THE DELIVERY OF THE BONDS IS SUBJECT TO THE OPINION OF BOND COUNSEL TO THE EFFECT THAT, UNDER EXISTING LAW AND ASSUMING CONTINUING COMPLIANCE WITH COVENANTS IN THE BOND ORDER, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES, SUBJECT TO THE MATTERS DESCRIBED IN “TAX MATTERS” HEREIN, AND IS NOT INCLUDED IN THE FEDERAL ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS. SEE “LEGAL MATTERS” AND “TAX MATTERS” HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS.

The District will NOT designate the Bonds as “Qualified Tax-Exempt Obligations” for financial institutions. See “TAX MATTERS” herein.

NEW ISSUE—BOOK-ENTRY-ONLY **RATINGS: Underlying “A-” (stable outlook) S&P**
CUSIP No. 114493 **See “MUNICIPAL BOND RATING” herein**

$12,395,000
BROOKSHIRE MUNICIPAL WATER DISTRICT
(A political subdivision of the State of Texas, located in Waller County, Texas)
UNLIMITED TAX BONDS
SERIES 2026

Dated: August 1, 2026 **Due: August 1 (as shown below)**

Interest on the $12,395,000 Unlimited Tax Bonds, Series 2026 (the “Bonds” or the “Series 2026 Bonds”) will accrue from August 1, 2026, and will be payable on February 1 and August 1 of each year, commencing February 1, 2027. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM” herein. The initial Paying Agent/Registrar is BOKF, N.A., Dallas, Texas. See “THE BONDS.”

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

Principal Amount	Maturity	Interest Rate (%)	Yield to Maturity(a)	Principal Amount	Maturity	Interest Rate (%)	Yield to Maturity(a)
$235,000	2030	%	%	$450,000	2044(b)	%	%
$245,000	2031	%	%	$475,000	2045(b)	%	%
$255,000	2032(b)	%	%	$495,000	2046(b)	%	%
$270,000	2033(b)	%	%	$520,000	2047(b)	%	%
$280,000	2034(b)	%	%	$545,000	2048(b)	%	%
$295,000	2035(b)	%	%	$570,000	2049(b)	%	%
$310,000	2036(b)	%	%	$595,000	2050(b)	%	%
$325,000	2037(b)	%	%	$625,000	2051(b)	%	%
$340,000	2038(b)	%	%	$655,000	2052(b)	%	%
$355,000	2039(b)	%	%	$685,000	2053(b)	%	%
$375,000	2040(b)	%	%	$720,000	2054(b)	%	%
$390,000	2041(b)	%	%	$755,000	2055(b)	%	%
$410,000	2042(b)	%	%	$790,000	2056(b)	%	%
$430,000	2043(b)	%	%				

(a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.
(b) The Bonds maturing on or after August 1, 2032 are subject to redemption in whole or from time to time in part, at the option of the District (hereinafter defined), on August 1, 2031, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds are redeemed, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar, in its capacity as Registrar, by lot or other customary method, in integral multiples of $5,000 in any one maturity. See “THE BONDS – Optional Redemption.”

The proceeds of the Bonds will be used by Brookshire Municipal Water District (the “District”) to finance (1) new water plant and distribution system improvements; (2) water plant land acquisition costs; (3) engineering and material testing costs associated with numbers (1) and (2) above; (4) construction oversight and inspection fees; and (5) bond cost of issuance and certain administrative costs associated with the issuance of the Bonds. Additionally, bond proceeds will be used to fund 18 months of capitalized interest on the Bonds. See “USE OF BOND PROCEEDS.” The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS – Sources of and Security for Payment.” The Bonds are obligations solely of the District and are not obligations of the State of Texas, Waller County, the City of Brookshire, nor any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Waller County, or the City of Brookshire, is pledged to the payment of the principal of or interest on the Bonds. **The Bonds are subject to certain investment considerations described under the caption “RISK FACTORS.”**

The Bonds are offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Radcliffe Adams Barner PLLC, Houston, Texas, Bond Counsel. Certain matters will be passed on for the District by Norton Rose Fulbright US LLP, as Disclosure Counsel, Houston, Texas. Delivery of the Bonds is expected on or about August 27, 2026.

Bids Due: Monday, July 27, 2026, at 9:00 A.M. Houston, Texas Time

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

No dealer, broker, salesperson or other individual 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 connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not registered or qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Any information and expressions of opinion herein contained are subject to change 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.

All of the summaries of the statutes, orders, resolutions, contracts, audits, and 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 the District, Radcliffe Adams Barner PLLC, 3355 W. Alabama Street, Suite 350, Houston, Texas 77098, upon payment of duplication costs.

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 that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in the Official Statement until delivery of the Bonds to the Underwriter and thereafter only as specified in the "OFFICIAL STATEMENT – Updating of Official Statement."

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 any purpose.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by_________________ (the "Underwriter"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of _____________% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of ________________% as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

The Underwriter may offer and sell the Series 2026 Bonds to certain dealers (including dealers depositing Series 2026 Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the inside cover page hereof. The initial offering price may be changed from time to time by the Underwriter.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

THE PRICES AND OTHER TERMS RESPECTING 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 AFFECT 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 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.

NO REGISTRATION OR QUALIFICATION FOR SALE OF BONDS UNDER SECURITIES LAWS

No registration statement relating to 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; nor have the Bonds been registered or qualified under the Securities acts of any jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the Securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for 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.

The Bonds have been sold to the Underwriter on the basis of its representation that the Bonds will be sold in states other than Texas only pursuant to exemptions from registration or qualification or that the Underwriter will, where necessary, register or qualify the Bonds in accordance with the Securities laws of the state in which the Bonds are offered or sold.

CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12

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

Annual Reports

The District will provide certain updated financial information and operating data to EMMA annually.

The information to be updated with respect to the District includes all quantitative financial information and operating data of the District of the general type included in this Official Statement included under the heading "DISTRICT DEBT" (except for "Estimated Overlapping Debt"), "TAX DATA," and "APPENDIX A" (Financial Statements of the District). The District will update and provide this information within six months after the end of each of fiscal year commencing 2026.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule. The updated information will include audited financial statements if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six-month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order, or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is August 31. Accordingly, it must provide updated information by February 28 in each year, unless it changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB via EMMA, 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 within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, 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 agreements 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 security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term “financial obligation,” when used in this paragraph, shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with 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 Order makes any provision for debt service reserves, liquidity enhancement, the pledge of property (other than ad valorem tax revenues) to secure payment of the Bonds, or appointment of a trustee. 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 MSRB

The District has agreed to provide the foregoing updated information only to the MSRB. The District is required to file its continuing disclosure information using EMMA, which is the format currently prescribed by the MSRB. The MSRB makes the information available to the public without charge through the EMMA 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 or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement although holders and beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or 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 described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid but, in either case, only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the 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 past five years, the District has complied in all material respects with all continuing disclosure agreements made by the District in accordance with the Rule.

REGISTRATION

Paying Agent/Registrar

The Bonds will be issued in fully registered form in multiples of $5,000 for any one maturity, and principal and semi-annual interest will be paid by the District through the Paying Agent/Registrar. Principal will be payable to the registered holder at maturity or redemption upon presentation to the Paying Agent/Registrar. Interest will be payable by check or draft, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered holders as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each interest payment date.

Successor Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar’s records and act in the same capacity as the previous Paying Agent/Registrar. Any Paying Agent/Registrar selected by the District shall be either a national or state banking institution and shall be a corporation organized and doing business under the laws of the United States of America or of any State, shall be authorized under such laws to exercise trust powers, and shall be subject to supervision or examination by Federal or State banking authorities. Any successor Paying Agent/Registrar shall be selected by the District.

Assignments, Transfers, and Exchange

In the event that the Book-Entry-Only System is discontinued, the Bonds may be transferred, registered and assigned only on the registration books of the Paying Agent/Registrar, and such registration (exclusive of any tax or governmental charge therefor) shall be at the expense of the District. A Bond may be assigned by execution of the assignment form printed on the Bond. A new Bond or Bonds will be delivered by the Paying Agent/Registrar to the last assignee (the new registered owners) in exchange for such transferred and assigned Bonds not more than three days after receipt of the Bonds to be transferred in proper form. Such new Bond or Bonds must be in the denomination of $5,000 for any one maturity, or any integral multiple thereof. The Bonds are transferable only on the bond register kept by the Registrar upon surrender and re-issuance. The Bonds are exchangeable for an equal principal amount or maturity amount of Bonds of the same maturity in any authorized denomination upon surrender of the Bonds to be exchanged at the principal office of the Registrar.

Record Date

The record date ("Record Date") for the interest payable on any interest payment date means the 15th calendar day of the month next preceding such interest payment date.

Record Date for Bonds to be Redeemed

Neither the District nor the Paying Agent/Registrar shall be required to: (1) issue, transfer, or exchange any Bond during a period beginning at the opening of business 15 days before the day of the first mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing, or (2) transfer or exchange any Bond so selected for redemption in whole or in part when such redemption is scheduled to occur within 30 calendar days.

MUNICIPAL BOND RATING

In connection with the sale of the Bonds the District has made application to S&P Global Ratings ("S&P") which has assigned the underlying rating of "A-" (stable outlook) on the Bonds based upon the District's underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P and the District makes no representation as to the appropriateness of such rating. The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

BOND INSURANCE

The District has applied to Assured Guaranty Inc. ("AG") and Build America Mutual Assurance Company ("BAM") for qualification of the Bonds for bond insurance The Underwriter (as defined herein) may bid for the Bonds with or without bond insurance. If the Underwriter bids for the Bonds with bond insurance, the cost of the bond insurance premium must be paid for by the Underwriter. The District will pay for the cost of the S&P rating. The Underwriter must pay for the cost of any rating other than the S&P rating. If the Underwriter purchases the Bonds with bond insurance and subsequent to the sale date and prior to the closing date, the bond insurer's credit rating is downgraded the Underwriter is still obligated to accept delivery of the Bonds. Information relative to the cost of the insurance premium will be available from the bond insurance company on the day of the sale.

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

THE BONDS

Description: The $12,395,000 Unlimited Tax Bonds, Series 2026 (the "Bonds" or the "Series 2026 Bonds"), issued pursuant to an order (the "Bond Order") of the Board of Directors of Brookshire Municipal Water District (the "District"). The Bonds will be dated August 1, 2026, with interest payable on February 1 and August 1 commencing February 1, 2027. See "THE BONDS – General."

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

Redemption Provisions: The Bonds maturing on or after August 1, 2032, are subject to redemption at the option of the District, prior to maturity, in whole or part, on August 1, 2031, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS – Optional Redemption."

Source of Payment: The Bonds are payable from a continuing direct annual ad valorem tax upon all taxable property within the District which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Waller County, the City of Brookshire or any other political subdivision or agency. See "THE BONDS – Sources of and Security for Payment."

Use of Proceeds: The proceeds of the Bonds will be used by Brookshire Municipal Water District (the "District") for (1) new water plant and distribution system improvements; (2) water plant land acquisition costs; (3) engineering and material testing costs associated with numbers (1) and (2) above; (4) construction oversight and inspection fees; and (5) bond cost of issuance and certain administrative costs associated with the issuance of the Bonds. Additionally, bond proceeds will be used to fund 18 months of capitalized interest on the Bonds. See "USE OF BOND PROCEEDS."

NOT Qualified Tax-Exempt Obligations: The District will NOT designate the Bonds as "qualified tax-exempt obligations." See "TAX MATTERS – NOT Qualified Tax-Exempt Obligations for Financial Institutions."

Municipal Bond Rating: In connection with the sale of the Bonds the District has made application to S&P which has assigned a rating of "A-" (stable outlook) on the Bonds based upon the District's underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P and the District makes no representation as to the appropriateness of such rating. See "MUNICIPAL BOND RATING."

Bond Insurance: The District has applied to Assured Guaranty Inc. ("AG") and Build America Mutual Assurance Company ("BAM") for qualification of the Bonds for bond insurance. The Underwriter may bid for the Bonds with or without bond insurance. If the Underwriter bids for the Bonds with bond insurance, the cost of the bond insurance premium must be paid for by the Underwriter. Information relative to the cost of the insurance premium will be available from the bond insurance companies on the day of the sale. See "BOND INSURANCE."

Authorized but Unissued Bonds: After the sale of the Bonds, the District will have $19,605,000 principal amount of authorized but unissued Unlimited Tax Bonds that may be used for the purposes of constructing water, sewer, and drainage facilities to serve the District. See "RISK FACTORS – Future Debt," and "THE BONDS – Authority for Issuance."

Paying Agent/Registrar: BOKF, N.A., Dallas, Texas.

Legal Opinion: Radcliffe Adams Barner PLLC, Bond Counsel, Houston, Texas. See "LEGAL MATTERS" and "TAX MATTERS."

Payment Record: There has been no default by the District in payment of principal of or interest on its bonded indebtedness.

THE DISTRICT

Description: Brookshire Municipal Water District (the "District"), a political subdivision of the State of Texas, was created in 1951 by the 52nd Legislature of Texas for the purpose of providing adequate water supply and distribution and wastewater collection and treatment to serve the land within the District. At the time of creation the District consisted of approximately 1,025 acres. Since creation, there have been various annexations and the District consists of approximately 3,452 acres, comprised of multiple contiguous and noncontiguous tracts of land. See "THE DISTRICT – Description."

Location: The District is located in Waller County, Texas, approximately 35 miles west of Houston's central business district, on Interstate Highway 10. The District is located within the extra-territorial jurisdictions of the City of Brookshire, Texas.

Authority: The District operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statues of Texas applicable to municipal utility districts. The District is subject to the jurisdiction of the TCEQ, pursuant to Article XVI, Section 59 of the Texas Constitution. The District submitted an application to the TCEQ to authorize the District's conversion into a municipal utility district and such application was approved by Order on November 10, 2022. See "THE DISTRICT – Authority."

Land Use in the District: A summary of the approximate land use in the District appears in the following table:

Type of Land Use	Approximate Acres	
Fully Developed Acreage	2,424	
Additional Developable Acreage	363	
Undevelopable Acreage	665	(a)
Total Approximate Acres	**3,452**	

(a) Includes District plant sites, utility/drainage easements, detention ponds, permanent floodplain areas, and street rights-of-way, etc.

Development within The District: As of June 1, 2026, there were approximately 1,338 single family residential homes constructed in the District, seven (7) apartment complexes totaling 337 apartment units, 194 commercial/industrial connections, including restaurants, hotels and retail shops.

Defined Area No. 1 The District recently designated a 177-acre tract of land as Defined Area No. 1.

Risk Factors: The purchase and ownership of the Bonds are subject to special investment risks and all prospective purchasers are urged to examine carefully the entire Official Statement with respect to the investment security of the Bonds, including particularly the section captioned "RISK FACTORS."

SELECTED FINANCIAL INFORMATION
(Unaudited)

2026 Preliminary Taxable Value	$759,832,314	(a)
2025 Certified Taxable Value	$743,366,267	(b)
Direct Debt (See "DISTRICT DEBT")		
Outstanding Bonds (As of June 1, 2026)	$510,000	
Plus: The Bonds	$12,395,000	
Total Direct Debt	$12,905,000	
Estimated Overlapping Debt	$41,372,936	
Direct and Estimated Overlapping Debt	$54,277,936	
Percentage of Direct Debt to:		
2026 Preliminary Taxable Value	1.70%	
2025 Certified Taxable Value	1.74%	
See "DISTRICT DEBT"		
Percentage of Direct & Overlapping Debt to:		
2026 Preliminary Taxable Value	7.14%	
2025 Certified Taxable Value	7.30%	
See "DISTRICT DEBT"		
2025 Tax Rate Per $100 of Assessed Value:		
Debt Service	$0.0139	
Total 2025 Tax Rate	$0.0139	
Cash and Temporary Investment Balances as of May 4, 2026		
General Fund	$729,737	(c)
Pro-Forma Debt Service Fund	$983,729	(d)

(a) Provided by the Waller County Appraisal District ("WCAD") as the preliminary taxable value as of January 1, 2026. This value represents the preliminary determination of the taxable value in the District as of January 1, 2026, provided by the WCAD. No taxes will be levied on this preliminary value, which is subject to protests, corrections and downward adjustment. This value includes $71,179,558, which represents 80% of the uncertified value that is under protest by the Appraisal Review Board ("ARB"). See "TAXING PROCEDURES."

(b) The District's 2025 Taxable Value figure above reflects the total certified value as of January 1, 2025 per WCAD. See "TAX DATA" and "TAXING PROCEDURES."

(c) Reflects unaudited cash and investment balance.

(d) Reflects unaudited cash and investment balance. The figure above includes eighteen (18) months of capitalized interest ($976,106) to be funded with the proceeds of the Bonds to be deposited into such fund on the date of delivery of the Bonds. Neither Texas law nor the District's Bond Order requires that the District maintain any particular balance in the Debt Service Fund. The cash and investment balances in the Debt Service Fund are not available to make debt service payments on the District's bonds sold for road facilities. See "TAX DATA – Tax Rate Calculations."

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the District's Outstanding Bonds, plus the debt service on the Bonds with an estimated interest rate of 4.80%.

