	$ 532,707
Charges for Services	2,756,375	2,873,679	(117,304)
Other Revenues	1,395,246	905,407	489,839
Total Revenues	$ 7,541,967	$ 6,636,725	$ 905,242
Expenses for Services	6,034,673	6,362,240	327,567
Excess Revenues (Expenses)	$ 1,507,294	$ 274,485	1,232,809
Net Position, Beginning of Year	24,704,217	24,429,732	274,485
Net Position, End of Year	$ 26,211,511	$ 24,704,217	$ 1,507,294

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of September 30, 2024, were $15,561,746, a decrease of $9,972,117 from the prior year.

The General Fund fund balance increased by $721,138 primarily due to property tax revenues, service revenues and sales tax revenues exceeding operating and capital expenditures.

The Special Revenue Fund fund balance increased by $102,048. Property tax collections levied on the Defined Area No. 1 exceeded operating and administrative costs.

The Debt Service Fund fund balance decreased by $205,819, primarily due to the structure of the District's debt service requirements.

The Capital Projects Fund fund balance decreased by $10,589,484, primarily due to capital outlays paid from bond proceeds received in a prior year.

BUDGETARY HIGHLIGHTS

The Board of Directors adopted budgets for both the General Fund and the Special Revenue Fund for the current fiscal year. For the General Fund, actual revenues were $380,391 more than budgeted revenues and actual expenditures were $641,481 more than budgeted expenditures. After taking into account $982,228 budgeted for transfers and contingencies that were not realized in the current year, the result was a positive variance of $721,138. The Special Revenue Fund budget to actual comparison reflects a positive variance of $102,048. See the budget comparison schedules for more detailed information.

LONG-TERM DEBT ACTIVITY

The District's Series 2023 Bonds carry an underlying rating of "A3" by Moody's Investors Service while the other bonds were not rated. At year end, the District recorded bonds payable of $27,295,000. The changes in the debt position of the District during the fiscal year ended September 30, 2024, are summarized as follows:

Bond Debt Payable, October 1, 2023	$ 28,080,000
Less: Bond Principal Paid	(785,000)
Bond Debt Payable, September 30, 2024	$ 27,295,000

CAPITAL ASSETS

Capital assets as of September 30, 2024, total $37,881,184 (net of accumulated depreciation) and include land, buildings and equipment as well as the water and wastewater systems. Significant capital asset activity during the current year consisted of equipment purchases and the LaSalle water plant rehabilitation. See Note 6 for additional information.

Capital Assets At Year-End

	2024	2023	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 661,569	$ 661,569	$
Construction in Progress	13,924,667	3,159,160	10,765,507
Capital Assets Subject to Depreciation:			
Water System	15,540,897	15,037,811	503,086
Wastewater System	15,032,460	15,034,879	(2,419)
Buildings, Equipment and Other	4,315,119	3,973,962	341,157
Less Accumulated Depreciation	(11,593,528)	(10,606,745)	(986,783)
Total Net Capital Assets	$ 37,881,184	$ 27,260,636	$ 10,620,548

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Port O'Connor Improvement District, P.O. Box 375, Port O'Connor, TX 77982.

PORT O'CONNOR IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2024

	General Fund	Special Revenue Fund
ASSETS		
Cash	$ 1,875,399	$ 367,516
Investments	6,122,626	
Receivables:		
Property Taxes	43,377	
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance of $21,790)	264,645	
Accrued Interest and Other	56,423	1,428
Due from Other Funds	313,254	
Prepaid Costs	21,908	
Due from Other Governments	65,476	
Inventory (Net of Allowance of $14,178)	127,599	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 8,890,707	$ 368,944
LIABILITIES		
Accounts Payable	$ 497,668	$ 847
Accrued Interest Payable		
Retainage Payable		
Due to Other Funds	7,403	
Security Deposits	400,250	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	$ 905,321	$ 847
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 43,377	$ -0-
FUND BALANCES		
Nonspendable: Inventory and Prepaid Costs	$ 149,507	
Restricted for Authorized Construction		
Restricted for Debt Service	190,944	
Restricted for Defined Area No. 1 Operations		368,097
Unassigned	7,601,558	
TOTAL FUND BALANCES	$ 7,942,009	$ 368,097
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 8,890,707	$ 368,944
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Restricted for Defined Area No. 1 Operations		
Unrestricted		
TOTAL NET POSITION		

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

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 817,702	$ 8,358,564	$ 11,419,181	$	$ 11,419,181
372,441		6,495,067		6,495,067
33,117		76,494		76,494
			13,314	13,314
		264,645		264,645
6,707	27,218	91,776		91,776
7,403		320,657	(320,657)	
		21,908		21,908
		65,476		65,476
		127,599		127,599
			661,569	661,569
			13,924,667	13,924,667
			23,294,948	23,294,948
$ 1,237,370	$ 8,385,782	$ 18,882,803	$ 37,573,841	$ 56,456,644
$	$ 889,714	$ 1,388,229	$	$ 1,388,229
			90,964	90,964
	1,135,427	1,135,427		1,135,427
	313,254	320,657	(320,657)	
		400,250		400,250
			580,000	580,000
			26,650,263	26,650,263
$ -0-	$ 2,338,395	$ 3,244,563	$ 27,000,570	$ 30,245,133
$ 33,117	$ -0-	$ 76,494	$ (76,494)	$ -0-
$	$	$ 149,507	$ (149,507)	$
	6,047,387	6,047,387	(6,047,387)	
1,204,253		1,395,197	(1,395,197)	
		368,097	(368,097)	
		7,601,558	(7,601,558)	
$ 1,204,253	$ 6,047,387	$ 15,561,746	$ (15,561,746)	$ -0-
$ 1,237,370	$ 8,385,782	$ 18,882,803		
			$ 16,698,308	$ 16,698,308
			1,350,664	1,350,664
			368,097	368,097
			7,794,442	7,794,442
			$ 26,211,511	$ 26,211,511

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

PORT O'CONNOR IMPROVEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

Total Fund Balances - Governmental Funds		$ 15,561,746
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		37,881,184
Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2023 and prior tax levies became part of recognized revenue in the governmental activities of the District.		89,808
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Accrued Interest Payable	$ (90,964)	
Bonds Payable	(27,230,263)	(27,321,227)
Total Net Position - Governmental Activities		$ 26,211,511