Year	Existing Debt Service Requirements	Plus: Debt Service on the Bonds Principal	Interest*	Total Debt Service Requirements*
2026	$55,250	-	-	$55,250
2027	$54,000	-	$594,960	$648,960
2028	$57,600	-	$594,960	$652,560
2029	$56,000	-	$594,960	$650,960
2030	$59,400	$235,000	$594,960	$889,360
2031	$57,600	$245,000	$583,680	$886,280
2032	$60,800	$255,000	$571,920	$887,720
2033	$58,800	$270,000	$559,680	$888,480
2034	$61,800	$280,000	$546,720	$888,520
2035	$59,600	$295,000	$533,280	$887,880
2036	$62,400	$310,000	$519,120	$891,520
2037	-	$325,000	$504,240	$829,240
2038	-	$340,000	$488,640	$828,640
2039	-	$355,000	$472,320	$827,320
2040	-	$375,000	$455,280	$830,280
2041	-	$390,000	$437,280	$827,280
2042	-	$410,000	$418,560	$828,560
2043	-	$430,000	$398,880	$828,880
2044	-	$450,000	$378,240	$828,240
2045	-	$475,000	$356,640	$831,640
2046	-	$495,000	$333,840	$828,840
2047	-	$520,000	$310,080	$830,080
2048	-	$545,000	$285,120	$830,120
2049	-	$570,000	$258,960	$828,960
2050	-	$595,000	$231,600	$826,600
2051	-	$625,000	$203,040	$828,040
2052	-	$655,000	$173,040	$828,040
2053	-	$685,000	$141,600	$826,600
2054	-	$720,000	$108,720	$828,720
2055	-	$755,000	$74,160	$829,160
2056	-	$790,000	$37,920	$827,920
TOTAL	**$643,250**	**$12,395,000**	**$11,762,400**	**$24,800,650**

Maximum Annual Debt Service Requirements (2036)........$891,520*

$0.13 Tax Rate on 2026 Preliminary Taxable Value of $759,832,314
@ 95% collections produces........$938,393*

$0.13 Tax Rate on 2025 Taxable Value of $743,366,267
@ 95% collections produces........$918,057*

See "TAX DATA – Tax Rate Calculations."

*Preliminary, subject to change.

OFFICIAL STATEMENT
relating to

$12,395,000

Brookshire Municipal Water District
(A political subdivision of the State of Texas, located within Waller County, Texas)

UNLIMITED TAX BONDS

SERIES 2026

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of the Brookshire Municipal Water District Unlimited Tax Bonds, Series 2026 (the “Bonds” or the “Series 2026 Bonds”).

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution; the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended; an election held within the District, an Order approving the sale of the Bonds by the Texas Commission on Environmental Quality (“TCEQ”), and pursuant to an order (the "Bond Order") adopted by the Board of Directors (the “Board”) of the District.

This Official Statement includes descriptions of the Bonds, the Bond Order, certain information about the District, and the District’s financial condition. All descriptions of documents contained herein, are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District's Bond Counsel upon payment of costs of duplication thereof.

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas, Waller County, the City of Brookshire, or any other political subdivision. The Bonds are payable from a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District. See “THE BONDS – Sources of and Security for Payment.” The investment quality of the Bonds depends on the ability of the District to collect all taxes levied against the taxable property within the District, and, in the event of foreclosure of the District’s tax lien, on the marketability of the property and the ability of the District to sell the property at a price sufficient to pay taxes levied by the District and by other overlapping taxing authorities. The District cannot and does not make any representations that over the life of the Bonds, the taxable property within the District will accumulate or maintain taxable values sufficient to justify the continued payment of taxes by property owners.

Dependence on Personal Property Taxes; Personal Property Tax Collections

The District’s 2025 certified tax roll includes business personal property (equipment and inventories) which is valued at $174,335,655 of the total $743,366,267 value of taxable property in the District (or approximately 23% of the District’s total taxable value). Substantially all of the business personal property value is attributable to the business inventories and equipment. The value of taxable business personal property in the District represents a higher proportion of taxable value in the District than personal property values in most other municipal utility districts.

Unlike real property, there is no certainty that business personal property will remain in the District from year to year. For example, automobiles and other personal property are portable and could be removed from the District at any time. Personal property removed from the District as of January 1 of any year is not subject to taxation by the District for that year.

If personal property is subject to a lien for unpaid District taxes for any year, the District lien is lost if the property is sold in the ordinary course of business. However, a lien in the amount of the personal property taxes owed by a taxpayer attaches not only to personal property owned by the taxpayer as of January 1 with a tax situs in the District, but to any personal property then or thereafter owned by the taxpayer. The District may not be able to foreclose on personal property located outside the State of Texas, and locating and foreclosing on property held outside the District may be costly, inefficient, and difficult.

The statute of limitations for collection of business personal property taxes is four years from the date of delinquency, which is shorter than the 20-year statute of limitations for real property. Personal property may not be seized and a suit may not be filed to collect delinquent personal property taxes if the tax has been delinquent for more than four years. A tax and any penalty and interest on the tax that is delinquent longer than the limitation periods is presumed paid unless a suit to collect such personal property tax is pending. As with real property taxes, ad valorem taxes levied on personal property are the personal obligation of the taxpayer. See “TAXING PROCEDURES.”

Heretofore, the District has been successful in collecting its ad valorem tax levies including ad valorem taxes levied on personal property located in the District from time to time. However, no representation can be made by the District regarding future tax collections. See “TAX DATA – Levy and Collection.”

Dependence on Principal Taxpayers

Based upon the 2025 certified tax rolls, the top 10 taxpayers were responsible for approximately 22.58% of the District's 2025 taxable value. The ability of each such principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. If, for any reason, a principal taxpayer does not pay taxes due or does not pay in a timely manner, the District may need to use other funds for debt service purposes to the extent available. Further, if a principal taxpayer ceases to operate its facility within the District, a substantial decrease in the District's value may result. See "TAX DATA – Principal Taxpayers." The District has not covenanted in the Bond Order, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund or any other funds. Therefore, failure by a principal taxpayer to pay its taxes on a timely basis could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis.

Future payments of interest and principal obligation on the Bonds relies upon the payment by the District's largest taxpayers to timely pay their ad valorem tax obligations. If these taxpayers were in default in the payment of taxes in an amount which would exceed at any time the District's Debt Service Fund surplus, the ability of the District to make timely payment of debt service on the Bonds would be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could force the District to levy a high tax rate to pay principal and interest on its debt on other taxpayers within the District, thereby hindering growth and leading to possible further defaults in the payment of taxes.

Economic Factors

The continued growth of taxable values in the District is directly related to the housing industry and the commercial building development industry. The housing and commercial building development industry has historically been a cyclical industry, affected by both short- and long-term interest rates, availability of mortgage and development funds, labor conditions, material shortages, consumer spending, foreclosure rates, and general economic conditions. A return to relatively high mortgage interest rates similar to those experienced in the past may adversely affect the availability and desirability of mortgage financing for real estate, hence reducing demand within the District. High foreclosure rates may also affect mortgage lenders' willingness to accept risks and potential borrowers' ability to qualify for loans. The inability to qualify for mortgages may negatively affect home sales and the growth of taxable values in the District.

Interest rates and the availability of mortgage and development funds have a direct impact on construction activity, particularly the short-term interest rates at which developers and builders are able to obtain financing for development or building costs. Interest rate levels may affect the developers' or builders' ability to complete development or building plans. Long-term interest rates affect home purchasers' ability to qualify for and afford the total financing costs of a new home. The continuation of long-term interest rates at higher levels may negatively affect home sales and the rate of growth of taxable values in the District.

The Houston metropolitan area has in the past experienced increased unemployment, business failures and slow absorption of office space from time to time. These factors, if they recur, could affect the demand for new residential home construction and commercial development and hence the growth and maintenance of property values in the District. An oversupply of homes, along with a decreased demand in new housing because of general economic conditions or relatively high interest rates, may have an adverse impact on sale prices for homes and, consequently, may materially adversely affect property values or, in some instances, cause builders to abandon homebuilding plans altogether.

The economy of the Houston, Texas metropolitan area and the southeast Texas regional area is largely dependent on the petrochemical industry. Recent fluctuations in the price of oil and related products have the potential to negatively affect the economy of the Houston, Texas metropolitan area and the southeast Texas region and likewise negatively affect housing prices, assessed valuations and continued development in the District. The District can make no prediction on what effect current or future oil prices may have on housing prices, assessed valuations and continued development in the District.

The real estate industry in the Houston area is competitive, and the District can give no assurance that current building programs will be completed. The competitive position of the developers in the sale of developed projects or is affected by most of the factors discussed herein. Such a competitive position is directly related to tax revenues to be received by the District and the growth and maintenance of taxable values in the District.

Alternative sites are available for the construction of single-family residential improvements and commercial development within the market area in which the District is located. Such sites could pose competition to the continued development on comparable sites within the District.

Landowners/Developers under No Obligation to the District

There are no commitments from or obligations of any landowners or developers within the District to proceed at any particular rate or according to any specified plan with the development of land or the construction improvements in the District, and there is no restriction on any landowner's or developer's right to sell their land.

Dependence on Future Development and Potential Impact on District Tax Rates

The District's 2025 total tax rate is $0.0139 per $100 of assessed valuation. The housing industry has historically been a cyclical industry, affected by short and long-term interest rates, demand for developed property, and availability of mortgage and development funds, labor conditions, and general economic conditions. In the 1980s, and again in the 2000s, the downturn in the Houston economy and concurrent increases in unemployment substantially reduced the demand for housing. In many instances, homeowners turned homes back to mortgage companies because of a negative equity position and, consequently, many repossessed homes were resold at substantially reduced prices. The demand for single family homes in the District or commercial industrial buildings, which is 35 miles from downtown Houston, also could be affected by competition from nearby developments.

Both the local demand for, and the sale or leasing of warehouses are affected by most of the factors discussed herein and will directly affect the maintenance of taxable values in the District and the ability of the District to raise tax revenues sufficient to pay its debt service requirements.

Assuming no further construction of residential or commercial building projects within the District, other than those which have heretofore been constructed, the value of such land and improvements currently located within the District could be a major determinant of the ability of the District to collect, and the willingness of property owners to pay, ad valorem taxes levied by the District. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds and the remaining Outstanding Bonds will be $891,520 (2036). The 2025 Certified Taxable Value of property within the District according to WCAD data is $743,366,267. Assuming no increase or decrease from such value, and no use of other District funds, a debt service tax rate of $0.13 per $100 of Assessed Valuation at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. The 2026 Preliminary Taxable Value of property within the District according to WCAD data is $759,832,314. Assuming no increase or decrease from such value, and no use of other District funds, a debt service tax rate of $0.13 per $100 of Assessed Valuation at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. See "TAX DATA – Tax Rate Calculations."

Competition

The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. Many of the other developments are generally accessible by the same commuter routes and served by the same employment centers and school districts causing the developments to compete with one another for the same pool of buyers at similar price points and amenity levels.

The competitive position of developers in the sale of land and the sale or leasing of residences is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

Registered Owners' Remedies

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 Order, or if it defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the 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 Order. Except for mandamus, the Bond Order 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. Even if such sovereign immunity were waived and a judgment against the District for money damages were obtained, the judgment could not be enforced by direct levy and execution against the District's public-purpose 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.

Tax Collections

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 state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by 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, (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of taxable property or (d) the taxpayer's right to redeem the property within six (6) months for commercial property and two (2) years for residential and all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. 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 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 (2) other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) 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.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited 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. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946, if the District: (a) is generally authorized to file for federal bankruptcy protection by the State law; (b) is insolvent or unable to meet its debts as they mature; (c) desires to effect a plan to adjust such debts; and (d) 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. Under Texas law, the District must obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial condition of the District and authorize the District to proceed only if the 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, a 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 Owners could potentially and adversely impair the value of the Registered Owners' 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 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 the district.

A District cannot be placed into bankruptcy involuntarily.

Approval of the Bonds

As required by law, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

Marketability

The District has no understanding (other than the initial reoffering yields) 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 spread between the bid and asked price of more traditional issuers as such bonds are generally bought, sold, or traded in the secondary market.

Future Debt

The District will have $19,605,000 unlimited tax water, sewer, and drainage bonds that will remain authorized, but unissued, after the sale of the Bonds. The District has the right to issue additional new money bonds as may hereafter be approved by both the Board and the voters of the District and may issue refunding bonds without additional elections so long as they do not exceed the principal amount of then outstanding bonds. Such additional new money bonds or refunding bonds would be issued on a parity with the Bonds. Any future new money bonds to be issued by the District for water, sewer and drainage facilities must also be approved by the TCEQ, however new money bonds to be issued by the District for road purposes do not have to be approved by the TCEQ.

On May 28, 2026, The TCEQ approved the issuance of $32,000,000 principal amount of bonds by the District. The Bonds represent a portion of the TCEQ approved amount. The District anticipates issuing the remaining $19,605,000 principal amount of bonds (to be used for wastewater treatment plant expansion and rehabilitation of existing facilities) some time in the next two years.

Defined Area within the District

On May 4, 2024, the Board of Directors of the District approved the designation of a Defined Area comprised of approximately 177 acres (the "Defined Area"), and such creation was confirmed by the voters of said area at an election within the Defined Area's boundaries on May 4, 2024. In addition to the confirmation of the creation of the Defined Area, the voters authorized certain unlimited tax bonds for water, sewer and drainage facilities. Any unlimited tax bonds issued by the District for the Defined Area shall be payable solely from taxes levied within the boundaries of the Defined Area and not on any other part of the District. See "THE BONDS – Authority for Issuance and Issuance of Additional Defined Area Debt." Additionally, any maintenance tax levied by the District for the Defined Area shall be payable solely on property located within the Defined Area. The District does not levy an operation and maintenance tax rate. See "DEFINED AREA'S TAX DATA – Maintenance Tax."

Continuing Compliance with Certain Covenants

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

Environmental Regulations

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 Service Area. 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 TCEQ may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston-Galveston-Brazoria area ("HGB Area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment 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"). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

The HGB Area is currently designated as a "severe" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2027. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB Area is currently designated as a "moderate" nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2027. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

In order to demonstrate progress toward attainment of the EPA's ozone standards, the TCEQ has established a state implementation plan ("SIP") for the HGB Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can 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 the HGB Area to reach attainment with the ozone standards by the EPA's attainment deadlines. These additional controls could have a negative impact on the HGB Area'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) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

Certain governmental entities regulate groundwater usage in the HGB Area. A municipal utility district or other type of special purpose district that (i) is located within the boundaries of such an entity that regulates groundwater usage, and (ii) relies on local groundwater as a source of water supply, may be subject to requirements and restrictions on the drilling of water wells and/or the production of groundwater that could affect both the engineering and economic feasibility of district water supply projects.

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 management district's provision of water for human consumption is subject to extensive regulation as a public water system. Municipal management 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 management district must comply may have an impact on the municipal management district's ability to obtain and maintain compliance with TPDES permits.

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") 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. While the District is currently not subject to the MS4 Permit, if the District's inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary 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 in order to comply with the MS4 Permit.

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.

Severe Weather; Hurricanes

The District is located approximately 60 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood 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 would be adversely affected.

The greater Houston area has experienced multiple storms exceeding a 0.2% probability of occurrence (i.e., "500-year flood" events) since 2015. If the District were to sustain damage to its facilities as a result of such a storm (or any other severe weather event) requiring substantial repair or replacement, or if substantial damage to taxable property within the District were to occur as a result of a severe weather event, the investment security of the Bonds could be adversely affected.

Tax Day Floods and Hurricane Harvey

The Houston area, including the area in and around the District in Waller County, sustained widespread wind and rain damage and flooding as a result of the Tax Day Floods of April 16-17, 2016 and Hurricane Harvey's August 25, 2017 landfall along the Texas gulf coast. Historic levels of rainfall occurred in each of these events. According to the representatives of the District flood damage in the District during these events included flooding in approximately 125 – 135 homes. Substantially, all of those homes have been rehabilitated and many homes were lifted out of the floodplain. Since those rain events the Brookshire-Katy Drainage District has made improvements in and around the District designed to alleviate future flooding problems and has general plans to make additional drainage improvements in and around the District. The District has not experienced any significant flooding problems in the District in the past few years but cannot make any representations regarding the likelihood of future flooding in the event of severe storms in the area of the District.

Hurricane Beryl

The District sustained high levels of wind and rainfall as a result of Hurricane Beryl's landfall along the Texas gulf coast on July 8, 2024. According to the District Operator there were no interruptions of water and sewer service as a result of Hurricane Beryl. Also, according to the District Engineer, there were no reports that any homes or improvements within the District experienced flooding or other structural damage as a result of Hurricane Beryl.

Specific Flood Type Risks

The District may be subject to the following flood risks:

Ponding (or Pluvial) Flood – 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.

Riverine (or Fluvial) Flood – Riverine, or fluvial, flooding 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 sheet-flow over land. 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 flooding can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee, or reservoir also may result in flooding in areas adjacent to rivers, bayous, or drainage systems downstream.

Coastal (or Storm Surge) Flooding – Coastal, or storm surge, flooding occurs when sea levels or water levels in estuarial rivers, bayous and channels rise to abnormal levels in coastal areas, over and above the regular astronomical tide, caused by forces generated from a severe storm's wind, waves, and low atmospheric pressure. 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.

Winter Storm Uri

From February 12-19, 2021, the State of Texas experienced a severe winter storm ("Winter Storm Uri") which included prolonged freezing temperatures, heavy snow and freezing rains statewide. Winter Storm Uri led to power outages and potable and non-potable water shortages in many areas of the State, including the District. The federal government issued a Major Disaster Declaration for the State of Texas and has included federal funding for emergency protective measures. The District sustained some damage to its infrastructure during Winter Storm Uri. The infrastructure problems for the most part related to the generators at the water plants and the wastewater treatment plant. During Winter storm Uri, residents in the District experienced low water pressure for 3-4 days while interim repairs were made at the plants. The District has since purchased an additional generator and has made repairs to an existing generator at one of the water plants.

Temporary Tax Exemption for Property Damaged by Disaster

The Texas 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 Texas 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.

Tax Payment Installments after Disaster

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.

Additionally, the Texas Property Tax Code authorizes a taxing jurisdiction such as the District, solely at the jurisdiction's discretion, to adopt a similar installment payment option for taxes imposed on property that is located within a designated disaster area or emergency area, and is owned or leased by certain qualified business entities, regardless of whether the property has been damaged as a direct result of the disaster or emergency.

Changes in Tax Legislation

Certain tax legislation, if enacted 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

Changes in Floodplain – Atlas 14

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

Cybersecurity

The District's consultants use digital technologies to collect taxes, hold funds and process disbursements. These systems necessarily hold sensitive protected information that is valued on the black market. As a result, the electronic systems and networks of organizations like the District's consultants are considered targets for cyber-attacks and other potential breaches of their systems. To the extent the District is determined to be the party responsible for various electronic systems or suffers a loss of funds due to a security breach or fraudulent activity, there could be a material adverse effect on the District's finances. The District carries specific cyber-security insurance.