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

PORT O'CONNOR IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	General Fund	Special Revenue Fund
REVENUES		
Property Taxes	$ 1,803,164	$ 94,248
Water Service	1,283,517	
Wastewater Service	725,380	
Penalty and Interest	41,377	
Tap Connection and Inspection Fees	111,553	
Sales and Use Tax Revenues	384,934	
Solid Waste Service	584,175	
Investment and Miscellaneous Revenues	509,679	13,952
TOTAL REVENUES	$ 5,443,779	$ 108,200
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	$ 550,257	$ 2,329
Personnel	896,548	
Contracted Services	678,494	1,501
Purchased Water Service	622,419	
Utilities	172,256	
Repairs and Maintenance	547,638	
Depreciation		
Other	270,122	2,322
Capital Outlay	791,776	
Loss on Disposal of Assets		
Debt Service:		
Bond Principal	130,000	
Bond Interest	63,131	
Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	$ 4,722,641	$ 6,152
NET CHANGE IN FUND BALANCES	$ 721,138	$ 102,048
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - OCTOBER 1, 2023	7,220,871	266,049
FUND BALANCES/NET POSITION - SEPTEMBER 30, 2024	$ 7,942,009	$ 368,097

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

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
$ 1,464,523	$	$ 3,361,935	$ 28,411	$ 3,390,346
		1,283,517		1,283,517
		725,380		725,380
13,349		54,726	(2,976)	51,750
		111,553		111,553
		384,934		384,934
		584,175		584,175
77,833	408,848	1,010,312		1,010,312
$ 1,555,705	$ 408,848	$ 7,516,532	$ 25,435	$ 7,541,967
$	$	$ 552,586	$	$ 552,586
		896,548		896,548
		679,995		679,995
		622,419		622,419
		172,256		172,256
		547,638		547,638
			1,093,746	1,093,746
26,052	19,276	317,772		317,772
	10,939,056	11,730,832	(11,730,832)	
			16,539	16,539
655,000		785,000	(785,000)	
1,080,472		1,143,603	(48,429)	1,095,174
	40,000	40,000		40,000
$ 1,761,524	$ 10,998,332	$ 17,488,649	$ (11,453,976)	$ 6,034,673
$ (205,819)	$ (10,589,484)	$ (9,972,117)	$ 9,972,117	$
			1,507,294	1,507,294
1,410,072	16,636,871	25,533,863	(829,646)	24,704,217
$ 1,204,253	$ 6,047,387	$ 15,561,746	$ 10,649,765	$ 26,211,511

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

PORT O'CONNOR IMPROVEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Net Change in Fund Balances - Governmental Funds	$ (9,972,117)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	28,411
Governmental funds report penalty and interest on delinquent property taxes when collected. However, in the government-wide financial statements, revenues are recorded when the penalty and interest are assessed.	(2,976)
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(1,093,746)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	11,714,293
Governmental funds report principal payments on long-term debt as expenditures. However, in the government-wide financial statements, principal payments decrease long-term liabilities and the Statement of Activities is not affected.	785,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	48,429
Change in Net Position - Governmental Activities	$ 1,507,294

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

NOTE 1. CREATION OF DISTRICT

The District was legislatively created in 1977 as a political subdivision of the State of Texas, organized and established in accordance with Article XVI, Section 59 of the Texas Constitution, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. Effective June 14, 2013, pursuant to the passage of Texas Senate Bill 1822 in the 83rd Regular Session of the Texas Legislature, the District's name was changed from Port O'Connor Municipal Utility District to Port O'Connor Improvement District. The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plans necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water; and the navigation of its inland and coastal water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also authorized to develop parks and recreation facilities from operating revenue only. The District is authorized to collect a sales and use tax within the District. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or to contract with an entity providing such services. Fire protection in the District is provided by the Port O'Connor Volunteer Fire Department.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). In addition, the accounting records of the District are maintained generally in accordance with the requirements of the Texas Commission on Environmental Quality ("TCEQ") as published in the *Water District Financial Management Guide*.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statement as component units.

<u>Financial Statement Presentation</u>

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting ("GASB Codification"). The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

* Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

* Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

* Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenues and expenses in the government-wide Statement of Activities.

Fund Financial Statements

The District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Governmental Funds Balance Sheet and a Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

The District has four governmental funds and considers these funds to be major funds.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, operating costs and administrative expenditures.

Special Revenue Fund - To account for the revenues and expenditures associated with the Defined Area No. 1.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

As of September 30, 2024, the Capital Project Fund owed the General Fund $313,254 for 2022 bond change order costs and for 2025 unissued bond costs and the General Fund owed the Debt Service Fund $7,403 for tax collections.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as an expenditure in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized if they have an original cost above the amounts listed below and a useful life of at least one year.

1) Land;
2) Land Improvements and Infrastructure, Line Extensions, and System Upgrades costing $20,000 or more;
3) Buildings (acquisitions, renovations or rehabilitation) costing $10,000 or more;
4) Equipment (other than computer or software) costing $3,000 or more;
5) Computer and Computer Software Equipment costing $750 or more;
6) Construction/Development in progress costing $7,000 or more;
7) Intangible assets costing/valued at $7,000 or more.

Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	10-50
Water/Wastewater Systems	5-50
Other Assets	5-40

Inventory

Inventory is recorded on the average cost basis, less a 10% allowance for loss. Average cost is calculated on the average cost of each specific item purchased during the current fiscal year. The District's inventory balance as of September 30, 2024, was $127,599.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

Budgets are adopted each year for both the General Fund and the Special Revenue Fund by the District's Board of Directors. The budgets are prepared using the same method of accounting as for financial reporting. Neither the General Fund or Special Revenue Fund budgets were amended during the current fiscal year. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund and the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund present the original and amended budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

A pension plan has not been established. The District has 11 employees consisting of 10 full-time and 1 part-time. The Internal Revenue Service has determined that directors are considered employees for federal payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets, liabilities, and deferred inflows and outflows of resources associated with the activities are reported. Fund equity is classified as net position. Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Governmental Funds Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed funds at this time.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	Series 2015
Amount Outstanding – September 30, 2024	$ 1,710,000
Interest Rates	2.44% - 4.02%
Maturity Dates – Beginning/Ending	September 1, 2025/2035
Interest Payment Dates	March 1/September 1
Callable Dates	March 1, 2026*

* On any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption, in whole or in part, at the option of the District, in such manner as the District may determine. The Series 2015 bonds are callable in inverse order of maturity.

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2018	Series 2022 Private Placement
Amount Outstanding – September 30, 2024	$ 4,600,000	$ 5,705,000
Interest Rates	4.00% - 5.00%	1.39% - 2.60%
Maturity Dates – Beginning/Ending	September 1, 2025/2038	September 1, 2025/2052
Interest Payment Dates	March 1/September 1	March 1/September 1
Callable Dates	September 1, 2026*	September 1, 2032*

	Series 2023
Amount Outstanding – September 30, 2024	$ 15,280,000
Interest Rates	4.375% - 6.875%
Maturity Dates – Beginning/Ending	September 1, 2025/2057
Interest Payment Dates	March 1/September 1
Callable Dates	September 1, 2029*

* On any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption, in whole or in part, at the option of the District, in such manner as the District may determine. The Series 2018 term bonds maturing on September 1, 2031 and September 1, 2038 are subject to mandatory redemption by lot or other customary random selection method beginning September 1, 2029 and September 1, 2032, respectively. The Series 2023 term bonds maturing on September 1, 2039, September 1, 2053 and September 1, 2057 are subject to mandatory redemption by lot or other customary random selection method beginning September 1, 2036, September 1, 2051 and September 1, 2054, respectively.

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding the changes in the long-term liabilities for the year ended September 30, 2024:

	October 1, 2023	Additions	Retirements	September 30, 2024
Bonds Payable	$ 28,080,000	$	$ 785,000	$ 27,295,000
Unamortized Discounts	(114,031)		(3,368)	(110,663)
Unamortized Premiums	47,324		1,398	45,926
Bonds Payable, Net	$ 28,013,293	$ -0-	$ 783,030	$ 27,230,263

Amount Due Within One Year	$ 580,000
Amount Due After One Year	26,650,263
Bonds Payable, Net	$ 27,230,263

As of September 30, 2024, the District had authorized but unissued unlimited tax bonds of $24,720,000 and refunding bonds in the amount of $45,300,000. The Defined Area No. 1 has authorized but unissued tax bonds in the amount of $20,000,000.

As of September 30, 2024, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2025	$ 580,000	$ 1,091,566	$ 1,671,566
2026	600,000	1,072,551	1,672,551
2027	615,000	1,052,474	1,667,474
2028	635,000	1,031,335	1,666,335
2029	650,000	1,009,058	1,659,058
2030-2034	3,580,000	4,658,490	8,238,490
2035-2039	3,430,000	3,928,446	7,358,446
2040-2044	3,845,000	3,239,344	7,084,344
2045-2049	4,755,000	2,428,084	7,183,084
2050-2054	5,320,000	1,409,479	6,729,479
2055-2057	3,285,000	300,600	3,585,600
	$ 27,295,000	$ 21,221,427	$ 48,516,427

NOTE 3. LONG-TERM DEBT (Continued)

During the year ended September 30, 2024, the District levied a District-wide ad valorem debt service tax at the rate of $0.2200 per $100 of assessed valuation, which resulted in a tax levy of $1,455,606 on the adjusted taxable valuation of $671,803,023 for the 2023 tax year. See Note 7 for the maintenance tax levy and Note 8 for the Defined Area levy.

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

The 2013 bond resolution requires that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and cover the cost of assessing and collecting taxes. These provisions have been met, and the cash allocated for these purposes was sufficient to meet debt service requirements through the fiscal year ended September 30, 2024. The Series 2013 bonds had been paid in full as of fiscal year end.

The Series 2015 bond resolution requires the Series 2015 bonds to be secured by and payable solely from the net revenues of the District's water, sewer and drainage system and are not secured by District tax revenues. The Series 2015 bond resolution requires the District to establish a Reserve Fund in the amount of $190,944. These provisions have been met, and the cash allocated for these purposes was sufficient to meet debt requirements through the fiscal year ended September 30, 2024.

The bond resolutions state that the District is required by the Securities and Exchange Commission to provide annual continuing disclosure of certain general financial information and operating data to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year.

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on each 5th year anniversary of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District's bank deposits was $11,791,622 and the bank balance was $12,252,745. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2024, as listed below:

	Cash	Certificate of Deposit	Total
GENERAL FUND	$ 1,875,399		$ 1,875,399
SPECIAL REVENUE FUND	367,516		367,516
DEBT SERVICE FUND	817,702	372,441	1,190,143
CAPITAL PROJECTS FUND	8,358,564		8,358,564
TOTAL DEPOSITS	$ 11,419,181	$ 372,441	$ 11,791,622

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived."

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

No person may invest District funds without express written authority from the Board of Directors. Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest which is reviewed annually and which may be more restrictive than the Public Funds Investment Act.

The District invests in United States Treasure Notes, United States Treasury Bills, money market mutual funds, and Federal Home Loan Bank bonds. The District measures these investments at fair market value. Net unrealized gains on these investments as of September 30, 2024, totaled $81,776.

The District measures investment in certificates of deposit at acquisition cost. As of September 30, 2024, the District had the following investments and maturities:

Funds and Investment Type	Fair Market Value	Maturities in Years: Less Than 1 Year	Maturities in Years: 1-5
GENERAL FUND			
United States Treasury Notes	$ 985,500	$ 495,715	$ 489,785
Federal Home Loan Bank Bonds	852,793	247,865	604,928
Federal Farm Credit Bank Bond	596,373	496,030	100,343
Federal Agric Mtg Corp Medium Term	501,180		501,180
Money Market Funds	2,686,780	2,686,780	
Certificates of Deposit	500,000	500,000	
DEBT SERVICE FUND			
Certificate of Deposit	372,441	372,441	
TOTAL INVESTMENTS	$ 6,495,067	$ 4,798,831	$ 1,696,236

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy permits the investment in high grade obligations of the United States and certain money market funds. The District also manages credit risk by investing in certificates of deposits insured by the FDIC. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investments generally have maturities of less than five years to address interest rate risk concerns. The District also manages interest rate risk by investing in certificates of deposit with maturities of approximately one year or less.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Restrictions

All cash of the Special Revenue Fund is restricted for the payment of costs associated with the Defined Area No. 1.

All cash of the Debt Service Fund is restricted for the payment of debt service and the cost of assessing and collecting taxes.