Increase in Costs of Building Materials and Labor Shortages

As a result of low supply and high demand, shipping constraints, and ongoing trade disputes (including tariffs and retaliatory tariffs), there have been substantial increases in the cost of lumber and other materials, causing many homebuilders and general contractors to experience budget overruns. Further, the federal administration's unpredictable tariff policy (including the threatened impositions of tariffs) may impact the ability of the Developer or homebuilders or principal taxpayers in the District to estimate costs. The federal administration's immigration policies may additionally impact the State's workforce, particularly in construction. Mass deportations or immigration policies that make it challenging for foreign workers to work in the United States may result in labor shortages that impact the Developers' ability to construct utility and road facilities or the ability to construct homes or commercial properties within the District. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact existing values. The District makes no representations regarding the probability of development or homebuilding continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of the Developers.

Bond Insurance Risk Factors

The District has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. If such policy is issued, investors should be aware of the following risk factors:

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable bond insurance policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by an issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the policy insurer (the "Bond Insurer") at such time and in such amounts as would have been due absent such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

Default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of "BOND INSURANCE" herein.

The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the District nor the Underwriter has made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash and the utility system) and liabilities (such as the Bonds) with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

USE OF BOND PROCEEDS

The proceeds of the Bonds will be used by the District to finance (1) new water plant and distribution system improvements; (2) water plant land acquisition costs; (3) engineering and material testing costs associated with numbers (1) and (2) above; (4) construction oversight and inspection fees; and (5) bond cost of issuance and certain administrative costs associated with the issuance of the Bonds. Additionally, bond proceeds will be used to fund 18 months of capitalized interest on the Bonds.

The Engineer has advised the District that the proceeds listed below should be sufficient for the construction and acquisition of such facilities. The District's present estimate of the use of proceeds of the Bonds is as follows:

CONSTRUCTION COSTS	**Total Amount**	
District Items		
New Water Plant & Distribution System Improvements	$8,360,580	
Water Plant Land Acquisition	$548,514	
Engineering	$802,225	
Construction Oversight, Inspection Fees and Testing	$668,521	
Total District Items	**$10,379,840**	
NON-CONSTRUCTION COSTS		
Legal Fees	$309,875	
Fiscal Agent Fees	$245,925	
Interest		
Capitalized Interest (18 months at 5.25%)	$976,106	
Bond Discount	$371,850	
Bond Issuance Expenses	$47,366	
Bond Application Report Costs	$23,550	
Attorney General Fee	$9,500	
TCEQ Bond Issuance Fee	$30,988	
Contingency	$0	(a)
TOTAL NON-CONSTRUCTION COSTS	**$2,015,160**	
TOTAL BOND ISSUE REQUIREMENT	**$12,395,000**	

(a) The District will designate the surplus Bond proceeds resulting from the sale of the Bonds at a lower interest rate than the estimated rate as a contingency line item in the Final Official Statement. Such funds will be used by the District only after approval by the TCEQ.

THE BONDS

General

The Bonds will be dated August 1, 2026, with interest payable on February 1 and August 1 commencing February 1, 2027. The Bonds will be issued in denominations of $5,000 each or integral multiples thereof. The Bond Order authorizes the issuance and sale of the Bonds and prescribes terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will be issued only in fully registered form in any integral multiple of $5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of the Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Interest on the Bonds shall be payable by check on or before each interest payment date, mailed by the Paying Agent/Registrar to the registered owners ("Registered Owners") as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owners as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owners at the risk and expense of such Registered Owners.

Authority for Issuance

The Bonds are issued pursuant to the authority of the District's Bond Order, Article XVI, Section 59 of the Constitution and general laws of the State of Texas, specifically, Chapters 49 and 54 of the Texas Water Code, as amended; and an election held within the District. At an election held on May 3, 2025, District voters authorized issuance of $32,000,000 unlimited tax bonds for water, sewer and drainage purposes. After the issuance of the Bonds, the District will have $19,605,000 principal amount of unlimited tax bonds remaining authorized but unissued.

Optional Redemption

The Bonds scheduled to mature on or after August 1, 2032, are subject to redemption prior to scheduled maturity at the option of the District, in whole or from time to time in part, on August 1, 2031, or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the redemption date.

Sources of and Security for Payment

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 taxable property located within the District. In the Bond Order the District covenants to levy a tax sufficient in rate and amount to pay principal of and interest on the Bonds when due, full allowance being made for delinquencies and costs of collection, and the District undertakes to collect such tax. The net proceeds from taxes levied for debt service purposes will be deposited in the District's Debt Service Fund and will be used to pay principal of and interest on the Bonds and on any additional bonds payable from taxes which the District may hereafter issue.

Defeasance

The Bond Order 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) for obligations of the District payable from revenues or from ad valorem taxes or both, or with a commercial bank or trust company designated in the proceedings authorizing such discharge, 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 or 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 investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in Book-Entry-Only form, and shall 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. If any such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

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) is 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.

Funds

The Bond Order confirms the establishment of the District's Debt Service Fund. The Debt Service Fund is to be kept separate from all other funds of the District and used for payment of debt service on the Bonds, the Outstanding Bonds, and any of the District's duly authorized additional bonds. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar and to pay the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds.

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the TCEQ, as applicable, necessary to provide and rehabilitate improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of a total of $32,000,000 of unlimited tax bonds and could authorize additional amounts. Following the issuance of the Bonds, the District will have $19,605,000 of unlimited tax bonds for water, sewer, and drainage facilities that will remain authorized but unissued; Depending upon the District's future issuance of tax-supported debt and the development of the District's tax base, increases in the District's annual ad valorem tax rate may be required to provide for the payment of principal of and interest on the District's current bonded indebtedness and any future tax-supported debt issued by the District. The Bond Order imposes no limitation on the amount of additional parity bonds that may be issued by the District if authorized by the District's voters and approved by the Board and the TCEQ (except bonds issued for road purposes do not require TCEQ approval).

Current law may be changed in a manner to increase the amount of bonds that may be issued as related to a percentage of the value of taxable property or to allow a higher or lower maintenance tax rate for such purposes. The levy of taxes for such purposes could dilute the security for the Bonds.

On May 28, 2026, The TCEQ approved the issuance of $32,000,000 principal amount of bonds by the District. The Bonds represent a portion of the TCEQ approved amount. The District anticipates issuing the remaining $19,605,000 principal amount of bonds (to be used for wastewater treatment plant expansion and rehabilitation of existing facilities) some time in the next two years.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under the laws of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

Registration, Transfer, and Exchange

In the event that the Book-Entry-Only System is discontinued, the Bonds are transferable only at the designated principal corporate trust office of the Paying Agent/Registrar upon presentation and surrender of the Bonds accompanied by a duly executed assignment. The Bonds are exchangeable for an equal principal amount of Bonds of the same type, maturity, and interest rate, in any authorized denomination. No service charge will be made for any transfer or exchange, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith. Neither the District nor the Paying Agent/Registrar is required to: (i) issue, transfer, or exchange any Bond during the period beginning at the opening of business 15 calendar days before the date of the first mailing of any notice of redemption of Bonds and ending at the close of business on the date of such mailing or (ii) transfer or exchange any Bonds selected for redemption when such redemption is scheduled within thirty (30) calendar days.

Replacement of Mutilated, Lost, or Stolen Bonds

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

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, consultants, 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 Order 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.

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to the Texas Bond Procedures Act, Chapter 1201, Texas Government Code, as amended, and Section 49.186, Texas Water Code, as amended, the Bonds, whether rated or unrated, are (a) legal investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees and (b) legal investments for the public funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State. Most political subdivisions in the State of Texas are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose a requirement consistent with such act that the Bonds have a rating of not less than "A" or its equivalent to be legal investments for such entity's funds. The Bonds are eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State or any political subdivision or public agency of the State and are lawful and sufficient security for those deposits to the extent of their market value. Again, political subdivisions in the State of Texas may impose a requirement that the Bonds have a rating of not less than "A" or its equivalent to be eligible to serve as collateral for their funds.

The District has not reviewed the laws in other states to determine whether the Bonds are legal investments for various institutions in those states or eligible to serve as collateral for public funds in those states. The District has made no investigation of any other laws, rules, regulations or investment criteria that might affect the suitability of the Bonds for any of the above purposes or limit the authority of any of the above persons or entities to purchase or invest in the Bonds.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

Purchases of Securities under the DTC system must be made by or through Direct Participants, who will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owners") 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 Owners 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 securities representing their ownership interests in Securities except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Securities 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 Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners.

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

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

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

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but neither of the District, the Financial Advisor nor the Underwriter takes any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

THE DISTRICT

Authority

The District, a political subdivision of the State of Texas, was created by the 52nd Texas Legislature in 1951. The District submitted an application to the TCEQ to authorize the District's conversion from a water control and improvement district into a municipal utility district and such application was approved by Order on November 10, 2022. The rights, privileges, authority, and functions of the District are established by the general laws of the State applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered to purchase, construct, operate, acquire, own, and maintain all water and wastewater facilities, improvements and the control and diversion of storm water. The District is subject to the continuing supervisory jurisdiction of the TCEQ. The District is subject to the jurisdiction of the TCEQ, pursuant to Article XVI, Section 59 of the Texas Constitution.

Description

The District, a political subdivision of the State of Texas, was created in 1951 by the 52nd Legislature of Texas for the purpose of providing adequate water supply and distribution and wastewater collection and treatment to serve the land within the District. At the time of creation the District consisted of approximately 1,025 acres. Since creation, there have been five annexations and the District consists of approximately 3,452 acres, comprised of multiple contiguous and noncontiguous tracts of land.

Location

The District is located in Waller County, Texas, approximately 35 miles west of Houston's central business district, on Interstate Highway 10. The District is located within the extra-territorial jurisdictions of the City of Brookshire, Texas.

Management of the District

The District is governed by a Board of Directors (the "Board") which has management control over all affairs of the District. The Directors are elected to serve a four-year staggered term at an election that is held on the first Saturday in May of each even-numbered year. The current members and officers of the Board, none of whom are residents of the District, are identified as follows:

Name	Title	Expires May
LaKethia M. Connor	President	2028
Shirley M. Williams	Vice President	2028
NaKeshia L. Barley	Secretary	2028
Erin Y. Jackson	Treasurer/Investment Officer	2030
Stephanie Harris-Green	Assistant Secretary	2030

The District employs Tonya J. Pierre as General Manager and has several full-time and part-time employees.

The District has also contracted for certain necessary services as follows:

Utility System Operator – Municipal Operations & Consulting, Inc. has been engaged by the District to operate the District's water distribution and wastewater collection facilities.

Tax Assessor/Collector – Services related to the District's property tax matters are provided by the Waller County Tax Office.

Bookkeeper – The District's statements of accounts are kept by Protocol Bookkeeping, Inc. (the "District's Bookkeeper").

Engineer – The District's consulting engineer is Weishuhn Engineering Inc. (the "District's Engineer").

Financial Advisor – The District has engaged The GMS Group, L.L.C. as financial advisor to the District (the "District's Financial Advisor"). The fees of the District's Financial Advisor are contingent upon the sale and delivery of the Bonds.

Attorney – The District has engaged Radcliffe Adams Barner PLLC., as General Counsel to the District and as Bond Counsel in connection with the issuance of District bonds.

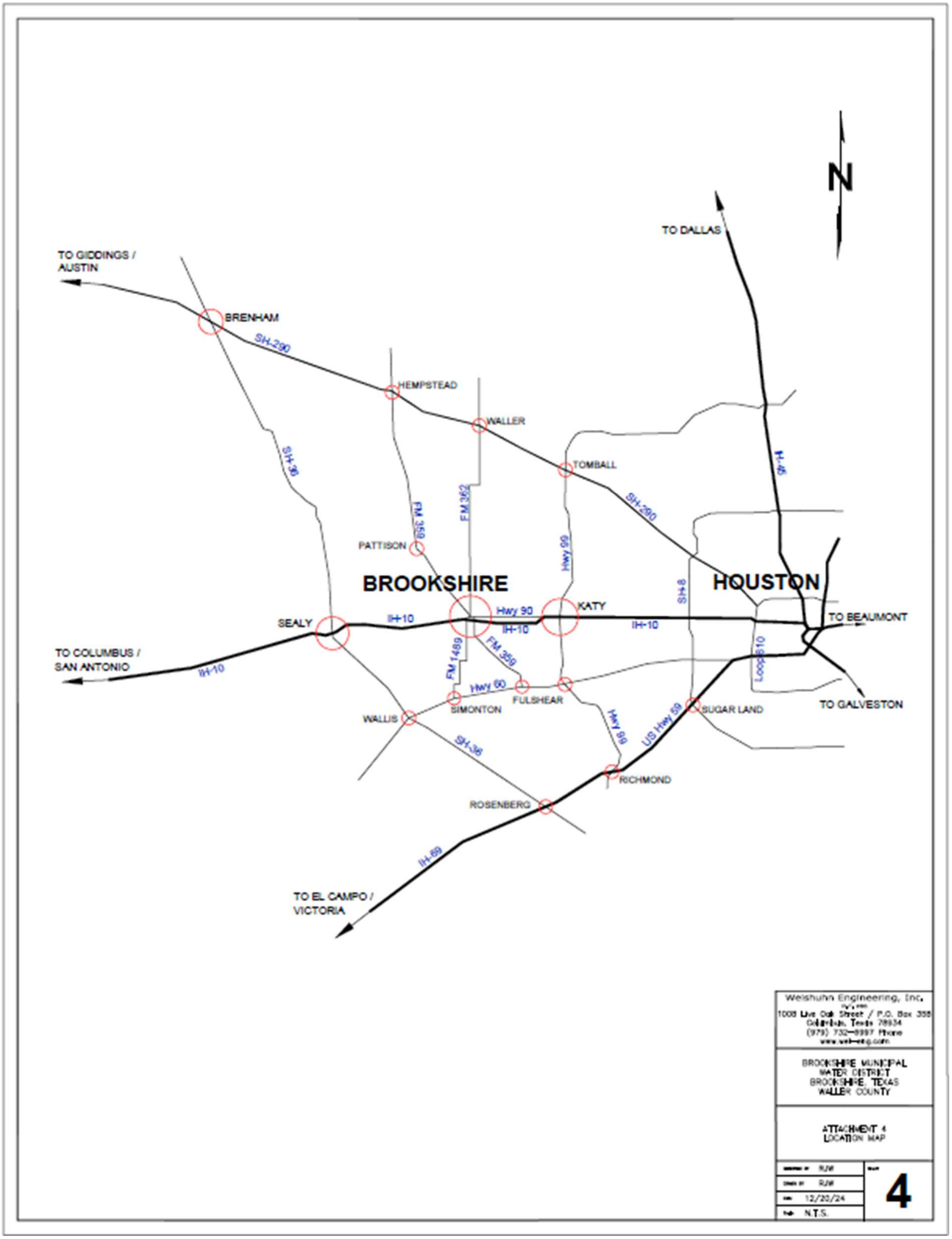
Auditor – The District employed Knox Cox & Company, L.L.P., Certified Public Accountants (the "District's Auditor") to audit its financials for the period ended August 31, 2025. The results of the August 31, 2025, are included as Appendix A to this Official Statement.

Disclosure Counsel – Norton Rose Fulbright US LLP, Houston, Texas, has been engaged by the District to serve as Disclosure Counsel on matters related to the sale and delivery of the Bonds. Fees of the Disclosure Counsel will be paid from the proceeds of the Bonds; however, such fees are not contingent upon the sale and delivery of such Bonds.

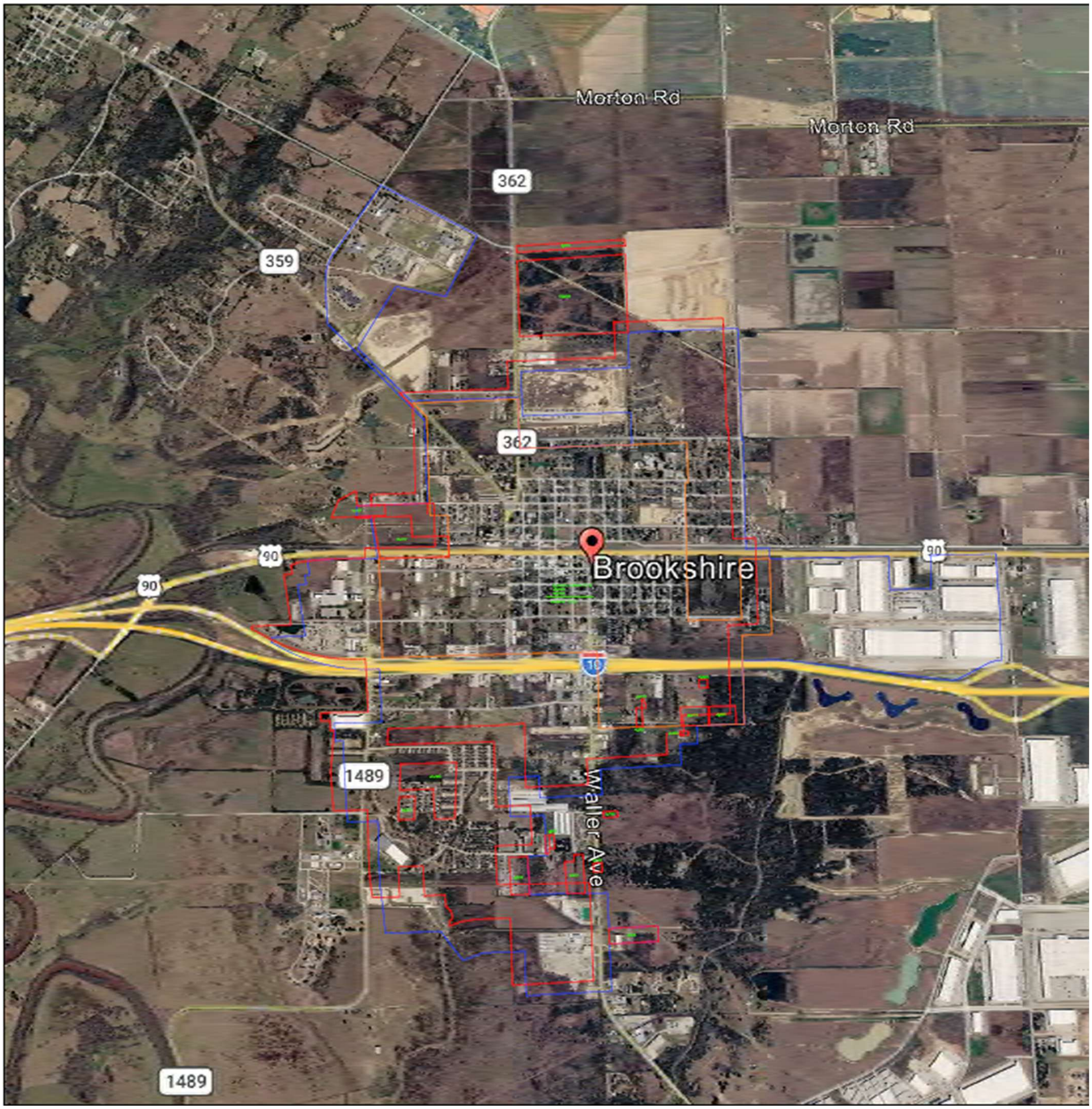
DISTRICT INVESTMENT POLICY

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield in 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.