All cash and investments of the Capital Projects Fund are restricted for the purchase or construction of capital assets.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the current fiscal year is summarized in the following table:

	October 1, 2023	Increases	Decreases	September 30, 2024
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 661,569	$	$	$ 661,569
Construction in Progress	3,159,160	11,730,833	965,326	13,924,667
Total Capital Assets Not Being Depreciated	$ 3,820,729	$ 11,730,833	$ 965,326	$ 14,586,236
Capital Assets Subject to Depreciation				
Water System	$ 15,037,811	$ 504,861	$ 1,775	$ 15,540,897
Wastewater System	15,034,879	59,581	62,000	15,032,460
Buildings, Equipment and Other	3,973,962	400,884	59,727	4,315,119
Total Capital Assets Subject to Depreciation	$ 34,046,652	$ 965,326	$ 123,502	$ 34,888,476
Less Accumulated Depreciation				
Water System	$ 4,579,123	$ 604,722	$ 1,775	$ 5,182,070
Wastewater System	4,965,387	406,719	62,000	5,310,106
Buildings, Equipment and Other	1,062,235	82,305	43,188	1,101,352
Total Accumulated Depreciation	$ 10,606,745	$ 1,093,746	$ 106,963	$ 11,593,528
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 23,439,907	$ (128,420)	$ 16,539	$ 23,294,948
Total Capital Assets, Net of Accumulated Depreciation	$ 27,260,636	$ 11,602,413	$ 981,865	$ 37,881,184

NOTE 7. MAINTENANCE TAX

During the fiscal year ended September 30, 2024, the District levied an ad valorem maintenance tax rate of $0.2749 per $100 of assessed valuation, which resulted in a tax levy of $1,818,846 on the adjusted taxable valuation of $671,803,023 for the 2023 tax year. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system and for any other lawful purpose.

NOTE 8. DEFINED AREA NO. 1

Pursuant to a resolution adopted by the District's Board of Directors on February 11, 2008, and an election held on May 10, 2008, approximately 41 acres within the boundaries of the District were designated as Defined Area No. 1 and are being developed as "Caracol". Pursuant to an Agreement for Maintenance and Operation for Port O'Connor Defined Area No. 1 Facilities entered into between the District and Caracol Community Association, Inc. ("Caracol Community") on October 23, 2018, the District is responsible for operating and maintaining the water and wastewater facilities within Defined Area No. 1. The District collects and retains all District-wide maintenance tax and all tap fees and monthly water and wastewater revenue within Defined Area No. 1 to use in connection with the District's operation and maintenance costs. Caracol Community manages the maintenance and operations needed for improvements within Defined Area No. 1 and is reimbursed by the District for its costs related to such operations and maintenance solely from the Defined Area No. 1 operations and maintenance tax. The financial activity of the Defined Area No. 1 is accounted for in the Special Revenue Fund.

Pursuant to an election held within the Defined Area No. 1 on May 20, 2008, the Board is authorized to levy a maintenance and operation tax within the Defined Area No. 1 at a rate not to exceed $0.80 per $100 of assessed valuation. The February 11, 2008, Taxation Plan for Defined Area No. 1 Within Port O'Connor Municipal Utility District provided for the levy of both a debt service tax and an operation and maintenance tax on property within the boundaries of the defined area, such taxes being in addition to the taxes levied by the District over all property in the District. Therefore, property owners in Defined Area No. 1 are subject to the District wide tax rate in addition to an operation and maintenance tax levied exclusively on property within the Defined Area No. 1. As of this date, the District has not levied an additional Defined Area No. 1 debt service tax. The purpose of the Defined Area tax is to pay for the improvements contemplated by the Plan of Improvements that was approved by voters in the election for the creation of the Defined Area No. 1. The improvements included in this plan are navigable canals and certain water, sanitary sewer, and drainage improvements, as well as related land acquisition and environmental costs and expenses related to all of these improvements. During the fiscal year ended September 30, 2024, the Defined Area levied an ad valorem maintenance tax rate of $0.5051 per $100 of assessed valuation, which resulted in a tax levy of $94,248 on the adjusted taxable valuation of $18,671,495 for the 2023 tax year.

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters. The District participates in the Texas Municipal League Intergovernmental Risk Pool ("TML") to provide automobile liability, automobile physical damage coverage and workers compensation coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise they are submitted and paid by TML. The District purchased commercial insurance for all other coverage.

Hurricanes can cause flooding, particularly in coastal areas such as the area where the District is located. Hurricanes can also cause windstorm and other damage and hurricane induced flooding can submerge roadways connecting coastal areas with inland areas, thus preventing the evacuation of people and/or property. If a hurricane (or other natural disaster) destroyed all or part of the area in which the District operates, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or increase in the tax rate. Further, there can be no assurance that a casualty loss will be covered by insurance (certain casualties, including flood, are usually excluded unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds or that insurance proceeds will be used to rebuild or repair damaged District property. Even if insurance proceeds are available and the District does repaired/rebuild damaged assets, there could be a lengthy period in which assessed values within the District could be adversely affected. The Gulf Coast region in which the District is located is subject to occasional destructive weather. There can be no assurance the District will not endure damage from future meteorological events.

The District operates in a regulated industry. As a result, various lawsuits, claims, and legal and regulatory proceedings can be instituted or asserted against the District.

NOTE 10. SALES AND USE TAX

The Texas Legislature, in 2013, authorized the District to levy, upon voter approval, a sales and use tax. Pursuant to an election on November 5, 2013, the District voters approved a sales and use tax which provides for the District to collect taxes at the rate of 1.50% within its boundaries. Proceeds from sales and use taxes are not pledged to the payment of the District's outstanding bonds or any other debts of the District. The Board is, however, authorized by law to pledge such sales and use tax revenue to the payment of bonds, notes or other obligations. During the current year, the District recorded $384,934 in sales tax revenue, of which $65,476 was receivable at year-end.

NOTE 11. TCEQ COMPLIANCE

The District is currently in compliance with the TCEQ as it relates to its water and wastewater systems. The District is maintaining compliance via the following processes: (i) employed with licensed in-house operators and (ii) used funds on hand as well as a portion of the proceeds from the Series 2015 Revenue Bonds to upgrade some of its water and wastewater systems. Additionally, a portion of the proceeds of the Series 2018 and 2022 Bonds will also be used to continue water and wastewater system upgrades to address TCEQ compliance requirements. At this time, the District has no outstanding violations with the TCEQ.

NOTE 12. SUBSEQUENT EVENT – PENDING BOND SALE

On or about March 25, 2025, subsequent to the report date, the District anticipates closing on the sale of its Series 2025 Unlimited Tax Bonds in the amount of $7,390,000. Bond proceeds will be used to pay for construction and engineering costs related to wastewater treatment plant improvements, sanitary sewer system extensions and vacuum valve pit sump replacements. Bond proceeds will also be used to pay for bond issuance costs.

PORT O'CONNOR IMPROVEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2024

PORT O'CONNOR IMPROVEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	$ 1,791,688	$ 1,803,164	$ 11,476
Water Service	1,200,000	1,283,517	83,517
Wastewater Service	772,000	725,380	(46,620)
Penalty and Interest	29,000	41,377	12,377
Tap Connection and Inspection Fees	121,000	111,553	(9,447)
Sales and Use Tax Revenues	350,000	384,934	34,934
Solid Waste Service	551,000	584,175	33,175
Investment and Miscellaneous Revenues	248,700	509,679	260,979
TOTAL REVENUES	$ 5,063,388	$ 5,443,779	$ 380,391
EXPENDITURES			
Service Operations:			
Professional Fees	$ 416,000	$ 550,257	$ (134,257)
Personnel	912,600	896,548	16,052
Contracted Services	645,800	678,494	(32,694)
Purchased Water Service	602,625	622,419	(19,794)
Utilities	211,000	172,256	38,744
Repairs and Maintenance	551,200	547,638	3,562
Other	390,435	270,122	120,313
Capital Outlay	158,000	791,776	(633,776)
Debt Service:			
Bond Principal	130,000	130,000	
Bond Interest	63,500	63,131	369
TOTAL EXPENDITURES	$ 4,081,160	$ 4,722,641	$ (641,481)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 982,228	$ 721,138	$ (261,090)
OTHER FINANCING SOURCES (USES)			
Transfers Out	$ (75,000)	$	$ 75,000
Contingency	(907,228)		907,228
TOTAL OTHER FINANCING SOURCES (USES)	$ (982,228)	$ -0-	$ 982,228
NET CHANGE IN FUND BALANCE	$ -0-	$ 721,138	$ 721,138
FUND BALANCE - OCTOBER 1, 2023	7,220,871	7,220,871	
FUND BALANCE - SEPTEMBER 30, 2024	$ 7,220,871	$ 7,942,009	$ 721,138

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	$ 100,000	$ 94,248	$ (5,752)
Investment and Miscellaneous Revenues	1,000	13,952	12,952
TOTAL REVENUES	$ 101,000	$ 108,200	$ 7,200
EXPENDITURES			
Service Operations:			
Professional Fees	$	$ 2,329	$ (2,329)
Contracted Services	1,000	1,501	(501)
Maintenance, Insurance and Other	2,250	2,322	(72)
TOTAL EXPENDITURES	$ 3,250	$ 6,152	$ (2,902)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 97,750	$ 102,048	$ 4,298
OTHER FINANCING SOURCES(USES)			
Transfers Out	$ (97,750)	$ -0-	$ 97,750
NET CHANGE IN FUND BALANCE	$ -0-	$ 102,048	$ 102,048
FUND BALANCE - OCTOBER 1, 2023	266,049	266,049	
FUND BALANCE - SEPTEMBER 30, 2024	$ 266,049	$ 368,097	$ 102,048

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT

SUPPLEMENTARY INFORMATION REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY AS PUBLISHED IN THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

SEPTEMBER 30, 2024

PORT O'CONNOR IMPROVEMENT DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

X	Retail Water		Wholesale Water		Drainage
X	Retail Wastewater		Wholesale Wastewater		Irrigation
	Parks/Recreation		Fire Protection		Security
X	Solid Waste/Garbage		Flood Control		Roads
	Participates in joint venture, regional system and/or wastewater service				
X	Other (specify): Voluntary Fire Department Donations				

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

The following rates are based on the rate order effective May 4, 2023.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
BASE FEE:	$ 23.50	none	Y	N/A	N/A
WATER:	$ 33.05	none	N	$ 2.25	0,001 to 6,000
				$ 2.75	6,001 to 10,000
				$ 3.50	10,001 to 15,000
				$ 4.50	15,001 to 35,000
				$ 5.50	35,001 to 50,000
				$ 7.50	50,001 to 60,000
				$ 9.50	60,001 and over
WASTEWATER:	$ 22.80	none	N	$ 2.25	0,001 to 6,000
				$ 2.75	6,001 to 10,000
				$ 3.50	10,001 to 15,000
				$ 4.50	15,001 to 35,000
				$ 5.50	35,001 to 50,000
				$ 7.50	50,001 to 60,000
				$ 9.50	60,001 and over
SURCHARGE: Commission Regulatory Assessments			N	0.5% of water and wastewater charges	

District employs winter averaging for wastewater usage? X Yes ___ No

Total monthly charges per 10,000 gallons usage: Water: $57.55 Wastewater: $47.30 Surcharge: $0.52 Base Fee: $23.50

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	2,069	2,048	x 1.0	2,048
1"	30	30	x 2.5	75
1½"	3	3	x 5.0	15
2"	24	24	x 8.0	192
3"	2	2	x 15.0	30
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	2,128	2,107		2,360
Total Wastewater Connections	1,885	1,866	x 1.0	1,866

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons pumped into system:	15,086,000	Water Accountability Ratio: 87% (Gallons billed/Gallons pumped and purchased)
Gallons billed to customers:	116,051,000	
Gallons purchased:	117,747,000	

See accompanying independent auditor's report.

4. **STANDBY FEES** (authorized only under TWC Section 49.231):

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

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

5. **LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes X No ___

County in which District is located:

Calhoun County, Texas

Is the District located within a city?

Entirely ___ Partly ___ Not at all X

Is the District located within a city's extraterritorial jurisdiction (ETJ)?

Entirely ___ Partly ___ Not at all X

Are Board Members appointed by an office outside the District?

Yes ___ No X

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

PERSONNEL EXPENDITURES (Including Benefits)	$	896,548
PROFESSIONAL FEES:		
Auditing	$	32,500
Engineering		233,715
Legal		242,063
Other Professional Fees		15,606
Paying Agent Fees		26,373
TOTAL PROFESSIONAL FEES	$	550,257
PURCHASED WATER SERVICE	$	622,419
CONTRACTED SERVICES:		
Appraisal District	$	54,890
Bookkeeping		54,507
Operations		50,435
Solid Waste Disposal		518,662
TOTAL CONTRACTED SERVICES	$	678,494
UTILITIES	$	172,256
REPAIRS AND MAINTENANCE	$	547,638
ADMINISTRATIVE EXPENDITURES:		
Billing Software	$	7,526
Insurance		112,133
Office Supplies and Postage		32,480
Travel, Training, Dues, Meals, Lodging		18,331
TOTAL ADMINISTRATIVE EXPENDITURES	$	170,470

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

CAPITAL OUTLAY	$	791,776
TAP CONNECTIONS	$	3,300
OTHER EXPENDITURES:		
Chemicals and Laboratory Fees	$	45,156
TCEQ Regulatory Assessment and Permit Fees		18,829
Other		32,367
TOTAL OTHER EXPENDITURES	$	96,352
DEBT SERVICE:		
Bond Principal	$	130,000
Bond Interest		63,131
TOTAL DEBT SERVICE	$	193,131
TOTAL EXPENDITURES	$	4,722,641

Number of persons employed by the District 10 Full-Time 1 Part-Time

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
INVESTMENTS
SEPTEMBER 30, 2024