LOCATION MAP



AERIAL PHOTOGRAPH



Land Use/Development in the District

A summary of the approximate land use in the District appears in the following table:

Type of Land Use	Approximate Acres	
Fully Developed Acreage	2,424	
Additional Developable Acreage	363	
Undevelopable Acreage	665	(a)
Total Approximate Acres	**3,452**	

(a) Includes District plant sites, utility/drainage easements, detention ponds, permanent floodplain areas, and street rights-of-way, etc.

Development within the District

As of June 1, 2026, there were approximately 1,338 single family homes constructed in the District, seven (7) apartment complexes totaling 337 apartment unit connections, 194 commercial/industrial connections, including restaurants, hotels and retail shop. Approximately 665 acres of the District's 3,452 acres are comprised of streets and alleys, drainage easements, permanent floodplains and detention ponds, parks and recreation and open spaces and high voltage power line easements, and are thus undevelopable.

THE SYSTEM

Regulation

The water and wastewater facilities serving land within the District (the "System") are required to have been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over various aspects of the construction and operation of such facilities including, among others, the TCEQ, Waller County Engineering Department, Brookshire-Katy Drainage District and the City of Brookshire. During construction, facilities are subject to inspection by the District's Engineer and various aspects of the facilities are subject to inspection by the foregoing governmental agencies.

Operation of the District's System is subject to regulation by, among others, the United States Environmental Protection Agency, the TCEQ and the City. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

Description of the System

According to the District's Engineer, the total number of connections projected for the District at full development is 3,550 equivalent connections. A description of the primary components of the System follows and is based upon information supplied by the Engineer based on drawings and data furnished by others.

Proceeds of the sale of the District's prior bonds were used for construction or acquisition of underground water supply, water distribution lines, wastewater collection lines, wastewater treatment plant and stormwater drainage facilities and expansion of such facilities.

- Water Supply and Distribution -

The District owns and operates two principal water supply plants. They are on the same pressure plane, with ground water being the source of supply. The District obtains all of its water from groundwater sources. The District's primary system obtains water from four water wells with a production capacity of approximately 2,050 gallons per minute ("gpm"), (which includes a proposed water well being financed with funds from the operating reserve in the General Fund. Such additional well is expected t be completed by end of 2026. At such time the District will be able to serve up to 4,667 equivalent single-family connections ("ESFC"). The District's water supply system also contains 1,072,000 gallons of ground storage, 475,000 gallons of elevated storage and 4,600 gpm booster pump capacity that will be financed with proceeds of the Bonds.

The District does not share water or have an interconnect agreement with any other entity.

- Wastewater Collection and Treatment -

The District owns and operates one wastewater treatment plant and has plans to upgrade the wastewater treatment plant to increase capacity from future bond proceeds. Currently, the wastewater treatment plant has capacity for 970,000 gallon per day ("gpd"). After the upgrades to the wastewater treatment plant, it will have a total treatment capacity for 1,470,000 gpd, which will be sufficient to serve approximately 3,550 ESFC.

Sanitary sewer lines have been extended to serve existing customers. The District's wastewater collection and treatment facilities are sufficient to serve the District's current population. Additional facilities will be needed to serve anticipated full development, according to the District's Engineer.

- Stormwater Collection, Detention and Outfall Drainage -

Most of the land within the District drains to Brookshire Creek and West Brookshire Creek, either via storm sewer pipes and open ditches or by direct runoff into the creeks. A smaller area in the northwest portion of the District drains to Kellner Creek via a Brookshire-Katy Drainage District ditch. All three channels are maintained by the Brookshire-Katy Drainage District, which generally requires on-site detention facilities for new developments.

According to the Federal Emergency Management Agency's ("FEMA") Flood Insurance Rate Map for Waller County, Texas and Incorporated Areas (FIRM Map No. 48473C0350E) effective February 18, 2009, the land within the District lies outside the 100-year flood plain except for approximately 40 acres in the following areas:

a. Along and adjacent to the West Form of Brookshire Creek in the southwest part of the District;
b. Along and adjacent to Brookshire Creek, expanding in the northeast part of the District to include the Brookshire Gardens subdivision and areas west and north thereof; and
c. An area in the northwest part of the District on either side of Brookshire-Katy Drainage District's ditch parallel to and north of U.S. Highway 90.

Rate Order

The District's utility rate order, which may be amended from time to time as authorized by the Board, is summarized in part below and was most recently amended on April 1, 2024.

- Water Rates –

Single Family Homes		
First 2,500 gallons		$23.75 (minimum)
Next 2,500 gallons		$4.50 per 1,000 gallons
Next 2,500 gallons		$4.65 per 1,000 gallons
Next 2,500 gallons		$4.75 per 1,000 gallons
Next 5,000 gallons		$5.00 per 1,000 gallons
Next 5,000 gallons		$5.50 per 1,000 gallons
Over 20,000 gallons		$6.25 per 1,000 gallons
Commercial		
First 10,000 gallons		$49.50 (minimum)
Next 10,000 gallons		$8.75 per 1,000 gallons
Next 30,000 gallons		$9.25 per 1,000 gallons
Next 50,000 gallons		$10.25 per 1,000 gallons
Over 100,000 gallons		$11.25 per 1,000 gallons

- Sewer Rates –

Single Family Homes		
First 2,500 gallons		$26.50 (minimum)
Next 2,500 gallons		$4.90 per 1,000 gallons
Next 2,500 gallons		$5.05 per 1,000 gallons
Next 2,500 gallons		$5.20 per 1,000 gallons
Next 5,000 gallons		$5.50 per 1,000 gallons
Next 5,000 gallons		$6.15 per 1,000 gallons
Over 20,000 gallons		$7.15 per 1,000 gallons
Commercial		
First 10,000 gallons		$56.00 (minimum)
Next 10,000 gallons		$9.50 per 1,000 gallons
Next 30,000 gallons		$10.15 per 1,000 gallons
Next 50,000 gallons		$11.45 per 1,000 gallons
Over 100,000 gallons		$12.75 per 1,000 gallons

Historical Operations of the System

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. The information included in the table below relating to the District's water and sewer system operations is provided for information purposes only.

	Fiscal Year Ended August 31 (a)				
	2025	2024	2023	2022	2021
REVENUES					
Water & Sewer Service	$3,148,118	$2,958,509	$2,354,571	$1,939,872	$1,657,365
Tap Connections, Penalties, Interest and other	$260,576	$507,165	$331,187	$424,171	$584,420
TOTAL REVENUES	**$3,408,694**	**$3,465,674**	**$2,364,043**	**$2,364,043**	**$2,241,785**
EXPENDITURES					
Current	$3,192,081	$2,983,544	$2,443,749	$2,374,389	$2,624,836
Capital Outlay	$51,000	$69,700	$-	$-	$-
TOTAL EXPENDITURES	**$3,243,581**	**$3,053,314**	**$2,443,749**	**$2,374,389**	**$2,624,836**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$165,113	$412,360	$242,009	($10,346)	($383,051)

(a) Data is taken from District's audited financial statements. See "APPENDIX A."

(b) As of May 4, 2026, the District's General Fund had an unaudited cash and investment balance of approximately $729,737. The District's General Fund fiscal year 2026 budget currently calls for General Fund revenues of approximately $4,155,000 and General Fund expenditures of approximately $3,835,298.

DISTRICT DEBT
(unaudited)

2026 Preliminary Taxable Value	$759,832,314	(a)
2025 Certified Taxable Value	$743,366,267	(b)
Direct Debt (See "DISTRICT DEBT")		
Outstanding Bonds (As of June 1, 2026)	$510,000	
Plus: The Bonds	$12,395,000	
Total Direct Debt	$12,905,000	
Estimated Overlapping Debt	$41,372,936	
Direct and Estimated Overlapping Debt	$54,277,936	
Percentage of Direct Debt to:		
2026 Preliminary Taxable Value	1.70%	
2025 Certified Taxable Value	1.74%	
See "DISTRICT DEBT"		
Percentage of Direct & Overlapping Debt to:		
2026 Preliminary Taxable Value	7.14%	
2025 Certified Taxable Value	7.30%	
See "DISTRICT DEBT"		
2025 Tax Rate Per $100 of Assessed Value:		
Debt Service	$0.0139	
Total 2025 Tax Rate	$0.0139	
Cash and Temporary Investment Balances as of June 15, 2026		
General Fund	$729,737	(c)
Pro-Forma Debt Service Fund	$983,729	(d)

(a) Provided by the Waller County Appraisal District ("WCAD") as the preliminary taxable value as of January 1, 2026. This value represents the preliminary determination of the taxable value in the District as of January 1, 2026, provided by the WCAD. No taxes will be levied on this preliminary value, which is subject to protests, corrections and downward adjustment. This value includes $71,179,558, which represents 80% of the uncertified value that is under protest by the Appraisal Review Board ("ARB"). See "TAXING PROCEDURES."

(b) The District's 2025 Taxable Value figure above reflects the total certified value as of January 1, 2025 per WCAD. See "TAX DATA" and "TAXING PROCEDURES."

(c) Reflects unaudited cash and investment balance.

(d) Reflects unaudited cash and investment balance. The figure above includes eighteen (18) months of capitalized interest ($976,106) to be funded with the proceeds of the Bonds to be deposited into such fund on the date of delivery of the Bonds. Neither Texas law nor the District's Bond Order requires that the District maintain any particular balance in the Debt Service Fund. The cash and investment balances in the Debt Service Fund are not available to make debt service payments on the District's bonds sold for road facilities. See "TAX DATA – Tax Rate Calculations."

Estimated Overlapping Debt

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas, and certain other sources. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds, the amount of which cannot be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

		Overlapping Debt	
Taxing Jurisdiction	**Outstanding Debt**	**Percent**	**Amount**
Royal Independent School District	$200,632,994	16.43%	$32,964,000
Waller County	$169,535,000	4.96%	$8,408,936
Total Estimated Overlapping Debt			**$41,372,936**
The District's Direct Debt (b)			**$12,905,000**
Total Direct and Estimated Overlapping Debt			**$54,277,936**

(a) Includes the Bonds and Outstanding Bonds.

TAX DATA

Tax Distribution

The following table sets forth the tax rate distribution of the District for the years 2021 through 2025.

	2025	2024	2023	2022	2021
Debt Service	$0.013900	$0.014000	$0.009000	$0.010000	$0.012000
Total	**$0.013900**	**$0.014000**	**$0.009000**	**$0.010000**	**$0.012000**

Maintenance Tax

The District does not levy a maintenance and operations tax rate.

Analysis of Tax Base

Based on information provided to the District by the District's Tax Assessor/Collector, the following table represents the composition of property comprising the District's gross tax roll valuations and the exemptions (including supplemental adjustments made by WCAD) for the years 2021 through 2025, including the 2026 Preliminary Taxable Value of the District.

	Type of Property					
Year	**Land**	**Improvements**	**Personal Property**	**Gross Values**	**Exemptions**	**Taxable Value**
2026 (a)	$326,100,202	$307,552,788	$189,450,218	$823,103,228	$(63,270,893)	$759,832,314
2025	$314,845,108	$302,939,613	$174,335,655	$792,120,376	$(48,754,109)	$743,366,267
2024	$298,610,590	$293,362,084	$118,279,982	$710,252,656	$(44,833,626)	$665,419,030
2023	$287,554,038	$287,700,782	$110,344,555	$685,599,375	$(47,511,274)	$638,088,101
2022	$225,175,789	$265,629,093	$95,563,627	$586,368,509	$(38,945,995)	$547,422,514
2021	$162,571,264	$225,634,604	$82,879,664	$471,085,532	$(30,019,652)	$441,065,880

(a) Provided by the Waller County Appraisal District ("WCAD") as the preliminary taxable value as of January 1, 2026. This value represents the preliminary determination of the taxable value in the District as of January 1, 2026, provided by the WCAD. No taxes will be levied on this preliminary value, which is subject to protests, corrections and downward adjustment. This value includes $71,179,558, which represents 80% of the uncertified value that is under protest by the Appraisal Review Board ("ARB").

Principal Taxpayers

The list of principal taxpayers for 2025, and the other information in this table, was provided by the District's Tax Assessor/Collector based on certified tax rolls provided by WCAD, net of any exemptions. Such data does not reflect any corrections subsequent to action of the Appraisal District. For a further description of individual properties, see "- Development within the District."

Taxpayer	Type of Property	2025 Valuation	% of Total
GRUNDFOS CBS INC	Land, Improvements & Personal Property	$38,490,316	5.18%
LIMEWOOD BELL RENEWABLES LLC	Land, Improvements & Personal Property	$27,494,990	3.70%
SCOT INDUSTRIES INC	Land, Improvements & Personal Property	$19,970,521	2.69%
DURO HILEX POLY LLC	Land, Improvements & Personal Property	$16,189,728	2.18%
OLDCASTLE PRECAST INC CO#266	Land, Improvements & Personal Property	$14,207,110	1.91%
P9/GCP HOUSTON I-10 LP	Land, Improvements & Personal Property	$11,400,000	1.53%
UNITED RENTALS NORTH AMERICA INC	Land, Improvements & Personal Property	$10,297,340	1.39%
CENTERPOINT ENERGY INC	Land, Improvements & Personal Property	$10,254,370	1.38%
RYDER TRUCK RENTAL	Land, Improvements & Personal Property	$9,924,080	1.34%
THOMAS INSTRUMENT INCORPORATED	Land, Improvements & Personal Property	$9,637,469	1.30%
TOTAL		**$167,865,924**	**22.58%**

Levy and Collection

The following represents the collection history of District taxes; the collections represent cumulative collections for each year's tax levy through April 30, 2026.

Year	Taxable Valuation	Tax Rate	Adjusted Levy	Cumulative Collections (a)	Ended 9/30
2025	$743,366,267	$0.0139	$103,328	94.42%	2026
2024	$665,419,030	$0.0140	$93,159	94.08%	2025
2023	$638,088,101	$0.0090	$57,428	97.47%	2024
2022	$547,422,514	$0.0100	$54,742	98.09%	2023
2021	$441,065,880	$0.0120	$52,928	98.77%	2022

(a) Represents the tax collections as of June 1, 2026.

(b) The 2025 tax levy is in the process of collections; such taxes became delinquent if not paid before February 1, 2026. See "TAXING PROCEDURES."

Tax Rate Calculations

The tax rate calculations set forth below, solely for the purpose of illustration, are presented to indicate the tax rates per $100 assessed valuation which would be required to meet the maximum annual debt service requirements if no growth in the District occurs beyond the dates/values noted below. The foregoing further assumes collection of 95% of taxes levied, and assumes the issuance of the Bonds but no additional bonds.

Maximum Annual Debt Service Requirements (2036)........$891,520*

$0.13 Tax Rate on 2026 Preliminary Taxable Value of $759,832,314
@ 95% collection produces........$938,393*

$0.13 Tax Rate on 2025 Taxable Value of $743,366,267
@95% collection produces........$918,057*

*Preliminary, subject to change.

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, a tax lien attaches to property to secure the payment of all taxes, penalty and interest for the year, on January 1, of that year. The tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. See "TAXING PROCEDURES." In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions, certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes. See "DISTRICT DEBT – Estimated Overlapping Debt." Set forth below are all 2025 taxes levied by such taxing jurisdictions and it includes the 2025 District's tax rate, assuming each assesses at 100% basis of assessment. 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.

Taxing Jurisdictions	2025 Tax Rate Per $100 Assessed Valuation
Royal Independent School District	$0.565140
Brookshire-Katy Drainage District	$0.057850
Waller-Harris Emergency Service District No. 200	$0.100000
Waller County	$0.532596
Waller County FM	$0.023591
Royal Independent School District	$1.069917
Overlapping Taxing Jurisdictions	**$2.349094**
The District (2025)	$0.013900
Estimated Total Tax Rate (a)	**$2.362994**

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 and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from taxes that the District may hereafter issue and to pay the expenses of assessing and collecting such taxes. See "RISK FACTORS – Future Debt." The District agrees in the Bond Order to levy such a tax from year to year as described more fully in this Official Statement under the caption "THE BONDS – Sources of and Security for Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its facilities and for the payment of certain contractual obligations, if authorized by the voters in the District. See "TAX DATA – Tax Distribution and "–Maintenance Tax."

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 in a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. WCAD has the responsibility for appraising property for all taxing units within Waller County, including the District. Such appraisal values are subject to review and change by WCAD. The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

The Property Tax Code requires the appraisal district, by May 15 of each year, or as soon thereafter as practicable, to prepare appraisal records of property as of January 1 of each year based upon market value. The chief appraiser must give written notice before May 15, or as soon thereafter as practicable, to each property owner whose property value is appraised higher than the value in the prior tax year or the value rendered by the property owner, or whose property was not on the appraisal roll the preceding year, or whose property was reappraised in the current tax year. Notice must also be given if ownership of the property changed during the preceding year. The appraisal review board has the ultimate responsibility for determining the value of all taxable property within the District; however, any property owner who has timely filed notice with the appraisal review board may appeal a final determination by the appraisal review board by filing suit in a Texas district court. Prior to such appeal or any tax delinquency date, however, the property owner must pay the tax due on the value of that portion of the property involved that is not in dispute or the amount of tax imposed in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. 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. In addition, taxing units, such as the District, are entitled to challenge certain matters before the appraisal review board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records of the granting in whole or in part of certain exemptions.