Fund	Interest Rate	Maturity Date	Fair Market Value at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND				
Money Market Fund	Varies	Daily	$ 2,252,139	$ 7,679
Money Market Fund	Varies	Daily	434,641	1,768
Certificate of Deposit	5.560%	02/06/25	250,000	911
Certificate of Deposit	5.310%	08/08/25	250,000	870
Federal Home Loan Bank Bond	3.000%	05/12/25	247,865	2,896
Federal Home Loan Bank Bond	5.125%	02/13/26	99,903	683
Federal Farm Credit Bank Bond	3.090%	10/20/25	496,030	6,910
Federal Home Loan Bank Bond	5.000%	04/02/27	505,025	12,222
Federal Farm Credit Bank Bond	5.230%	05/20/26	100,343	1,903
Federal Agric Mtg Corp Medium Term	3.875%	09/03/26	501,180	1,615
United States Treasury Note	2.625%	04/15/25	495,715	6,060
United States Treasury Note	2.750%	04/30/27	489,785	5,754
TOTAL GENERAL FUND			$ 6,122,626	$ 49,271
DEBT SERVICE FUND				
Certificate of Deposit	4.210%	01/09/25	$ 372,441	$ 6,707
TOTAL - ALL FUNDS			$ 6,495,067	$ 55,978

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Maintenance Taxes		Debt Service Taxes		Defined Area No. 1	
TAXES RECEIVABLE -						
October 1, 2023	$ 27,725		$ 20,358		$	
Adjustments to Beginning Balance	(30)	$ 27,695	21,676	$ 42,034		$ -0-
Original 2023 Tax Levy	$ 1,872,073		$ 1,498,203		$ 94,248	
Adjustment to 2023 Tax Levy	(53,227)	1,818,846	(42,597)	1,455,606		94,248
TOTAL TO BE ACCOUNTED FOR		$ 1,846,541		$ 1,497,640		$ 94,248
TAX COLLECTIONS:						
Prior Years	$ 7,169		$ 27,205		$	
Current Year	1,795,995	1,803,164	1,437,318	1,464,523	94,248	94,248
TAXES RECEIVABLE - SEPTEMBER 30, 2024		$ 43,377		$ 33,117		$ -0-
TAXES RECEIVABLE BY YEAR:						
2023		$ 22,851		$ 18,288		$
2022		5,188		4,918		
2021		2,549		2,678		
2020		1,846		1,966		
2019		1,734		1,846		
2018 and prior		9,209		3,421		
TOTAL		$ 43,377		$ 33,117		$ -0-

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	2023	2022	2021	2020
DISTRICT WIDE:				
Land	$ 289,811,121	$ 245,069,612	$ 205,512,023	$ 195,548,078
Improvements	469,169,284	362,237,804	272,333,143	253,546,420
Personal Property	9,659,190	8,723,730	8,567,340	8,572,510
Exemptions	(96,836,572)	(66,863,728)	(59,895,519)	(58,516,458)
TOTAL PROPERTY VALUATIONS	$ 671,803,023	$ 549,167,418	$ 426,516,987	$ 399,150,550
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.2200	$ 0.2477	$ 0.2659	$ 0.2677
Maintenance **	0.2749	0.2613	0.2531	0.2513
TOTAL TAX RATES PER $100 VALUATION	$ 0.4949	$ 0.5090	$ 0.5190	$ 0.5190
ADJUSTED TAX LEVY*	$ 3,274,452	$ 2,750,186	$ 2,213,623	$ 2,038,675
DEFINED AREA:				
PROPERTY VALUATIONS	$ 18,671,495	$ 17,665,766	$ 16,661,331	$ 14,917,726
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.0000	$ 0.000	$ 0.000	$ 0.000
Maintenance**	0.5051	0.491	0.481	0.481
TOTAL TAX RATES PER $100 VALUATION	$ 0.5051	$ 0.491	$ 0.481	$ 0.481
ADJUSTED TAX LEVY*	$ 94,248	$ 86,739	$ 80,141	$ 71,754
PERCENTAGE OF TOTAL TAXES COLLECTED TO TOTAL TAXES LEVIED	98.78 %	99.64 %	99.77 %	99.82 %

* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied and net of discounts.

** District Wide - Unlimited tax rate approved by voters on January 20, 2001.
Defined Area - Maximum tax rate of $0.80 per $100 assessed valuation approved by voters on May 20, 2008.

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2024

	S E R I E S - 2 0 1 5		
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2025	$ 130,000	$ 59,959	$ 189,959
2026	135,000	56,631	191,631
2027	140,000	52,810	192,810
2028	145,000	48,513	193,513
2029	150,000	43,785	193,785
2030	150,000	38,640	188,640
2031	160,000	33,270	193,270
2032	165,000	27,367	192,367
2033	170,000	21,130	191,130
2034	175,000	14,550	189,550
2035	190,000	7,638	197,638
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2053			
2054			
2055			
2056			
2057			
	$ 1,710,000	$ 404,293	$ 2,114,293

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2024

	SERIES-2018		
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2025	$ 250,000	$ 214,875	$ 464,875
2026	260,000	204,875	464,875
2027	270,000	194,475	464,475
2028	280,000	183,675	463,675
2029	290,000	172,475	462,475
2030	300,000	159,425	459,425
2031	315,000	145,925	460,925
2032	330,000	131,750	461,750
2033	345,000	115,250	460,250
2034	360,000	98,000	458,000
2035	375,000	80,000	455,000
2036	390,000	61,250	451,250
2037	410,000	41,750	451,750
2038	425,000	21,250	446,250
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2053			
2054			
2055			
2056			
2057			
	$ 4,600,000	$ 1,824,975	$ 6,424,975

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2024

	S E R I E S - 2 0 2 2		
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2025	$ 150,000	$ 133,257	$ 283,257
2026	155,000	131,007	286,007
2027	155,000	128,589	283,589
2028	160,000	125,985	285,985
2029	160,000	123,073	283,073
2030	165,000	119,889	284,889
2031	170,000	116,490	286,490
2032	170,000	112,869	282,869
2033	175,000	109,146	284,146
2034	180,000	105,226	285,226
2035	185,000	101,122	286,122
2036	190,000	96,848	286,848
2037	190,000	92,422	282,422
2038	195,000	87,956	282,956
2039	200,000	83,335	283,335
2040	205,000	78,555	283,555
2041	210,000	73,635	283,635
2042	215,000	68,532	283,532
2043	220,000	63,222	283,222
2044	225,000	57,744	282,744
2045	230,000	52,096	282,096
2046	240,000	46,277	286,277
2047	245,000	40,181	285,181
2048	250,000	33,934	283,934
2049	255,000	27,534	282,534
2050	265,000	20,980	285,980
2051	270,000	14,143	284,143
2052	275,000	7,150	282,150
2053			
2054			
2055			
2056			
2057			
	$ 5,705,000	$ 2,251,197	$ 7,956,197