A taxing unit may not, however, challenge the valuation of individual properties. Although the District has the responsibility for establishing tax rates and levying and collecting its taxes each year, under the Property Tax Code, the District does not establish appraisal standards or determine the frequency of revaluation or reappraisal. The appraisal district is governed by a board of directors elected by the governing bodies of the county and all cities, towns, school districts and, if entitled to vote, the conservation and reclamation districts that participate in the appraisal district. The Property Tax Code requires each appraisal district to implement a plan for periodic reappraisal of property to update appraised values. Such plan must provide for reappraisal of all real property in the appraisal district at least once every three years. It is not known what frequency of future reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

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 65 years or older and of certain disabled persons, and travel trailers, to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by 20% of the number of qualified voters who voted in the preceding 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, but only to the maximum extent of $5,000 to $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran's residence homestead to which the disabled veterans' exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. 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 homesteads 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 forces who was killed in action 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 of the surviving spouse. The District currently grants a $10,000 exemption for qualified households over 65 year of age and disabled veterans.

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, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 20% of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the assessor and collector of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by July 1. The District has never adopted an order granting a general residential homestead exemption.

Freeport Goods and Goods-in-Transit Exemptions: Freeport goods are goods, wares, merchandise, other tangible personal property, and ores, other than oil, natural gas, and other petroleum products, that have been acquired or brought into the state for assembling, storing, manufacturing, repair, maintenance, processing, or fabricating, or used to repair or maintain aircraft of a certified air carrier, and shipped out of the state within 175 days. Freeport goods are exempted from taxation by the District. Effective January 1, 2008, a "Goods-in-Transit Exemption" may apply to certain tangible personal property that is acquired in or imported into Texas for assembling, storing, manufacturing or fabrication purposes which is destined to be forwarded to another location in Texas not later than 175 days after acquisition or importation, so long as the location where said goods are detained is not directly or indirectly owned by the owner of the goods. The District has taken action to allow taxation of goods-in-transit, and accordingly, the exemption is not available within the District. A taxpayer may not claim both a Freeport Goods Exemption and a Goods-in-Transit Exemption on the same property.

Tax Abatement

Waller County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Waller County 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 assessed valuation of property covered by the agreement over its assessed 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. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. At this time, Waller County has not designated any of the area 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. In November 1997, Texas voters approved a constitutional amendment to limit 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 and taxes, 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 44 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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal 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 that 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 values, appraisals that 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, 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 and operation 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 twenty percent (20%) penalty for collection costs. A delinquent tax on personal property incurs an additional twenty percent (20%) penalty, sixty (60) days after the date the taxes become delinquent (April 1). For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected.

Property owners affected by a disaster may pay property taxes in four (4) equal installments following the disaster. In addition, certain classes of disabled veterans may receive a deferral or abatement of delinquent taxes without penalty during the time they own or occupy the property as their residential homestead.

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 “Low Tax Rate Districts.” Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as “Developed Districts.” Districts that do not meet either of the classifications previously discussed are classified herein as “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 classifications below.

Special Taxing Units. Low Tax Rate Districts 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, disregarding certain homestead exemptions, are required to hold a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Low Tax Rate District is the current year’s debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the district in that year, subject to certain homestead exemptions.

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, disregarding certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Property Tax Code, are required to hold a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year’s debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, 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 Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate Districts.

Developing Districts. Districts that do not meet the classification of a Low Tax Rate District or a Developed District are 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, disregarding certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If a rollback election is called and passes, the total tax rate for Developing Districts is the current year’s debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the district in that year, subject to certain homestead exemptions.

The District. A determination as to a district’s status as a Low Tax Rate District, Developed District, or Developing District will be made on an annual basis, at the time a district sets its tax rates. The District is anticipating being designated a Developed District for the 2025 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 rollback 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 in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims 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 federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two years for residential and agricultural property and six months for commercial property and all other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

Collection of Delinquent Taxes

Taxes levied by the District are a personal obligation of the owners of the taxed property as of January 1 of the year in which the taxes are levied. On January 1 of each year, a tax lien attaches to property in the District to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and 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 all other such taxing units. A tax lien on real property has priority over the claim of most creditors and other holders of liens on the property encumbered by the tax, whether or not the debt or lien existed before the attachment of the tax lien. Further, as a general rule, the District's tax lien and a federal tax lien are on par with ultimate priority being determined by applicable federal law. Under certain circumstances, personal property is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest. At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. The ability of the District to collect delinquent taxes by judicial foreclosure may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions affecting the market value of the property at the time of any tax foreclosure sale, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Further, 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 United States Code Section 1825, as amended.

In addition to actions under the tax lien describe above, the District has legal authority to terminate water service to any taxpayer whose taxes remain delinquent after August 1st of each year.

Delinquent Tax Payments for Disaster Areas

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.

Additionally, the Tax Code authorizes a taxing jurisdiction such as the District, solely at the jurisdictions discretion, to adopt a similar installment payment option for taxes imposed on property that is located within a designated disaster area or emergency area, and is owned or leased by certain qualified business entities, regardless of whether the property has been damaged as a direct result of the disaster or emergency.

The Effect of FIRREA on Tax Collections of the District

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

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

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

LEGAL MATTERS

Legal Opinion

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding special obligations of the District payable from an annual ad valorem tax levied without limit as to rate or amount upon all taxable property within the Defined Area. Issuance of the Bonds is also subject to the legal opinion of Bond Counsel that, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the Bonds are valid and legally binding special obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the Defined Area which is not exempt from taxation by or under applicable law. The legal opinion will further state that the interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions as described below under "TAX MATTERS – Tax Exemption." The legal opinion of Bond Counsel will be printed on the Bonds, if certificated Bonds are issued. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

In addition to serving as Bond Counsel, Radcliffe Adams Barner PLLC, also acts as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

No-Litigation Certificate

On the date of delivery of the Bonds to the Underwriter, the District will execute and deliver to the Underwriter a certificate to the effect that no litigation of any nature has been filed or is pending, as of that date of which the District has notice, to restrain or enjoin the issuance or delivery of the Bonds, or which would affect the provisions made for their payment or security, or in any manner question the validity of the Bonds.

TAX MATTERS

Tax Exemption

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

In rendering its opinion, Bond Counsel to the District will rely upon: (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate, and (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the Refunded Bonds and the property financed or refinanced therewith.

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

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

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

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

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

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

Under Existing Law, 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. See "Tax Exemption" herein for a discussion of certain collateral federal tax consequences.

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

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each accrual period and ratably within each such accrual period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and 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, 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 Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

NOT Qualified Tax-Exempt Obligations for Financial Institutions

The District will NOT designate the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified 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 qualification of the Bonds under the Securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for 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 provisions.

OFFICIAL STATEMENT

Sources of Information

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, WCAD, and other sources which are believed reliable, but the District makes no representation as to the accuracy or completeness of the information derived from such other sources. The summaries of the statutes, orders, resolutions, and engineering and other related reports 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. All estimates, statements, and assumptions in this Official Statement and the Appendix 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.

Financial Advisor

The Official Statement was compiled and edited under the supervision of the District's Financial Advisor. The fees to be paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold, and delivered. Therefore, such fees are contingent on the sale and delivery of the Bonds.

Consultants

In approving this Official Statement, the District has relied upon the following consultants.

Engineer: The information contained in this Official Statement relating to engineering matters generally, to the description of the System and, in particular, that engineering related information included in the sections entitled "USE OF BOND PROCEEDS," "THE DISTRICT – Description" and "DESCRIPTION OF THE DISTRICT'S SYSTEM" has been provided by Weishuhn Engineering Inc. and has been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

Tax Collector: The information contained in this Official Statement relating to the assessed valuation of property and, in particular, such information contained in the section captioned "TAX DATA," has been provided by the Waller County Appraisal District and by the Waller County Tax Office. The District's Tax Assessor/Collector, in reliance upon their authority as experts in the field of tax assessing and appraising.

Auditors: The audited financial statements of the District and the accompanying report by Knox Cox & Company, L.L.P., are shown in Appendix A. Knox Cox & Company, L.L.P., has agreed to the publication of its audit report on such financial statements in this official statement. Knox Cox & Company, L.L.P., was not requested to perform any updating procedures subsequent to the date of its audit report on the August 31, 2025, financial statements.

Updating of Official Statement

For the period beginning on the date of the award of the sale of the Bonds to the Underwriter and ending on the 91st day after the "end of the underwriting period" {as defined in SEC Rule 15c(2)-12(e)(2)}, if any event shall occur of which the District has knowledge and as a result of which it is necessary to amend or supplement the Official Statement in order to make the statements therein, in light of the circumstances when the Official Statement is delivered to a prospective purchaser, not misleading, the District will promptly notify the Underwriter of the occurrence of such event and will cooperate in the preparation of a revised Official Statement, or amendments or supplements thereto, so that the statements in the Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when such Official Statement is delivered to a prospective purchaser, be misleading.

Forward-Looking Statements

The statements contained in this Official Statement and in any other information provided by the District that are not purely historical are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies for the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this

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

Continuing Availability of Financial Information

Pursuant to Texas law, the District prepares its financial statements in accordance with generally accepted accounting principles and has its financial statements audited by a certified public accountant in accordance with generally accepted auditing standards within 120 days after the close of its fiscal year. The District's audited financial statements are required to be filed with the TCEQ within 135 days after the close of its fiscal year.

The District's financial records and audited financial statements are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of Radcliffe Adams Barner PLLC, 3355 West Alabama Street, Suite 350, Houston, Texas 77098.

Certification as to Official Statement

The District, acting by and through its Board of Directors in its official capacity and in reliance upon the consultants listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements, and descriptions pertaining to the District and its affairs herein contain no untrue statements 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 were made, not misleading. The information, descriptions and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation of such matters and makes no representation as to the accuracy or completeness thereof.

This Official Statement was approved by the Board of Directors of Brookshire Municipal Water District as of the date shown on the cover page.

APPENDIX A

BROOKSHIRE MUNICIPAL WATER DISTRICT
ANNUAL FINANCIAL REPORT
AUGUST 31, 2025

BROOKSHIRE MUNICIPAL WATER DISTRICT

BROOKSHIRE, TEXAS

FINANCIAL REPORT

August 31, 2025

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C O N T E N T S

--ooOoo--

Knox Cox & Company, L.L.P.

Certified Public Accountants

8410 Highway 90A, Suite 150 | Sugar Land, Texas 77478
main: 346-772-2860 | fax: 346-772-2853

Independent Auditors' Report

Board of Directors
Brookshire Municipal Water District
Waller County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Brookshire Municipal Water District (the "District") as of and for the year ended August 31, 2025, 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 Brookshire Municipal Water District as of August 31, 2025, 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.

Responsibility of Management for the Financial Statements

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

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

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 perform audit procedures responsive to those risks. Such procedures including 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, we express no such opinion.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
- 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 budgetary comparison information on pages 3 through 8 and 34, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information (TSI) listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Kemp Cox & Co. LLP

Sugar Land, Texas
February 17, 2026

Management's Discussion and Analysis

As management of Brookshire Municipal Water District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2025.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by $4,921,214 (Net Position).
- As of August 31, 2025, the District's governmental funds reported an ending fund balance of $2,553,770.
- The District's cash balance at August 31, 2025 was $3,123,548, representing an increase of $352,720 from August 31, 2024.
- The District had general revenues of $3,707,820 and a change in net position of $304,220 for the year ended August 31, 2025.
- At the end of the fiscal year, unrestricted and unassigned fund balance for the General Fund was ($30,756), or a negative 0.9 percent of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that did not affect cash flows in this fiscal period (e.g., depreciation).

The government-wide financial statements present functions of the District that are provided from funding sources (governmental activities). The government-wide financial statements can be found on pages 10-13 of this report.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the District consist solely of governmental funds (the General Fund, Debt Service Fund and Capital Project Fund).

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

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide an adjustments column to facilitate this comparison between the governmental funds and g*overnmental activities*. The basic governmental fund financial statements can be found on pages 10-13 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 38 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found on pages 41 through 48 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by $4,921,214 as of August 31, 2025.

The largest portion of the District's net position reflects its net investment in capital assets (e.g. infrastructure). The District uses these capital assets to provide services to the customers we serve; consequently, these assets are not available for future spending.

Additionally, a portion of the District's net position represents unrestricted financial resources available for future operations. The District has a unrestricted net position of $58,249 as of August 31, 2025.

SUMMARY OF STATEMENT OF NET POSITION

	Governmental Activities	
	2025	**2024**
Current and other assets	$ 3,650,310	$ 3,263,851
Capital assets, net	4,684,115	4,919,061
Total Assets	8,334,425	8,182,912
Deferred Outflows	16,996	28,518
Long-term liabilities	2,505,044	2,627,463
Other liabilities	875,967	961,720
Total Liabilities	3,381,011	3,589,183
Deferred Inflows	49,196	5,253
Net Position:		
Net investment in capital assets	4,513,596	4,451,279
Restricted	349,369	323,338
Unrestricted	58,249	(157,623)
Total Net Position	$ 4,921,214	$ 4,616,994

Net position of the District, all of which relate to governmental activities, increased by $304,220. Key elements of the increase are as follows:

CHANGES IN NET POSITION

	Governmental Activities	
	2025	**2024**
Revenues		
Water and sewer charges	$ 3,148,118	$ 2,958,509
Property taxes, penalties and interest	171,935	136,455
Tap connection fees	106,909	304,492
Impact fees	125,161	87,707
Investment income and other	155,697	200,565
Total Revenues	3,707,820	3,687,728
Expenses		
Personnel services	458,086	382,137
Purchased and contracted services	511,648	515,053
Operating costs and consumable materials	598,801	557,755
Professional fees	312,262	187,995
Repairs and maintenance	1,198,739	1,241,308
Debt Service	37,618	40,809
Depreciation and amortization	286,446	175,681
Total Expenses	3,403,600	3,100,738
Other Financing Sources		
Capital contributions		428,585
Change in Net Position	304,220	1,015,575
Net position, beginning	4,616,994	3,601,419
Net Position, Ending	$ 4,921,214	$ 4,616,994

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's governmental funds are discussed below:

Governmental Funds - The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, fund balances may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

As of August 31, 2025, the District's governmental funds, which consist of a general fund, debt service fund and capital project fund reported an ending fund balance of $2,553,770 which is an increase of $365,548 from last year's total of $2,188,222. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents a negative .9% percent of total general fund expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The District's investment in capital assets as of August 31, 2025 amounts to $4,684,115 (net of accumulated depreciation). This investment in capital assets includes infrastructure.

CAPITAL ASSETS SCHEDULE
(net of depreciation)

	Governmental Activities	
	2025	**2024**
Capital assets not being depreciated:		
Land	$ 227,468	$ 227,468
Construction in progress		2,272,465
	227,468	2,499,933
Capital assets being depreciated:		
Buildings	340,345	340,345
Furniture and equipment	755,328	737,821
Water system	4,119,529	1,847,064
Wastewater system	5,437,837	5,437,837
	10,653,039	8,363,067
Less: accumulated depreciation	(6,196,392)	(5,943,939)
	4,456,647	2,419,128
Total Capital Assets, Net	$ 4,684,115	$ 4,919,061

Additional information on the District's capital assets can be found in Note 6 in the notes to financial statements.

LONG-TERM DEBT

As of August 31, 2025, the District has a total bonded debt outstanding of $2,430,000. Interest expense for the 2025 fiscal year totaled $30,685 on this bonded debt. The District's outstanding bonds have maturities ranging from 2026 to 2048. Additional information on the District's long-term debt can be found in Note 7 in the notes to the financial statements.

ECONOMIC FACTORS

Unrestricted and unassigned fund balance in the General Fund increased by $155,113 to a negative $30,756. An increase of $9,304 was projected. The District continues to develop plans to increase revenues and decrease expenditures in the near future to help resolve the General Fund deficit.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Brookshire Municipal Water District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Brookshire Municipal Water District 4004 6th Street, Brookshire, Texas 77423.

FINANCIAL STATEMENTS

Brookshire Municipal Water District

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

August 31, 2025

	General	Debt Service	Capital Projects
Assets and Deferred Outflows			
Cash and temporary investments	$ 1,046,185	$ 348,739	$ 1,728,624
Receivables:			
Property taxes		15,828	
Customer service accounts, net	289,235		
Other receivables	800		
Internal receivables			524,636
Net pension asset			
Capital assets, net of accumulated depreciation:			
Land			
Building and equipment			
Infrastructure			
Total Assets	1,336,220	364,567	2,253,260
Deferred Outflows of Resources			
Deferred outflows- pension and OPEB			
Total Deferred Outflows of Resources			
Total Assets and Deferred Outflows	$ 1,336,220	$ 364,567	$ 2,253,260
Liabilities, Deferred Inflows and Fund Balances/Net Position			
Accounts payable and accrued liabilities	284,022	15,198	
Customer deposits	271,553		
Developer deposits	289,040		
Internal payables	522,361		2,275
OPEB liability			
Long-Term Liabilities:			
Compensated absences			
Accrued interest on bonds			
Unamortized bond discount			
Current portion of bonds			
Current portion of notes payable			
Long-term portion of bonds			
Long-term portion of notes payable			
Total Liabilities	1,366,976	15,198	2,275
Deferred Inflows of Resources			
Deferred inflows - pension and OPEB			
Unavailable revenue - property taxes		15,828	
Total Deferred Inflows of Resources			
Fund Balances/Net Position			
Fund Balances:			
Restricted for debt service		333,541	
Restricted for capital projects			2,250,985
Unrestricted and unassigned	(30,756)		
Total Fund Balances	(30,756)	333,541	2,250,985
Total Liabilities, Deferred Inflows and Fund Balances	$ 1,336,220	$ 364,567	$ 2,253,260
Net Position:			
Net investment in capital assets			
Restricted			
Unrestricted			
Total Net Position			

See Notes to Financial Statements.

Exhibit B(1)

Total	Adjustments (Note 2)	Statement of Net Position
$ 3,123,548	$	$ 3,123,548
15,828		15,828
289,235		289,235
800		800
524,636	(524,636)	
	220,899	220,899
	227,468	227,468
	313,515	313,515
	4,143,132	4,143,132
3,954,047	4,380,378	8,334,425
	16,996	16,996
	16,996	16,996
$ 3,954,047		
299,220		299,220
271,553		271,553
289,040		289,040
524,636	(524,636)	
	16,154	16,154
	25,071	25,071
	1,688	1,688
	(10,184)	(10,184)
	110,000	110,000
	18,059	18,059
	2,320,000	2,320,000
	40,410	40,410
1,384,449	1,996,562	3,381,011
	49,196	49,196
15,828	(15,828)	
	33,368	49,196
333,541	(333,541)	
2,250,985	(2,250,985)	
(30,756)	30,756	
2,553,770	(2,553,770)	
$ 3,954,047		
	4,513,596	4,513,596
	349,369	349,369
	58,249	58,249
	$ 4,921,214	$ 4,921,214

Brookshire Municipal Water District

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year Ended August 31, 2025

	General	Debt Service	Capital Projects
Revenues			
Water and sewer service charges	$ 3,148,118	$	$
Property taxes		101,449	
Penalties and interest	61,785	4,924	
Tap connection and permit fees	106,909		
Impact Fees			125,161
Investment earnings	6,342	795	63,020
Other	85,540		
Total Revenues	3,408,694	107,168	188,181
Expenditures/Expenses			
Current:			
Personnel services	502,689		
Purchased and contracted services	511,648		
Consumable materials and supplies	66,806		
Operating costs	531,995		
Professional fees	274,066	38,196	
Repairs and maintenance	1,198,739		
Capital Outlay	51,500		
Debt Service			
Principal	91,156	35,000	
Interest and fiscal charges	14,982	21,718	
Depreciation and amortization			
Total Expenditures/Expenses	3,243,581	94,914	
Excess (Deficiency) of Revenues Over (Under) Expenditures	165,113	12,254	188,181
Other Financing Sources (Uses)			
Capital contributions			
Internal transfers	(10,000)	10,000	
Total Other Financing Sources (Uses)	(10,000)	10,000	
Change in Fund Balance	155,113	22,254	188,181
Change in Net Position			
Fund Balances/Net Position - Beginning	(185,869)	311,287	2,062,804
Fund Balances/Net Position - Ending	$ (30,756)	$ 333,541	$ 2,250,985

See Notes to Financial Statements.

Exhibit B(2)

Total	Adjustments (Note 2)	Statement of Activities
$ 3,148,118	$	$ 3,148,118
101,449	3,777	105,226
66,709		66,709
106,909		106,909
125,161		125,161
70,157		70,157
85,540		85,540
3,704,043	3,777	3,707,820
502,689	(44,603)	458,086
511,648		511,648
66,806		66,806
531,995		531,995
312,262		312,262
1,198,739		1,198,739
51,500	(51,500)	
126,156	(126,156)	
36,700	918	37,618
	286,446	286,446
3,338,495	65,105	3,403,600
365,548	(61,328)	
365,548	(365,548)	
	304,220	304,220
2,188,222	2,428,772	4,616,994
$ 2,553,770	$ 2,367,444	$ 4,921,214

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NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform with accounting principles generally accepted in the United States of America. The following is a summary of the most significant policies:

A. Reporting Entity

Brookshire Municipal Water District (District) was created by the 51st Legislature of Texas in 1951 and confirmed by the electorate. The Board of Directors held its first meeting in February 1952 and the first bonds were sold in March 1952.

In 2022, the District converted from a water control and improvement district operating under Chapters 49 and 51 of the Texas Water Code to a municipal utility district operating under Chapters 49 and 54 of the Texas Water Code.

The District is a political subdivision of the State of Texas governed by an elected five member board and is considered a primary government. As required by generally accepted accounting principles, these general purpose financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District's financial reporting entity. Based on these considerations, no other entities, organizations, or functions have been included in the District's financial reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the District's financial reporting entity are based on criteria prescribed by accounting principles generally accepted in the United States of America. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining whether the District's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Although not considered significant in the District's reporting entity evaluation, other prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The District's primary activities include construction, maintenance, and operation of water and sewer system facilities and debt service on bonds issued to construct the facilities.

Financial Statement Presentation

Management's Discussion and Analysis - GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis that private sector companies provide in their annual reports.

Government-wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities, but also capital assets and long-term liabilities (such as buildings and infrastructure and general obligation debt). Accrual accounting reports all of the revenues and costs of providing services each year, not just those received or paid in the current or soon thereafter, as is the case with the modified accrual basis of accounting. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report related depreciation expense, the cost of "using up" capital assets, in the Statement of Activities. The net position of a government is broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Fund Financial Statements - These statements focus on the District's major funds and are prepared using the modified accrual basis of accounting.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the primary government and its component units, as applicable. The effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The District had no business-type activities or component units as of and for the year ended August 31, 2025.

The governmental funds financial statements consist of the balance sheet and statement of revenues, expenditures and changes in fund balance. These financial statements have been adjusted to arrive at the government-wide financial statement balances (statement of net position and statement of activities). Major individual governmental funds are reported as separate columns in the fund financial statements.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental funds financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the current fiscal period. Revenues accrued include interest earned on investments and income from District operations. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service requirements, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Governmental Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the following fund balance categories:

Nonspendable:
: To indicate fund balance associated with inventories, prepaids, long-term loans and notes receivable and property held for resale (unless the proceeds are restricted, committed or assigned).

Restricted:
: To indicate fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed:
: To indicate fund balance that can be used only for the specific purposes determined by a formal action of the Board of Directors (the District's highest level of decision-making authority).

Assigned:
: To indicate fund balance to be used for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned:
: To indicate the residual classification of fund balance in the General Fund and includes all spendable amounts not contained in the other classifications.

In circumstances where an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned and unassigned.

GASB 54 requires disclosure of any formally adopted minimum fund balance policies. The District does not currently have any such policies.

The accounting system is organized on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which comprise its assets, liabilities, fund equity or deficit, revenues and expenditures.

The District reports the following governmental funds:

General Fund
The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not properly includable in other funds. The principal sources of revenue are related to water and sewer service operations. Expenditures include all costs associated with the daily operations of the District.

Debt Service Fund
The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes pursuant to requirements of the district's bond resolutions. Expenditures include costs incurred in assessing and collecting these taxes.

Capital Project Fund
The Capital Projects Fund is used to account for expenditure of bond proceeds for the construction of the District's water and sewer facilities.

C. Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist of differences related to the District's pension plan.

D. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of unearned tax revenues and differences related to the District's pension and OPEB plans.

E. Budget

An unappropriated budget is adopted for the General Fund. The budget is prepared using the same method of accounting as for financial reporting and serves as a planning tool. Encumbrance accounting is not utilized.

F. Investments

The District classifies investments that have a remaining maturity of one year or less at the date of purchase as "money market investments" in accordance with Governmental Accounting Standards Board Statement No. 31, "Accounting and Reporting for Certain Investments and External Investment Pools" (Statement No. 31). Statement No. 31 defines "money market investments" as short-term, highly liquid debt instruments including commercial paper, banker's acceptances and U.S. Treasury and agency obligations. The District values its "money market investments" at cost, which is considered to approximate market value. The District's certificates of deposit, if any, are recorded at cost in accordance with Statement No. 31.

In December 2015, GASB issued Statement No. 79 titled "Certain External Investment Pools and Pool Participants" in response to the Securities and Exchange Commission's amendments in 2014 to regulations that apply to money market funds. Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. If the external investment pool meets the criteria in Statement No. 79 and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes.

G. Short-Term Internal Receivables/Payables

During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payables are classified as internal receivables and payables on the combined balance sheet. These amounts are eliminated for government-wide presentation.

H. Interfund Transactions

During the course of operations, transactions occur between individual funds for specified purposes. If there is an intent to repay, then these receivables and payables are classified as internal receivables and payables on the combined balance sheet. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended, with no intent to repay. The interfund receivables/payables and operating transfers are eliminated for government-wide presentation.

I. Unamortized Bond Premium or (Discount)

Included within long term liabilities are the unamortized bond premiums or (discount). They are being amortized over the life of the related obligation on the straight-line method. Results obtained are not materially different from the interest method.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the government-wide financial statements. Capital assets, other than infrastructure items, are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.
Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

Asset Description	Estimated Useful Life
Land	N/A
Building and equipment	5-40 years
Water system	25 years
Wastewater system	25years

K. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums or discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of any applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums or discounts during the current period. The face amount of new debt issued is reported as other financing sources. Premiums are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Compensated Employee Absences

The District provides employees with vacation, sick leave, and personal time off (compensated absences) that accumulates and can be settled for cash and/or time off. The District recognizes a liability for compensated absences for leave that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (paid in cash) during or upon separation from employment.

Vested or accumulated general leave that is expected to be liquidated with expendable available financial resources is reported as expenditures and a fund liability. Amounts of vested or accumulated leave that are not expected to be liquidated with expendable available financial resources are maintained separately and represents a reconciling item between the fund and government-wide presentation. At August 31, 2025, amounts accrued for compensated employee absences are $25,071.

During the current fiscal year, the District adopted the provisions of GASB statement No.101, Compensated Absences. Prior period financial statements were not restated as the impact of the new standard was not considered material.

M. Fund Equity

Reserved/restricted equity balances represent those portions of fund balance/net position not appropriable for expenditures/expenses or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. Undesignated/unrestricted fund balances/net position represent available balances for the District's future use.

When both restricted and unrestricted resources are available for use, it is the District's policy to used restricted resources first, then unrestricted resources as they are needed.

N. Revenue Recognition

Water and Sewer impact fees The District records water and sewer impact fees as revenues. Corresponding cash is recorded as a restricted asset for future expansion of the District's Water and Wastewater systems.

O. Pensions

For purposes of measuring the net pension liability, assets, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County and District Retirement System

(TCDRS) and additions to/deductions from TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. Estimates

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

Q. Reclassifications

Certain reclassifications to prior year balances have been made to conform to current year presentation. Such reclassifications have had no effect on the excess of revenues over expenditures.

R. Date of Management's Review

Subsequent events have been evaluated through February 17, 2026, which is the date the financial statements were available to be issued.

Brookshire Municipal Water District

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes an adjustments column to arrive at the government-wide statement of net position balances. Amounts reported in the statement of net position are different because:

Total fund balances - governmental funds	$	2,553,770
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		4,684,115
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds.		-
Net pension asset is not a financial resource and is not report in the funds.		220,899
OPEB liability is not a financial resource and is not report in the funds.		(16,154)
Deferred inflows and outflows of resources related to changes in net pension asset and OPEB Liability that are not reported in the funds.		(32,200)
Property tax revenue recognition and other deferred inflows of resources are subject to availability of funds in the fund financial statements.		15,828
Some liabilities, are not due and payable in the current period, and therefore are not reported in the funds (compensated absences)		(25,071)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.		(2,479,973)
Net Position of Governmental Activities	$	4,921,214

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes an adjustments column to arrive at changes in net position as reported in the government-wide statement of activities. Amounts reported in the statement of activities are different because:

Net change in fund balances - total governmental funds	$	365,548
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated lives and reported as depreciation expense. This is the amount by which capital outlay and capital contributions exceeded depreciation in the current period		(234,946)
Repayment of bond principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		126,156
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		3,777
Some expenses reported in the statement of activities do not require the use of current resources and are not report as expenses in the funds.		43,685
Change in Net Position of Governmental Activities	$	304,220

NOTE 3 - CASH AND TEMPORARY INVESTMENTS

Cash consists of interest-bearing checking accounts and temporary investments consist of investments in TexPool and Texas Class. The carrying amounts for cash and temporary investment balances, which approximate fair values, by fund at August 31, 2025, are as follows:

	Checking	TexPool	Texas Class	Total
General	$ 802,675	$ 1,296	$ 242,214	$ 1,046,185
Debt Service	348,739			348,739
Capital Projects	357,740		1,370,884	1,728,624
	$ 1,509,154	$ 1,296	$ 1,613,098	$ 3,123,548

Investment Policies

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investments of the District are in compliance with its investment policy.

Applicable state laws and regulations allow the District to invest its funds in direct or indirect obligations of the United States, the State, or any county, city, school district, or other political subdivision of the State. Funds may also be placed in certificates of deposit of state or national banks or savings and loan associations (depository institutions) domiciled within the State. Related state statutes and provisions included in the District's bond resolutions require that all funds invested in depository institutions be guaranteed by federal depository insurance and/or be secured in the manner provided by law for the security of public funds. Balances in checking accounts in depository institutions were entirely guaranteed by federal depository insurance or security as provided by statutes and bond provisions at August 31, 2025.

Investment Pools

The District participates in TexPool, The Texas Local Government Investment Pool. The State Comptroller of Public Accounts (the "Comptroller") administers TexPool, as a public funds investment pool through the Texas Treasury Safekeeping Trust Company (The "Trust Company"). The Comptroller is the sole officer, director, and shareholder of the Trust Company and thus maintains oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. The Comptroller has established an advisory board composed of both participants in TexPool and other qualified persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

The District participates in Texas Cooperative Liquid Assets Securities System ("Texas Class"), an external investment pool that is not registered with the Security and Exchange Commission. Texas Class is supervised by the Board of Trustees, each of whom is elected by the Participants. The Board of Trustees supervises the Trust and acts as a liaison between Participants, the Custodian and the Program Administrator. Wells Fargo Bank, NA serves as Custodian of the Trust. Public Trust Advisors, LLC serves as Program Administrator.

In compliance with Governmental Accounting Standards Board ("GASB") Statement No. 79, TexPool and Texas Class use amortized cost (which excludes unrealized gains and losses) to compute share price. An external investment pool qualifies for amortized cost reporting if it transacts with its participants at a stable net asset value per share and meets various portfolio maturity, quality, diversification liquidity and pricing requirements. There are no limitations or restriction on withdrawal of either pool.

Interest Rate Risk
In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than two years to meet cash requirements for ongoing operation.

Credit Risk – Investments
In accordance with its investment policy, the District minimized credit risk losses due to default of a security issuer or backer, by limiting investments to the safest types of securities. As the District's investments are in investment pools, the District is not exposed to custodial credit risk.

NOTE 4 - PROPERTY TAXES

All property values are determined by the Waller County Appraisal District. A tax lien attaches to all properties within the District on January 1st of each year. Taxes are generally levied on October 1 and are due upon receipt of the tax bill by the property owner. Penalties and interest are charged if taxes are not paid by the succeeding January 31st. There is an additional twenty percent penalty charged on accounts delinquent after July 1st and delinquent personal property after April 1st of each year which generally is payable to the District's delinquent tax attorney.

The voters of the District have authorized the District's Board of Directors to levy maintenance taxes annually, for Defined Area No. 1, for use in financing general operations limited to the maximum amount of $1.50 per $100 of assessed value.

Property taxes are prorated between operations and debt service based on the respective rates adopted for the year of the levy. For the current year, the District levied a combined rate of $0.014 per $100 of assessed valuation of which all was allocated to debt service. The resulting tax levy was $93,199 on the adjusted taxable valuation of $665,707,133.
for the 2024 tax year.

There were no tax levied for the Defined Area for the District's 2024 tax year.

Property taxes receivable at August 31, 2025, consisted of the following:

	Debt Service Fund	Total
2024 Levy	$ 8,381	$ 8,381
2023 Levy	2,445	2,445
2022 Levy	1,131	1,131
2021 Levy	663	663
2010 and prior	3,208	3,208
Total Property Taxes Receivable	$ 15,828	$ 15,828

NOTE 5 - RECEIVABLES

Receivables as of year-end for the government's individual major funds are as follows:

	General	Debt Service	Total
Receivables:			
Taxes	$	$ 15,828	$ 15,828
Accounts	289,235		289,235
Other	800		800
Total Receivables	$ 290,035	$ 15,828	$ 305,863

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	Unavailable
Delinquent property taxes receivable - debt service fund	$ 15,828
Total Deferred Inflows for Governmental Funds	$ 15,828

NOTE 6 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended August 31, 2025, follows:

	Sept. 1, 2024	Increases	(Decreases)	Aug. 31, 2025
Governmental Activities:				
Non-depreciable Assets:				
Land	$ 227,468	$	$	$ 227,468
Construction in progress	2,272,465		(2,272,465)	
Total Non-depreciable Assets	2,499,933		(2,272,465)	227,468
Depreciable Assets:				
Buildings and improvements	340,345			340,345
Vehicles and equipment	737,821	51,500	(33,993)	755,328
Water system	1,847,064	2,272,465		4,119,529
Wastewater system	5,437,837			5,437,837
Total Depreciable Assets	8,363,067	2,323,965	(33,993)	10,653,039
Less Accumulated Depreciation	(5,943,939)	(286,446)	33,993	(6,196,392)
Totals	$ 4,919,061	$ 2,037,519	$ (2,272,465)	$ 4,684,115

Depreciation expense for the year ended August 31, 2025, totaled $286,446.

Brookshire Municipal Water District

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM DEBT

Long-term debt consists of bonds payable. Payments of principal and interest on the bonds are to be provided from tax levies on properties within the District and revenues earned by the District. Investment income realized by the Debt Service Fund from investment of funds will be used to pay outstanding bond principal and interest.

The following is a summary of changes in bonds payable for the year ended August 31, 2025:

Bonds payable, September 1, 2024	$	2,540,000
Bonds retired		(110,000)
Bonds Payable, August 31, 2024	**$**	**2,430,000**

Bonds payable at August 31, 2025, are comprised of the following individual issues:

	Amounts Outstanding	Interest Rate	Date Serially Begin/End	Maturity Interest Dates	Callable Date
2013	$510,000	1.70% - 3.60%	1-Aug 2014/2036	Feb. 1/ August 1	August 1, 2021*
2019A	$850,000		1-Aug 2020/2048	Feb. 1/ August 1	February 1, 2030*
2019B	$1,070,000	.06% - 1.14%	1-Aug 2021/2048	Feb. 1/ August 1	February 1, 2030*

* Or any interest payment date thereafter in accordance with redemption provisions of the bond resolution.