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2024

	SERIES - 2023		
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2025	$ 50,000	$ 683,475	$ 733,475
2026	50,000	680,038	730,038
2027	50,000	676,600	726,600
2028	50,000	673,162	723,162
2029	50,000	669,725	719,725
2030	50,000	666,288	716,288
2031	50,000	664,100	714,100
2032	50,000	661,912	711,912
2033	50,000	659,725	709,725
2034	50,000	657,538	707,538
2035	50,000	655,350	705,350
2036	50,000	653,162	703,162
2037	50,000	650,975	700,975
2038	50,000	648,788	698,788
2039	480,000	646,600	1,126,600
2040	500,000	625,600	1,125,600
2041	525,000	603,725	1,128,725
2042	555,000	580,756	1,135,756
2043	580,000	556,475	1,136,475
2044	610,000	531,100	1,141,100
2045	640,000	504,412	1,144,412
2046	670,000	476,412	1,146,412
2047	705,000	447,100	1,152,100
2048	740,000	416,256	1,156,256
2049	780,000	383,882	1,163,882
2050	815,000	349,756	1,164,756
2051	855,000	314,100	1,169,100
2052	900,000	275,625	1,175,625
2053	945,000	235,125	1,180,125
2054	995,000	192,600	1,187,600
2055	1,040,000	147,825	1,187,825
2056	1,095,000	101,025	1,196,025
2057	1,150,000	51,750	1,201,750
	$ 15,280,000	$ 16,740,962	$ 32,020,962

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2024

Due During Fiscal Years Ending September 30	ANNUAL REQUIREMENTS FOR ALL SERIES Total Principal Due	Total Interest Due	Total Principal and Interest Due
2025	$ 580,000	$ 1,091,566	$ 1,671,566
2026	600,000	1,072,551	1,672,551
2027	615,000	1,052,474	1,667,474
2028	635,000	1,031,335	1,666,335
2029	650,000	1,009,058	1,659,058
2030	665,000	984,242	1,649,242
2031	695,000	959,785	1,654,785
2032	715,000	933,898	1,648,898
2033	740,000	905,251	1,645,251
2034	765,000	875,314	1,640,314
2035	800,000	844,110	1,644,110
2036	630,000	811,260	1,441,260
2037	650,000	785,147	1,435,147
2038	670,000	757,994	1,427,994
2039	680,000	729,935	1,409,935
2040	705,000	704,155	1,409,155
2041	735,000	677,360	1,412,360
2042	770,000	649,288	1,419,288
2043	800,000	619,697	1,419,697
2044	835,000	588,844	1,423,844
2045	870,000	556,508	1,426,508
2046	910,000	522,689	1,432,689
2047	950,000	487,281	1,437,281
2048	990,000	450,190	1,440,190
2049	1,035,000	411,416	1,446,416
2050	1,080,000	370,736	1,450,736
2051	1,125,000	328,243	1,453,243
2052	1,175,000	282,775	1,457,775
2053	945,000	235,125	1,180,125
2054	995,000	192,600	1,187,600
2055	1,040,000	147,825	1,187,825
2056	1,095,000	101,025	1,196,025
2057	1,150,000	51,750	1,201,750
	$ 27,295,000	$ 21,221,427	$ 48,516,427

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Description	Original Bonds Issued	Bonds Outstanding October 1, 2023
Port O'Connor Improvement District Unlimited Tax Refunding Bonds - Series 2013	$ 4,700,000	$ 265,000
Port O'Connor Improvement District Water and Sewer System Revenue Bonds - Series 2015	2,815,000	1,840,000
Port O'Connor Improvement District Unlimited Tax Bonds - Series 2018	6,000,000	4,840,000
Port O'Connor Improvement District Unlimited Tax Bonds - Series 2022	6,000,000	5,855,000
Port O'Connor Improvement District Unlimited Tax Bonds - Series 2023	15,280,000	15,280,000
TOTAL	$ 34,795,000	$ 28,080,000

Bond Authority:	Unlimited Tax Bonds	Defined Area No. 1 Unlimited Tax Bonds	Refunding Bonds
Authorized by Voters	$ 52,000,000	$ 20,000,000	$ 50,000,000
Amount Issued	27,280,000		4,700,000
Remaining to be Issued	$ 24,720,000	$ 20,000,000	$ 45,300,000

See accompanying independent auditor's report.

Current Year Transactions				
	Retirements			
Bonds Sold	Principal	Interest	Bonds Outstanding September 30, 2024	Paying Agent
$	$ 265,000	$ 10,600	$ -0-	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	130,000	63,131	1,710,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	240,000	224,475	4,600,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	150,000	135,342	5,705,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		710,055	15,280,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
$ - 0 -	$ 785,000	$ 1,143,603	$ 27,295,000	

Cash and investment balances restricted to pay debt as of September 30, 2024:	$ 1,381,087
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 1,470,195

See Note 3 for interest rates, interest payment dates and maturity dates.

PORT O'CONNOR IMPROVEMENT DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2024	2023	2022
REVENUES			
Property Taxes	$ 1,803,164	$ 1,462,407	$ 1,355,543
Water Service	1,283,517	1,327,526	1,224,024
Wastewater Service	725,380	769,879	694,748
Penalty and Interest	41,377	47,249	48,314
Tap Connection and Inspection Fees	111,553	140,033	145,549
Sales and Use Tax Revenues	384,934	384,321	383,809
Solid Waste Service	584,175	557,569	508,270
La Salle WCID No. 1A Income			163,043
Investment and Miscellaneous Revenues	509,679	470,493	74,066
TOTAL REVENUES	$ 5,443,779	$ 5,159,477	$ 4,597,366
EXPENDITURES			
Professional Fees	$ 550,257	$ 530,567	$ 638,855
Personnel	896,548	822,765	842,963
Contracted Services	678,494	654,990	658,250
Purchased Water Service	622,419	343,717	344,285
Utilities	172,256	185,841	160,363
Repairs and Maintenance	547,638	446,406	644,266
Other	270,122	342,852	332,747
Capital Outlay	791,776	662,945	590,541
Debt Service:			
Bond Principal	130,000	125,000	125,000
Bond Interest	63,131	65,943	68,469
TOTAL EXPENDITURES	$ 4,722,641	$ 4,181,026	$ 4,405,739
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 721,138	$ 978,451	$ 191,627
SPECIAL ITEM			
La Salle Merger	$ - 0 -	$ - 0 -	$ 1,202,043
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	$ - 0 -	$ (72,487)	$ (2,065,066)
NET CHANGE IN FUND BALANCE	$ 721,138	$ 905,964	$ (671,396)
BEGINNING FUND BALANCE	7,220,871	6,314,907	6,986,303
ENDING FUND BALANCE	$ 7,942,009	$ 7,220,871	$ 6,314,907

Note: The FYE 2021 beginning balance has been adjusted to remove the Defined Area No.1 activity.