As of August 31, 2025, the debt service requirements on bonds outstanding for the next five fiscal years to maturity through 2048 are as follow:

Year	Principal	Interest	Total
2026	$ 110,000	29,397	$ 139,397
2027	110,000	28,024	138,024
2028	115,000	26,489	141,489
2029	115,000	24,724	139,724
2030	120,000	22,937	142,937
2031-2035	785,000	91,596	876,596
2036-2040	425,000	27,739	452,739
2041-2045	460,000	15,035	475,035
2046-Thereafter	190,000	1,876	191,876
	$ 2,430,000	$ 267,817	$ 2,697,817

At August 31, 2025, the District had authorized and unissued tax bonds in the amount of $32,000,000.

Defined Area No. 1 has tax bonds authorized by the voters in the amount of $38,000,000. No bonds have been issued related to the Defined Area No. 1 as of August 31, 2025.

Notes Payable
In July 2022, The District financed the purchase of two vehicles with two seventy-five month notes payable. The notes carry an interest rate of 9.88% and are payable in monthly principal and interest payments of $972 and $933. As of August 31, 2025, the notes have a combined outstanding balance of $58,469.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2025, was as follows:

	Balance Sept. 1, 2024	Additions	Reductions	Balance Aug. 31, 2025	Amounts Due within One Year
Governmental Activities:					
General obligation tax bonds	$ 545,000	$	$ (35,000)	$ 510,000	$ 35,000
Revenue bonds	1,995,000		(75,000)	1,920,000	75,000
Unamortized bond discount	(11,203)		1,019	(10,184)	
Notes payable	74,625		(16,156)	58,469	18,059
Compensated absences	22,252	2,819		25,071	
Total Long-term Debt	2,625,674	2,819	(125,137)	2,503,356	128,059

The change in compensated absences is report as a net change.

The Debt Service Fund has $333,541, available to service the above bonds, which includes $251,731 to meet Reserve and Sinking and Interest Fund requirements, as set forth in the District's 2019A and 2019B Bond Order.

NOTE 8 – PENSION PLAN

Plan Description

The District provides retirement, disability, and death benefits for all full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The TCDRS Board of Trustees is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of more than 760 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from the Board or Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or online at www.tcdrs.org.

The plan provisions are adopted by the governing body of the employer within the options available in the Texas state statues governing TCDRS (TCDRS Act). Members can retire at ages

60 and above with 10 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 10 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

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

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	24
Active employees	9
Totals	37

Funding Policy/Contributions

The employer has chosen a Fixed-Rate plan under the provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. The contribution rate of the employee is a fixed percent equal to the 7% deposit rate payable by the employee members as adopted by the governing body of the employer. Under the TCDRS Act, the contribution rate of the employer is actuarially determined on a calendar year basis. The employer contributed using the actuarially determined rate of 7.07% and 7.32% for 2024 and 2025 respectively. Total employer contributions for the year ended August 31, 2025 was $25,917.

Actuarial Assumptions

The Net Pension Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which the contributions are reports.
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and services. 4.7% average over career including inflation
Investment Rate of Return	7.50%, net of adminstrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the PUB-2010 General Retiree Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2025 information for a 10 year time horizon. Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumptions at their March 2021 meeting. The assumption for the long-term is reviewed annually for continued compliance with the relevant actuarial standards of practice.

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected Minus Inflation)
US Equity	13.0%	5.35%
Private Equity	25.0%	8.15%
Global Equities	4.0%	5.15%
International Equities-Developed	6.0%	4.75%
International Equities-Emerging	0.0%	4.75%
Investment-Grade Bonds	3.0%	2.55%
Strategic Credit	9.0%	3.70%
Direct Lending	16.0%	6.85%
Distressed Debt	4.0%	6.80%
REIT Equities	2.0%	3.95%
Master Limited Partnerships	2.0%	4.95%
Commodities	2.0%	1.00%
Private Real Estate Partnerships	6.0%	5.75%
Hedge Funds	6.0%	3.60%
Cash equivalents	2.0%	1.10%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.60%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 12/31/23	$ 2,098,774	$ 2,221,315	$ (122,541)
Changes for the year:			
Service cost	34,177		34,177
Interest on total pension liability	157,374		157,374
Effect of plan changes			
Effect of economic/demographic gains or losses	(24,178)		(24,178)
Effect of assumptions changes or inputs			
Refund of contributions	(6,984)	(6,984)	
Benefit payments	(119,824)	(119,824)	
Administrative expenses		(1,285)	1,285
Member contributions		22,929	(22,929)
Net investment income		224,714	(224,714)
Employer contributions		23,158	(23,158)
Other		(3,785)	3,785
Net Changes	40,565	138,923	(98,358)
Balance at 12/31/24	$ 2,139,339	$ 2,360,238	$ (220,899)

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

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

	1% Decrease in Discount Rate 6.60%	Current Discount Rate 7.60%	1% Increase in Discount Rate 8.60%
Total pension liability	$ 2,373,885	$ 2,139,339	$ 1,938,942
Fiduciary net position	2,360,238	2,360,238	2,360,238
District's net pension liability (asset)	$ 13,647	$ (220,899)	$ (421,296)

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

Pension Expense

		January 1, 2024 to December 31, 2024
Pension Expense		
Service cost	$	34,177
Interest on total pension liability (1)		157,374
Effect of plan changes		
Administrative expenses		1,285
Member contributions		(22,929)
Expected investment return net of investment expenses		(165,620)
Recognition of economic/demographic gains and losses		(2,386)
Recognition of assumption changes or inputs		
Recognition of investment gains and losses		(28,265)
Other (2)		3,785
Total Pension Expense	$	(22,579)

(1) Reflects the change in the liability due to the time value of money.

TCDRS does not charge fees or interest.

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

At August 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Inflows of Resources		Deferred Outflows of Resources
Differences between expected and actual economic experience	$	16,119	$	0
Changes in actuarial assumptions				
Net difference between projected and actual investment earnings		25,148		
Contributions subsequent to the measurement date				15,346
Totals	$	41,267	$	15,346

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

Year Ended Dec 31:		
2024	$	(28,125)
2025		24,532
2026		(25,855)
2027		(11,819)
2028		0
Thereafter		0

NOTE 9- OTHER POSTEMPLOYEMENT BENEFITS (OPEB)

The District participates in the retiree Group Term Life (GTL) program for the Texas County & District Retirement System (TCDRS), which is a statewide, multiple-employer, public employee retirement system. All full and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year and are eligible for the TCDRS pension plan. Only employers that have elected participation in the retiree GTL program are included in the OPEB plan.

The plan provides a $5,000 post-retirement death benefit to beneficiaries of service retirees and disability retirees of employees that have elected participation in the retiree GTL program. The OPEB benefit is a fixed $5,000 lump-sum benefit. No future increases are assumed in the $5,000 benefit amount.

Contributions made to the retiree GTL Program are held in the GTL Fund. The GTL fund does not meet the requirements of a trust under Paragraph 4b of GASB 75, as the assets of the GTL fund can be used to pay active GTL benefits which are not part of the OPEB plan.

Benefit terms are established under the TCDRS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of January 1, each year. The District's contribution rate for the retiree GTL program is calculated annually on an actuarial basis, and is equal to the cost of providing a one-year deal benefit equal to $5,000.

TCDRS issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and require supplementary information. This report is available at TCDRS' website at www.TCDRS.org.

At December 31, 2024, membership consisted of the following:

Current active members	9
Current inactive members	3
Current retirees	4
Totals	16

All actuarial assumptions and methods that determined the total OPEB liability as of December 31 2024 were based on the results of an actuarial experience study for the period January 1, 2017-December 31, 2020, except were required to be different by GASB 75.

Below is a schedule of significant assumptions used to estimate the District's total OPEB liability.

Actuarial Assumptions

Valuation Date	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which the contributions are reports.
Actuarial Cost Method	Entry Age Level Percent of Salary
Amortization Method	Straight-Line amortization over Expected Working Life
Asset Valuation Method	Does not apply
Inflation	Does not apply
Salary Increases	Does not apply
Investment Rate of Return	4.08% (20-year Bond GO Index published by bondbuyer.com as of 12/26/2024)
Mortality:	
Depositing Members	135% of the Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% of the Pub-2010 General Employee Amount-Weighted Mortality Tables for females, both projected with 100% of the MP-2010 Ultimate scale after 2010.
Service Retirees, Beneficiaries and Nondepositing Members	135% of the Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% of the Pub-2010 General Employee Amount-Weighted Mortality Tables for females, both projected with 100% of the MP-2010 Ultimate scale after 2010.
Disabled Retirees	160% of the Pub-2010 General Employees Amount-Weighted Mortality Table for males and 125% of the Pub-2010 General Employee Amount-Weighted Mortality Tables for females, both projected with 100% of the MP-2010 Ultimate scale after 2010.

Discount Rate

The TCDRS GTL program is treated as an unfunded OPEB plan because the GTL trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 4.08% based on the 20 Year bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2024.

Changes in the Total OPEB Liability

		Changes in Total OPEB Liability
Balance at 12/31/23	$	20,684
Changes for the year:		
Service cost		286
Interest on OPEB liability		682
Effect of plan changes		
Effect of economic/demographic gains or losses		(2,410)
Effect of assumptions changes or inputs		(2,990)
Benefit payments		(98)
Net Changes		(4,530)
Balance at 12/31/24	$	16,154

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

	1% Decrease in Discount Rate 3.08%	Current Discount Rate 4.08%	1% Increase in Discount Rate 5.08%
Total OPEB Liability	$ 19,891	$ 16,154	$ 13,270

At August 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience	$ 2,066	$ 167
Changes in actuarial assumptions	5,863	1,168
Contributions subsequent to the measurement date		315
Totals	$ 7,929	$ 1,650

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

Year Ended Dec 31:		
2024	$	(1,962)
2025		(1,960)
2026		(1,189)
2027		(771)
2028		(771)
Thereafter		(774)

NOTE 10 – 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 for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had any settlements or claims for the past three fiscal years.

NOTE 11 – DEVELOPMENT AGREEMENT

On March 4, 2019, The District signed a Facilities Development, Reimbursement and Out-of-District Service Agreement with Brookwood Communities ("Brookwood") for the construction, acquisition, expansion, operation and maintenance of additions and improvements to the District's water and wastewater system required to serve Brookwood properties as defined in the Agreement. Under the Agreement, the District agreed to share in facility construction costs (estimated to be $730,000). As of August 31, 2025, Brookwood has contributed $630,000 of which $201,415 remains and is recorded as a liability on the Districts financials.

NOTE 12 – DEFINED AREA

May 4, 2024, District voters approved the designation of a defined area ("Defined Area No. 1") and the issuance of $30,000,000 of water, sanitary sewer, drainage, and storm sewer system bonds, $30,000,000 of water, sanitary sewer, drainage, and storm sewer system refunding bonds, $8,000,0000 for parks and recreation facilities bonds and $8,000,0000 for parks and recreation facilities refunding bonds to service Defined Area No. 1, the imposition of defined area taxes sufficient to pay the principal and interest on such bonds, and the levy and collection of a defined area operation and maintenance tax not to exceed 1.50 per one hundred dollars valuation of taxable property within Defined Area No. 1. Any debt issued by Defined Area No. 1 will be the sole obligation of Defined Area No. 1. The District has not issued any bonds related to Defined Area No. 1 as of August 31, 2025.

NOTE 13 -DEFICIT FUND BALANCE

The District recorded an unrestricted and unassigned fund balance deficit in the General Fund of $30,756 for the year ending August 31, 2025. The negative unrestricted fund balance in the General Fund was primarily the result of repairs and maintenance expenditures exceeding expectations for the last several years. In fiscal year 2025, the District generated additional revenue through increase water rates initiated in prior years. As a result of the increased rates, the District's unassigned fund balance deficit in the General Fund decreased $155,113 from $185,869 to $30,756, Management expects prior year initiatives to alleviate the negative unrestricted and unassigned fund balance within the next couple of years.

REQUIRED SUPPLEMENTARY INFORMATION

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Brookshire Municipal Water District

Exhibit C(1)

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND

Year Ended August 31, 2025

	Budgeted Amounts			Variance
	Original	Final	Actual	Over (Under)
Revenues				
Water and sewer service charges	$ 2,900,000	$ 2,900,000	$ 3,148,118	$ 248,118
Penalties and interest	70,000	70,000	61,785	(8,215)
Tap connection and permit fees	85,000	85,000	106,909	21,909
Impact fees				
Investment earnings	12,000	12,000	6,342	(5,658)
Other	88,000	88,000	85,540	(2,460)
Total Revenues	3,155,000	3,155,000	3,408,694	253,694
Expenditures				
Current:				
Personnel services	615,000	615,000	502,689	(112,311)
Purchased and contracted	530,000	530,000	511,648	(18,352)
Consumable materials	124,000	124,000	66,806	(57,194)
Operating costs	398,150	398,150	531,995	133,845
Professional fees	214,200	214,200	274,066	59,866
Repairs and maintenance	1,194,346	1,194,346	1,198,739	4,393
Debt service	70,000	70,000	106,138	36,138
Capital Outlay			51,500	51,500
Total Expenditures	3,145,696	3,145,696	3,243,581	97,885
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,304	9,304	165,113	155,809
Other Financing Sources (Uses)				
Internal transfers related to impact fees				
Internal transfers			(10,000)	(10,000)
Total Other Financing Sources (Uses)			(10,000)	(10,000)
Change in Fund Balance	9,304	9,304	155,113	145,809
Fund Balances - Beginning	(185,869)	(185,869)	(185,869)	
Fund Balances - Ending	$ (176,565)	$ (176,565)	$ (30,756)	$ 145,809

Brookshire Municipal Water District

GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NOS. 67 & 68, *DEFINED BENEFIT PENSION PLAN*, SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Year Ended August 31, 2025

Year Ending December 31	2024	2023	2022	2021
Total Pension Liability				
Service cost	$ 34,177	$ 29,909	$ 27,372	$ 21,412
Interest on total pension liability	157,374	149,950	141,288	133,401
Effect of plan changes				
Effect of assumption changes or inputs				(2,958)
Effect of economic/demographic gains or (losses	(24,178)	11,347	12,600	16,453
Benefit payments	(126,808)	(69,825)	(69,825)	(71,123)
Net change in total pension liability	40,565	121,381	111,435	97,185
Total pension liability, beginning	2,098,774	1,977,393	1,865,958	1,768,773
Total Pension Liability, Ending (a)	$ 2,139,339	$ 2,098,774	$ 1,977,393	$ 1,865,958
Fiduciary Net Position				
Employer contributions	$ 23,158	$ 14,914	$ 13,163	$ 3,304
Member contributions	22,929	17,342	16,024	16,640
Investment income net of investment expenses	224,714	223,557	(126,047)	402,659
Benefit payments/refunds of contributions	(126,808)	(69,825)	(69,825)	(71,123)
Administrative expenses	(1,285)	(1,160)	(1,194)	(1,195)
Other	(3,785)	(1,064)	(3,876)	(938)
Net Change in Plan Fiduciary Net Position	138,923	183,764	(171,755)	349,347
Fiduciary net position, beginning	2,221,315	2,037,551	2,209,306	1,859,959
Fiduciary Net Position, Ending (b)	$ 2,360,238	$ 2,221,315	$ 2,037,551	$ 2,209,306
Net Pension Liability, Ending (a)-(b)	$ (220,899)	$ (122,541)	$ (60,158)	$ (343,348)
Fiduciary Net Position as a % of total pension liability	110.33%	105.84%	103.04%	118.40%
Covered Payroll	$ 327,551	$ 247,737	$ 228,920	$ 237,712
Net Pension Liability as a % of Covered Payroll	-67.44%	-49.46%	-26.28%	-144.44%

This schedule is presented to illustrate the requirement to show information for 10 years.

Exhibit C(2)

2020	2019	2018	2017	2016	2015
$ 19,086	$ 38,401	$ 37,164	$ 34,060	$ 21,974	$ 39,496
128,484	128,205	118,528	108,677	97,516	96,168
					(3,794)
86,879			10,261		14,292
6,051	(75,072)	8,513	(4,086)	24,228	(75,421)
(76,247)	(61,571)	(30,996)	(29,819)	(28,614)	(51,675)
164,253	29,963	133,209	119,093	115,104	19,066
1,604,520	1,574,557	1,441,348	1,322,255	1,207,151	1,188,085
$ 1,768,773	$ 1,604,520	$ 1,574,557	$ 1,441,348	$ 1,322,255	$ 1,207,151
$ 8,795	$ 8,704	$ 9,094	$	$ 7,301	$ 9,283
11,909	15,826	21,951	19,216	18,596	17,328
179,518	250,859	(29,013)	199,591	94,500	(18,190)
(76,247)	(61,571)	(30,996)	(29,819)	(28,614)	(51,675)
(1,361)	(1,325)	(1,227)	(1,036)	(1,027)	(939)
(1,471)	(1,026)	159	995	(1,808)	(12,694)
121,143	211,467	(30,032)	188,947	88,948	(56,887)
1,738,816	1,527,349	1,557,381	1,368,434	1,279,486	1,336,373
$ 1,859,959	$ 1,738,816	$ 1,527,349	$ 1,557,381	$ 1,368,434	$ 1,279,486
$ (91,186)	$ (134,296)	$ 47,208	$ (116,033)	$ (46,179)	$ (72,335)
105.16%	108.37%	97.00%	108.05%	103.49%	105.99%
$ 170,125	$ 226,080	$ 313,586	$ 274,509	$ 265,654	$ 247,536
-53.60%	-59.40%	15.05%	-42.27%	-17.38%	-29.22%

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Brookshire Municipal Water District

Exhibit C(3)

GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NOS. 67 & 68, *DEFINED BENEFIT PENSION PLAN*, SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended August 31, 2025

Fiscal Year Ended December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll *	Contribution as a % of Covered Payroll
2015	$ 9,283	$ 9,283	$	$ 247,536	3.8%
2016	7,301	7,301		265,654	2.7%
2017				274,509	
2018	9,094	9,094		313,586	2.9%
2019	8,704	8,704		226,080	3.8%
2020	8,795	8,795		170,125	5.2%
2021	3,304	3,304		237,712	1.4%
2022	13,163	13,163		228,920	5.8%
2023	14,914	14,914		247,737	6.0%
2024	23,158	23,158		327,551	7.1%

***** *Payroll is calculated based on contributions as reported to TCDRS.*

Actuarial Methods and Assumptions Used for Funding Policy

TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis. Payroll is calculated based on contributions as reported to TCDRS

Valuation Timing	Actuarial determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	0.0 years (based on contribution rate calculated in 12/31/2024 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	varies by age and service. 4.7% average over career including inflation
Investment Rate of Return	7.5%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retiree is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010
Changes in Plan Provisions Reflected in the Schedule	2024: No changes in plan provisions are reflected in the Schedule of Employer Contributions.

Brookshire Municipal Water District

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND REALTED RATIOS TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

Year Ended August 31, 2025

	2024	2023	2022	2021	2020
Total OPEB Liability					
Service Cost	$ 286	$ 192	$ 320	$ 242	$ 281
Interest (on the Total OPEB Liability)	682	669	523	460	477
Changes of assumptions or other inputs	(2,990)	1,946	(8,250)	90	2,991
Economic/demographic gains or losses	(2,410)	121	232	2,956	663
Benefit payments	(98)	(74)	(137)	(143)	(34)
Net Change in Total Liability	$ (4,530)	$ 2,854	$ (7,312)	$ 3,605	$ 4,378
Total OPEB liability, beginning	20,684	17,830	25,142	21,537	17,159
Total OPEB Liability, ending	$ 16,154	$ 20,684	$ 17,830	$ 25,142	$ 21,537
Covered Employee Payroll	$ 327,551	$ 247,737	$ 228,920	$ 237,712	$ 170,125
Net OPEB Liability as a Percentage of Covered Employee Payroll	4.93%	8.35%	7.79%	10.58%	12.66%

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

Exhibit C(4)

2019	2018	2017	2016	2015
$ 302	$ 364	$ 204	$ NA	$ NA
524	486	439	NA	NA
4,591	(2,094)	1,027	NA	NA
(720)	(3)	724	NA	NA
(45)	(31)	(55)	NA	NA
$ 4,652	$ (1,278)	$ 2,339	$ NA	$ NA
12,507	13,785	11,446	NA	NA
$ 17,159	$ 12,507	$ 13,785	$ NA	$ NA
$ 226,080	$ 313,586	$ 274,509	$ NA	$ NA
7.59%	3.99%	5.02%	NA	NA

Brookshire Municipal Water District

Exhibit C(5)

GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT OTHER POSTEMPLOYEMENT BENEFITS - SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended August 31, 2025

Fiscal Year Ended December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll *	Contribution as a % of Covered Payroll
2017	$ 55	$ 55	$	$ 274,509	0.020%
2018	31	31		313,586	0.010%
2019	45	45		226,080	0.020%
2020	34	34		170,125	0.020%
2021	143	143		237,712	0.060%
2022	137	137		228,920	0.060%
2023	74	74		247,737	0.030%
2024	98	98		327,551	0.030%

* *Payroll is calculated based on contributions as reported to TCDRS.*

Actuarial Methods and Assumptions Used for Funding Policy

TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 75 indicates the employer should report employer contribution amounts on a fiscal year basis. Payroll is calculated based on contributions as reported to TCDRS

Valuation Timing	Actuarial determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight-line method over expected working life
Asset Valuation Method	Does not apply
Inflation	Does not apply
Salary Increases	Does not apply
Investment Rate of Return	4.08% 20 year Bond GO Index published by bondbuyer.com as of December 26, 2024
Retirement Age	Members eligible for service retirement are assumed to retire at the later of age 60 and earliest retirement eligibility.
Mortality	135% of the Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% of the Pub-2010 General Employees Amount-Weighted Mortality for females, both projected with 100% of the MP-2021 Ultimate scale after 2010

ADDITIONAL INFORMATION

Brookshire Municipal Water District

SCHEDULE OF SERVICES AND RATES

Year Ended August 31, 2025

1. Services provided by the District:

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

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

___ Other (specify): ________

2. Retail rates based on 5/8" meter Retail rates not applicable

The most prevalent type of meter (if not a 5/8"): 1"

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons Over Minimum	Usage Levels
Water	23.75	2,500	N	$ 4.50	2,501 to 5,000
				$ 4.65	5,001 to 7,500
				$ 4.75	7,501 to 10,000
				$ 5.00	10,001 to 15,000
				$ 5.50	15,001 to 20,000
				$ 6.25	Over 20,000
Waste	26.50	2,500	N	$ 4.90	2,501 to 5,000
				$ 5.05	5,001 to 7,500
				$ 5.20	7,501 to 10,000
				$ 5.50	10,001 to 15,000
				$ 6.15	15,001 to 20,000
				$ 4.15	Over 20,000

Surcharge 0 Per 1,000 Groundwater Reduction Plan Fee

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

Total water and sewer charges per 10,000 gallons usage (including surcharges) 122.88

3. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
< or = .75"	1,832	1,722	x 1.0	1,722
1"	58	54	x 2.5	135
1.5"	15	14	x 5.0	70
2"	50	46	x 8.0	368
3"	13	12	x 15.0	180
4"	6	6	x 25.0	150
6"	2	1	x 50.0	50
8"	1	1	x 80.0	80
Total Water	1,977	1,856		2,755
Total Wastewater	1,763	1,734	x 1.0	1,734

4. Total Water Consumption (In Thousands) During the Fiscal Year:

Gallons pumped into system:	277,533,000
Gallons billed to customers:	158,132,080
Percent of gallons billed to pumped	57.0%

5. Standby Fees: Does the District assess standby fees? Yes ___ No _X_

For the most recent full fiscal year:

Debt Service:	Total levy	$
	Total collected	$
	Percentage collected	%
Operation & Maintenance	Total levy	$
	Total collected	$
	Percentage collected	%

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

6. Location of District:

County in which District is located. Waller

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

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

City in which District is located. Brookshire

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

Entirely ____ Partly _X_ Not at all ___

ETJ's in which District is located. ____________________

Is the general membership of the Board appointed by an office outside the District?

Yes ___ No _X_

If yes, by whom? ____________________

Brookshire Municipal Water District

TSI-2

SCHEDULE OF GENERAL FUND EXPENDITURES

Year Ended August 31, 2025

Current	
Personnel Services	$ 502,689
Purchased and Contracted Services:	
Utilities	241,130
Sludge removal	174,941
Other	95,577
	511,648
Consumable Materials and Supplies:	
Materials and maintenance	20,389
Chemicals	37,725
Other	8,692
	66,806
Repairs and Maintenance	1,198,739
Operating Costs:	
Field office	69,866
Bluebonnet groundwater	20,506
Conferences	39,455
Directors fees	35,581
Insurance	40,659
Tap connections	10,387
Other	315,541
	531,995
Professional Fees:	
Legal	83,380
Engineering	150,516
Audit	15,750
Bookkeeper	24,420
	274,066
Capital Outlay	51,500
Debt Service	106,138
Total Expenditures	$ 3,243,581

Brookshire Municipal Water District

TSI-3

SCHEDULE OF CASH AND TEMPORARY INVESTMENTS

Year Ended August 31, 2025

Funds	Interest Rate (%)	Maturity Date	Balances at August 31, 2025	Accrued Interest
General Fund				
Checking	N/A	N/A	$ 802,675	$
TexPool	Variable	N/A	1,296	
Texas Class	Variable	N/A	242,214	
Total General Fund			1,046,185	
Debt Service Fund				
Checking	N/A	N/A	$ 348,739	$
Total Debt Service Fund			348,739	
Capital Projects Fund				
Checking	N/A	N/A	$ 357,740	$
Texas Class	Variable	N/A	1,370,884	
Total Capital Projects Fund			1,728,624	
Total - All Funds			$ 3,123,548	$ -0-

Brookshire Municipal Water District

TSI-4

ANALYSIS OF TAXES LEVIED AND RECEIVABLE

Year Ended August 31, 2025

	General Fund	Debt Service Fund	Total
Taxes Receivable - September 01, 2024	$	$ 12,051	$ 12,051
Adjustments		12,027	12,027
2024 Original Tax Roll		93,306	93,306
Additions and corrections		(107)	(107)
Adjusted tax roll		93,199	93,199
Total to be Accounted for		117,277	117,277
Tax Collections			
Current year		84,818	84,818
Prior years		16,631	16,631
Total Collections		101,449	101,449
Taxes Receivable - August 31, 2025	$	$ 15,828	$ 15,828
Taxes Receivable - By Year			
2024	$	$ 8,381	$ 8,381
2023		2,445	2,445
2022		1,131	1,131
2021		663	663
2020 and prior		3,208	3,208
Taxes Receivable - August 31, 2025	$	$ 15,828	$ 15,828

Assessed Property Valuations	2024	2023	2022	2021	2020
Land, improvements and personal property	$ 665,707,133	$ 639,033,960	$ 547,767,754	$ 442,313,833	$ 391,900,000
	$ 665,707,133	$ 639,033,960	$ 547,767,754	$ 442,313,833	$ 391,900,000
Tax Rates Per $100 Valuations					
Debt service	$ 0.014	$ 0.009	$ 0.010	$ 0.012	$ 0.015
General operations					
Total Tax Rate per $100 Valuation	$ 0.014	$ 0.009	$ 0.010	$ 0.012	$ 0.015
Adjusted Tax Levy	$ 93,199	$ 57,513	$ 54,777	$ 53,078	$ 58,785

Year Ended August 31, 2025	**All Taxes**
Percent of current taxes collected to current taxes levied (as adjusted)	91.0%
Percent of current and delinquent taxes collected to current levied (as adjusted) and delinquent taxes outstanding at the beginning of the year (as adjusted)	86.5%

Brookshire Municipal Water District

TSI-5

GENERAL LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS

August 31, 2025

	All Series			Series 2013		
Year	Principal	Interest	Total	Principal	Interest	Total
2026	$ 110,000	$ 29,397	$ 139,397	$ 35,000	$ 20,260	$ 55,260
2027	110,000	28,024	138,024	35,000	19,000	54,000
2028	115,000	26,489	141,489	40,000	17,600	57,600
2029	115,000	24,724	139,724	40,000	16,000	56,000
2030	120,000	22,937	142,937	45,000	14,400	59,400
2031	120,000	20,912	140,912	45,000	12,600	57,600
2032	125,000	18,869	143,869	50,000	10,800	60,800
2033	130,000	16,604	146,604	50,000	8,800	58,800
2034	135,000	14,285	149,285	55,000	6,800	61,800
2035	135,000	11,743	146,743	55,000	4,600	59,600
2036	140,000	9,183	149,183	60,000	2,400	62,400
2037	80,000	6,405	86,405			
2038	80,000	6,009	86,009			
2039	85,000	5,595	90,595			
2040	90,000	5,115	95,115			
2041	90,000	4,615	94,615			
2042	90,000	4,100	94,100			
2043	90,000	3,570	93,570			
2044	90,000	3,025	93,025			
2045	95,000	2,475	97,475			
2046	95,000	1,865	96,865			
2047	95,000	1,249	96,249			
2048	95,000	627	95,627			
	$ 2,430,000	$ 267,817	$ 2,697,817	$ 510,000	$ 133,260	$ 643,260

	Series 2019A			Series 2019B		
	Principal	Interest	Total	Principal	Interest	Total
2026	$ 35,000	$	$ 35,000	$ 40,000	$ 9,137	$ 49,137
2027	35,000		35,000	40,000	9,024	49,024
2028	35,000		35,000	40,000	8,889	48,889
2029	35,000		35,000	40,000	8,724	48,724
2030	35,000		35,000	40,000	8,537	48,537
2031	35,000		35,000	40,000	8,312	48,312
2032	35,000		35,000	40,000	8,069	48,069
2033	35,000		35,000	45,000	7,804	52,804
2034	35,000		35,000	45,000	7,485	52,485
2035	35,000		35,000	45,000	7,143	52,143
2036	35,000		35,000	45,000	6,783	51,783
2037	35,000		35,000	45,000	6,405	51,405
2038	35,000		35,000	45,000	6,009	51,009
2039	35,000		35,000	50,000	5,595	55,595
2040	40,000		40,000	50,000	5,115	55,115
2041	40,000		40,000	50,000	4,615	54,615
2042	40,000		40,000	50,000	4,100	54,100
2043	40,000		40,000	50,000	3,570	53,570
2044	40,000		40,000	50,000	3,025	53,025
2045	40,000		40,000	55,000	2,475	57,475
2046	40,000		40,000	55,000	1,865	56,865
2047	40,000		40,000	55,000	1,249	56,249
2048	40,000		40,000	55,000	627	55,627
	$ 850,000	$	$ 850,000	$ 1,070,000	$ 134,557	$ 1,204,557

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Brookshire Municipal Water District

TSI-6

ANALYSIS OF CHANGES IN GENERAL LONG-TERM DEBT

August 31, 2025

	Bond Issue			
	2013	2019A	2019B	Total
Interest rate	1.7-3.6%		.06-1.14%	
Dates interest payable	2/1;8/1	2/1;8/1	2/1;8/1	
Maturity dates	8/1/14- 8/1/36	8/1/20- 8/1/48	8/1/21- 8/1/48	
Bonds payable at beginning of year	$ 545,000	$ 885,000	$ 1,110,000	$ 2,540,000
Bonds sold				
Bonds refunded				
Principal retirements	(35,000)	(35,000)	(40,000)	(110,000)
Bonds Payable at End of Year	$ 510,000	$ 850,000	$ 1,070,000	$ 2,430,000
Interest Retirements	$ 21,468	$	$ 9,217	$ 30,685

Paying Agent/Registrar

2013	Bank of Texas
2019A and 2019B	Zion Bank

Bond Authority	Defined Area No. 1 Tax Bonds	Tax Bonds
Amount authorized		
Water, sanitary sewer, drainage and storm sewer	$ 30,000,000	$ 32,000,000
Parks and recreation	8,000,000	
Amount issued		
Remaining	$ 38,000,000	$ 32,000,000

Debt Service Fund Cash and Temporary	$ 348,739
Average Annual Debt Service Payment for Remaining Term of all Debt	$ 117,296

Brookshire Municipal Water District

COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL AND DEBT SERVICE FUNDS

Last Five Fiscal Years

	Amounts				
	2025	2024	2023	2022	2021
General Fund Revenues					
Water and sewer service	$ 3,148,118	$ 2,958,509	$ 2,354,571	$ 1,939,872	$ 1,657,365
Tap connections, penalties interest and other	260,576	507,165	331,187	424,171	584,420
Total Revenues	3,408,694	3,465,674	2,685,758	2,364,043	2,241,785
General Fund Expenditures					
Current	3,192,081	2,983,544	2,443,749	2,374,389	2,624,836
Capital outlay	51,500	69,770			
Total Expenditures	3,243,581	3,053,314	2,443,749	2,374,389	2,624,836
Revenues Over (Under) Expenditures	$ 165,113	$ 412,360	$ 242,009	$ (10,346)	$ (383,051)

	2025	2024	2023	2022	2021
Debt Service Fund Revenues					
Prop. taxes and penalties	$ 106,373	$ 49,888	$ 53,030	$ 55,218	$ 60,116
Interest	795	589	365	68	10
Total Revenues	107,168	50,477	53,395	55,286	60,126
Debt Service Fund Expenditures					
Tax collection	38,196	23,236	800	800	1,110
Debt service	56,718	52,473	53,432	54,362	50,112
Total Expenditures	94,914	75,709	54,232	55,162	51,222
Revenues Over (Under) Expenditures	$ 12,254	$ (25,232)	$ (837)	$ 124	$ 8,904

Percent of Total Fund Revenues				
2025	**2024**	**2023**	**2022**	**2021**
92.4 %	85.4 %	87.7 %	82.1 %	73.9 %
7.6	14.6	12.3	17.9	26.1
100.0	100.0	100.0	100.0	100.0
93.6	86.1	91.0	100.4	117.1
1.5	2.0			
95.1	88.1	91.0	100.4	117.1
4.9 %	11.9 %	9.0 %	(0.4) %	(17.1) %
99.3 %	98.8 %	99.3 %	99.9 %	100.0 %
0.7	1.2	0.7	0.1	
100.0	100.0	100.0	100.0	100.0
35.6	46.0	1.5	1.4	1.8
52.9	104.0	100.1	98.3	83.3
88.5	150.0	101.6	99.7	85.1
11.5 %	(50.0) %	(1.6) %	0.3 %	14.9 %

Brookshire Municipal Water District

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

August 31, 2025

District's Mailing Address:	P.O. Box 1850 Brookshire, Texas 77423
District's Business Telephone Number:	(281) 375-5010

Submission Date of the most recent District Registration From
(TWC Section 36.054 and 49.054): 8/21/2024

Name and Address	Term	Fees	Expenses	Title	Resident of District?
Board Members					
Stephanie Green	5/22-5/26	$ 7,200	$ 1,471	President	yes
LaKethia Connor	11/24-5/28	7,200	1,121	Vice President	yes
NaKeshia Barley	11/24-5/28	3,757	574	Assistant Secretary	yes
Shirley Williams	11/24-5/28	7,200		Investment Officer	yes
Erin Jackson	5/22-5/26	7,200	571	Secretary	yes

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

Name and Address	Term or Date Hire	Salaries and Fees	Title	Resident of District?
Key Administrative Personnel				
Tonya Pierre	6/06	$ 79,644	General Manager	No
Consultants				
Radcliffe Adams Barner, PLLC 3355 West Alabama, Suite 350 Houston, Texas 77019	8/06	103,605	Attorney	No
Municipal Operations & Consulting, Inc. 1825 N. Mason Road Katy, Texas 77449	7/10	796,311	Operating Services	No
Knox Cox & Co. 5410 Highway 90A, Suite 150 Sugar Land, Texas 77478	8/16	15,750	Auditor	No
Weishuhn Engineeering, Inc. 1008 Live Oak Street Columbus, Texas 78934	9/74	162,656	Engineer	No
Protocol Bookkeeping, Inc. 1506 Whispering Pines Houston, Texas 77055	8/16	23,973	Bookkeeper	No
Assessments of the Southwest, Inc P.O. Box 1368 Friendswood, Texas 77549	10/23	31,071	Tax Assessor	No

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APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

(To be included in the Final Official Statement, if applicable)