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2021	2020	2024	2023	2022	2021	2020
$ 980,052	$ 976,880	33.1 %	28.5 %	29.5 %	23.9 %	23.7 %
1,122,399	1,018,835	23.6	25.7	26.6	27.4	24.7
622,298	618,966	13.3	14.9	15.1	15.2	15.0
35,460	29,888	0.8	0.9	1.1	0.9	0.7
247,388	128,200	2.0	2.7	3.2	6.0	3.1
345,059	301,536	7.1	7.4	8.3	8.4	7.3
459,149	448,352	10.7	10.8	11.1	11.2	10.9
239,930	417,130			3.5	5.9	10.1
45,629	186,202	9.4	9.1	1.6	1.1	4.5
$ 4,097,364	$ 4,125,989	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 432,015	$ 253,452	10.1 %	10.3 %	13.9 %	10.5 %	6.1 %
736,620	672,693	16.5	15.9	18.3	18.0	16.3
633,708	538,428	12.5	12.7	14.3	15.5	13.0
313,109	323,208	11.4	6.7	7.5	7.6	7.8
151,090	110,617	3.2	3.6	3.5	3.7	2.7
679,705	168,088	10.1	8.7	14.0	16.6	4.1
286,665	375,234	5.0	6.6	7.2	7.0	9.1
450,578	570,430	14.5	12.8	12.8	11.0	13.8
120,000	120,000	2.4	2.4	2.7	2.9	2.9
70,557	72,297	1.2	1.3	1.5	1.7	1.8
$ 3,874,047	$ 3,204,447	86.9 %	81.0 %	95.7 %	94.5 %	77.6 %
$ 223,317	$ 921,542	13.1 %	19.0 %	4.3 %	5.5 %	22.4 %
$ - 0 -	$ - 0 -					
$ (601,511)	$ - 0 -					
$ (378,194)	$ 921,542					
7,364,497	6,524,104					
$ 6,986,303	$ 7,445,646					

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2024	2023	2022
REVENUES			
Property Taxes	$ 1,464,523	$ 1,405,318	$ 1,088,083
Penalty, Interest and Other Revenues	91,182	29,035	15,456
TOTAL REVENUES	$ 1,555,705	$ 1,434,353	$ 1,103,539
EXPENDITURES			
Debt Service Principal	$ 655,000	$ 630,000	$ 1,005,000
Debt Service Interest, Fees and Other	1,106,524	414,931	340,166
TOTAL EXPENDITURES	$ 1,761,524	$ 1,044,931	$ 1,345,166
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (205,819)	$ 389,422	$ (241,627)
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Long-Term Debt	$ - 0 -	$ 683,475	$ - 0 -
NET CHANGE IN FUND BALANCE	$ (205,819)	$ 1,072,897	$ (241,627)
BEGINNING FUND BALANCE	1,410,072	337,175	578,802
ENDING FUND BALANCE	$ 1,204,253	$ 1,410,072	$ 337,175
TOTAL ACTIVE RETAIL WATER CONNECTIONS	2,107	2,135	1,911
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,866	1,729	1,652

See accompanying independent auditor's report.

2021	2020	Percentage of Total Revenues 2024	2023	2022	2021	2020
$ 1,049,124	$ 964,421	94.1 %	98.0 %	98.6 %	98.6 %	97.8 %
15,280	21,308	5.9	2.0	1.4	1.4	2.2
$ 1,064,404	$ 985,729	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 460,000	$ 990,000	42.1 %	43.9 %	91.1 %	43.2 %	100.4 %
314,225	358,527	71.1	28.9	30.8	29.5	36.4
$ 774,225	$ 1,348,527	113.2 %	72.8 %	121.9 %	72.7 %	136.8 %
$ 290,179	$ (362,798)	(13.2) %	27.2 %	(21.9) %	27.3 %	(36.8) %
$ - 0 -	$ - 0 -					
$ 290,179	$ (362,798)					
288,623	651,421					
$ 578,802	$ 288,623					
1,732	1,734					
1,578	1,525					

See accompanying independent auditor’s report.

PORT O'CONNOR IMPROVEMENT DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2024

District Mailing Address - Port O'Connor Improvement District
P.O. Box 375
Port O'Connor, TX 77982

District Telephone Number - (361) 983-2652

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended September 30, 2024	Expense Reimbursements for the year ended September 30, 2024	Title
Daniel McGuire	01/22 11/26 (Elected)	$ 6,409	$ -0-	President
Michael Clifton	01/22 11/26 (Elected)	$ -0-	$ -0-	Vice President
Nathan O'Neill	01/22 11/26 (Elected)	$ 3,536	$ -0-	Secretary
Victor Mozisek	11/24 11/28 (Elected)	$ 3,536	$ -0-	Assistant Vice President
John Childers	11/24 11/28 (Elected)	$ 3,094	$ -0-	Assistant Secretary

Notes: No Director has any business or family relationships with major landowners in the District, with the District's developers or with any of the District's consultants. Submission date of most recent District Registration Form: November 21, 2024. The limit on Fees of Office that a Director may receive during a fiscal year is $7,200 as set by Board Resolution. Fees of Office are the amounts paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2024

	Date Hired	Fees for the year ended September 30, 2024	Title
Key Personnel:			
Oscar Pena	07/29/19	$ 103,131	District Manager
Kim Stafford	03/11/08	$ 65,789	Office Manager
Consultants:			
Walker Keeling LLP	02/04/19	$ 173,733	General Counsel
Allen Boone Humphries Robinson LLP	06/17/13	$ 58,124	Special Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	09/20/18	$ 32,500	Audit
Goldman, Hunt, & Notz, L.L.P.	12/10/20	$ 54,507	Bookkeeper
Superior Water Management of Texas LLC	07/17/19	$ 50,435	General Management Services
Masterson Advisors, LLC	01/19/23	$ -0-	Financial Advisor
John D. Mercer & Associates, Inc.	09/20/18	$ -0-	Engineer
BGE, Inc		$ 229,030	Engineer
Calhoun County		$ 54,890	Tax Assessor/ Collector

See accompanying independent auditor's report.